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PROCEEDINGS AND DEBATES OF THE 105th CONGRESS, FIRST SESSION

HOUSE OF REPRESENTATIVES—*Tuesday, June 24, 1997*

The House met at 9 a.m.

MORNING HOUR DEBATES

The SPEAKER. Pursuant to the order of the House of January 21, 1997, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 30 minutes, and each Member except the majority and minority leader limited to not to exceed 5 minutes.

The Chair recognizes the gentleman from Michigan [Mr. BONIOR] for 5 minutes.

UNFAIR LABOR PRACTICES CHARGE UPHELD BY FEDERAL COURT

Mr. BONIOR. Mr. Speaker, I want to show a headline in the Detroit Sunday Journal. It says, "Guilty, Judge Rules Paper Calls Strike. Ten Unfair Labor Practices Charge Upheld."

For almost 2 years now, over 2,000 families in Detroit have been on strike or have been locked out by the two largest newspaper chains in the country, the Detroit News and the Detroit Free Press, represented by Gannett and Knight-Ridder, 2,500 families, not able to support their families, feed their families, live a normal life. This strike has torn apart our community.

But it is the community that came together over this period of time culminating in the verdict that was handed down by this Federal judge that said that these two large national corporations, Knight-Ridder and Gannett, violated, violated and were guilty of breaking the law and unfair labor practices.

What was the response to that? Well, the response, Mr. Speaker, was that last weekend Action Motown put together a teach-in at Wayne State University that was packed, overflowing crowds. The next morning we went out and we protested at the homes of the CEO's who lived in Grosse Pointe. We protested at the police station in Sterling Heights, MI, where those police officers engaged in brutality against the workers who were striking at the plant.

Then, Mr. Speaker, after these actions, over 100,000 people, we expected 50,000, but over 100,000 came out and marched in the streets of Detroit culminating in a rally in downtown Detroit where speakers from all over and workers from all over the country came. They came from Hawaii; farm workers came from California; steelworkers came from Pennsylvania; teachers came from New York, standing together in solidarity with their brothers and sisters who are trying to give their children the hope and the dignity of being afforded the opportunity to be represented in this society.

We are losing our economic democracy, if we indeed have ever had it in this country. Little by little, benefits for people are being chipped away. They are being taken away in terms of health benefits. Mr. Speaker, 3,500 kids a day in America lose their health insurance because these types of corporations, the transnationals, the multinationals, the big corporations, are dropping health insurance. They are losing their pension benefits. Wages for 80 percent of our people in this country have been frozen for about the last 20 years. The top 20 percent are doing well, but the rest are lagging behind.

So, Mr. Speaker, we said in this march and in this rally that we are coming together. It is happening all over the country. It is an untold story out there that people are organizing, whether it is in California with the strawberry workers or the poultry workers in North Carolina. Mr. Speaker, whether it is textile workers in the South or manufacturing workers or steelworkers in West Virginia or Ohio, or those at Caterpillar in Decatur and in western Illinois, people are coming together to recognize what is happening in this economy. Those in the top are doing very, very well, but the other 80 percent of America is struggling.

So, I want to commend those who put on Action Motown, those who came together to organize on behalf of their brothers and sisters. They made a difference. They made a big difference. The Free Press' and the News' circulation has dropped by more than 50 percent since the strike began. Since the strike began, it has dropped more than 50 percent. They have lost over a half a billion dollars.

When people act in unison, they have power. What we have to do is empower the people, the workers. They have a voice and they should be heard and they were heard this past weekend.

So, I want to say to the Tom Bray's and the Joe Stroud's and the Jaske's and the Vega's and the Giles's and all the top executives at Knight-Ridder and Gannett: Obey the law, obey the law; you have been found guilty. Put those people back to work so they can take care of their families so we can bind the wounds in our community.

Mr. Speaker, this is not me speaking; these were community leaders that were there. There were religious leaders there. There were labor leaders there. There were people who want to bind the wounds in our community. Obey the law. They were proven guilty. They should obey the law and put these people back to work.

TRIBUTE TO IDAHO NATIONAL GUARDSMEN KILLED OR INJURED IN FLOOD RELIEF EFFORTS

The SPEAKER pro tempore (Mr. COLLINS). Under the Speaker's announced policy of January 21, 1997, the gentleman from Idaho [Mr. CRAPO] is recognized during morning hour debates for 3 minutes.

Mr. CRAPO. Mr. Speaker, in recent weeks, Idahoans have banded together to save homes and neighborhoods and communities from encroaching flood waters. We face what is literally the flood of the century and maybe the flood of the last 200 or 300 years.

But, Mr. Speaker, I am saddened to report that last week during the assistance efforts, two Idaho Air National

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Guardsmen were killed and one seriously injured when the helicopter they were in crashed. Maj. Don Baxter and 1st Lt. Will Neal were killed when the helicopter they were in went down. CWO Shelby Wuthrich survived the crash and was pulled from the wreckage by a local citizen, Sherry Lang.

Major Baxter had just taken command of the Idaho National Guard operations to assist in the flooded areas. His brother tells me that Don died doing what he loved most, flying and serving other people.

Will Neal also was an exemplary guardsman and was enthusiastic about assisting others in trouble. I was able to visit with Shelby in the hospital this last weekend, and the doctors are still determining the extent of his injuries and rehabilitative efforts; but he has a tremendous will and spirit, one that will help him to come to resolution with this tragedy.

I also want to commend all the others who responded to the crash site. Their quick response is a strong testament to the community's spirit.

The thoughts and prayers of all Idahoans are with the families of these three men. They were performing a great service, working for the good of the community and helping others in trouble when this tragedy occurred. I know that all the Members of the U.S. House of Representatives will join me in sending their prayers and in keeping their thoughts and prayers focused on these men and sending our condolences to the Baxter, Neal, and Wuthrich families. Truly, this is the kind of rugged individualism, the kind of integrity and character that Idahoans and Americans exemplify when facing disaster threats.

AMERICANS FAVOR TAX RELIEF FOR MIDDLE CLASS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from California [Mr. MILLER] is recognized during morning hour debates for 3 minutes.

Mr. MILLER of California. Mr. Speaker, later this week, this Congress will make a choice about the future of America. As we debate the tax bill, we will have to make a choice between the Republican plan that assumes that the rich do not have enough money and that working families have too much, or we can choose the Democratic plan that believes what we ought to do with the tax cuts is try to help working families educate their children, take care of their children, provide for child care, and reinvest in America. Those are the two visions: The Republican plan that will give people who earn more than $250,000 an average benefit of $27,000 and will cost people that are earning $17,000, $18,000, and $20,000 real money.

That is the difference in a vision of America. To take people who now have done very well in the stock market and decide that, when they had no expectations of capital gains, we should provide them a reduction on the profits that they make, while we should not provide tax relief to low-income working Americans.

That is the choice and a vision of America. We have got to decide whether or not we are going to use the resources that we have saved as a result of the balanced budget efforts that we have made over the last 5 years, whether or not those should be shared with working families in this country, or whether or not they ought to be lavished on the rich who simply do not need it. It is a matter of how we use those resources and how we promote families.

We clearly know in this Congress what the American people want. They have said it over and over again in the polls that they want us to use the resources of the country to improve the educational opportunities for their children, to reduce crime, to protect the Medicare benefits for the elderly, and to balance the Federal budget. But that is not the choice that the Republicans are taking this week.

In fact, what they are doing is racing to pay back those who have supported their campaigns by lavishing reductions in capital gains tax, estate tax and getting rid of the corporate alternative minimum tax which says that for those large corporations that have huge write-offs, even they must pay something for the privilege of being in America. Then we will go back to the days when corporations pay no taxes no matter how much money they make. That is not equity. That is not fairness. That is the not the choice of the American people.

Mr. Speaker, we need to provide more equity, we need to provide more fairness. The No. 1 thing that the Americans demand of their Tax Code is fairness so that we know that everybody is contributing their fair share to making this the greatest country in the world. But that is not what the Republican tax bill does. The Republican tax bill heads off in another direction. It decides that those who are the wealthiest, those who are the richest should get the most, and those who are working hard, young families to raise children, should get the least. Somehow that just is not fair.

TAX CUTS SHOULD GO TO MIDDLE CLASS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentlewoman from Michigan [Ms. STABENOW] is recognized during morning hour debates for 3 minutes.

Ms. STABENOW. Mr. Speaker, I rise also to strongly support the middle-class working families of my district in Michigan getting a tax cut at the end of this week. When all is said and done and we have debated fully the question of who should receive tax relief this week, my vote will be with the middle-class working families in my district.

Mr. Speaker, I am very pleased as a new Member from Michigan to have been a part of this historic balanced budget agreement, and in that agreement we carved out a net $85 billion to be given in tax relief. The question now before us is where that goes. While we came together in a bipartisan way on the issue of balancing the budget, we now see great philosophical differences as to where to put tax relief. This is where the big split in terms of vision between the parties comes.

The Republicans voted a bill out of committee that targets the relief, the majority of the relief, to those receiving more than $250,000 a year with the outdated notion that, if you give to the wealthy, it will trickle down to all of us. That happened in the 1980's and did not work.

The policies of the 1990's under President Clinton have been to focus dollars directly into the pockets of middle-class workers and those who are working hard to get into the middle class, and I truly believe that is how we provide economic stimulus in the country and that is how we make sure that those who need tax relief receive it.

Mr. Speaker, the people in my district would like some tax relief help in sending their children to college. They want to make sure once they are there, they are not penalized; that they can protect the equity in their home and, if they sell it, they will not be taxed. They are concerned about child care for their children, that they receive some help for child care; that if they have a small business that they have worked all their life for, that the capital gains relief will be targeted to small businesses; and, if they pass away, that the estate tax relief will be targeted to small businesses, family-owned businesses and family-owned farms.

Mr. Speaker, I want very much to take that tax relief and put it directly in the pockets of people who are working hard to care for their families, working hard for a good quality of life and people who have worked hard all of their lives to contribute to create jobs in the community and to contribute to a business or a family-owned farm. That is the way we will keep this economy in America going. If we do not have a strong middle class, we will not have a strong economy.

The people in my district are tired of seeing the majority of tax breaks go to those at the top. People working hard every day deserve tax relief, and I am going to be fighting all this week to help make sure that they are the ones that receive it.

DEFICIT REDUCTION

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from Michigan [Mr. STUPAK] is recognized during morning hour debates for 3 minutes.

Mr. STUPAK. Mr. Speaker, when I first got here back in 1993, it was August of 1993, the Democratic President and the Democratic House put forth a deficit reduction plan. At that time we did not receive any votes from our friends on the other side of the aisle. We received no Republican votes.

Mr. Speaker, that deficit reduction plan that we passed in 1993 has worked. The deficit of this country was 290-some billion dollars. We are now down to $67 billion. We are on the verge of finally balancing this budget. Many of us feel, since we are so close to balancing this budget, that there should be no tax breaks until we actually balance the budget. Unfortunately, because of agreements made, we are going to have a balanced balance agreement, at least we have a blueprint, and now we can see the problems developing in that blueprint. Now we have two tax bills. One would give huge breaks to the wealthiest 5 percent of this country while working families struggle to make ends meet.

Mr. Speaker, underneath this 5-year balanced budget plan we have one bill for entitlement reform and one bill for tax breaks. But if we are going to give tax breaks, they must be limited, they must be targeted, and they must benefit families. Unfortunately, the GOP tax plan benefits the wealthiest 5 percent of this country. By that I mean those people who make more than $250,000 a year.

On Monday, Mr. Speaker, the New York Times warned that the GOP plan would, and I quote, "Shower tax cuts on the Nation's wealthiest families." But as conservative political commentator Kevin Phillips, who worked in the Reagan White House, warned last week, he said that the Republicans are determined, quote, "to slash the capital gains tax, the estate tax, the corporate alternative minimum tax, and some other provisions important to those people who write campaign checks." He said that on the Morning Edition of National Public Radio on June 19.

Last Sunday, this past Sunday, President Clinton urged Republicans instead to work with Democrats and pass a tax bill that, quote, "meets the real needs of middle-class families providing help for education, for child rearing, and for buying and selling a home. That is the kind of targeted tax relief we should have."

Unfortunately, Mr. Speaker, the Republican tax bill has and will have a devastating impact on working families. This week we are probably going to have this debate even more on the House floor. This week the Center for Budget and Policy Priorities finds that the combined GOP tax bill and budget bill gives a $27,000 a year annual windfall to the top 1 percent of this country. The top 1 percent gets a $27,000 windfall, and the bottom 20 percent of American families will lose, will lose, Mr. Speaker, $63 under the Republican tax plan.

TAX FAIRNESS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from Massachusetts [Mr. OLVER] is recognized during morning hour debates for 3 minutes.

Mr. OLVER. Mr. Speaker, in the next few days we are going to learn something about tax fairness here in America. We are going to learn something about the heart and soul of the two major political parties, my party, the Democratic Party, and the other party, the Republican Party. We are going to learn who each of those parties defends and who each of those parties serves and who each of those parties is willing to fight for.

Mr. Speaker, almost 2 months ago, the President and the budget leadership from the two major parties reached agreement on a balanced budget by the year 2002, and they agreed on a tax cut, to boot, in that process. Now there is a lot of disagreement as to exactly who is supposed to get that tax cut, but the amount of the tax cut is agreed upon by both parties over a 5-year period and a 10-year period.

Let me put that at family level. There are roughly 100 million families in America, and the agreement calls for roughly $100 billion of tax cut over 5 years. That is roughly $1,000 per family.

Now, the Democratic Party and the Republican Party have different plans for how that tax cut is supposed to be given to the American people, and I want to compare the Republican plan with the Democratic plan by treating 20 families, just 20 families across the income scales, from the lowest income level to the highest income level, where under the agreed plan there is roughly $2,000 to be distributed to 20 families.

Mr. Speaker, in the Republican plan, the highest income single family among those 20 families, out of the $20,000 that is to be distributed, would get about $8,000 out of that. And if we add the next three families to it, so we have the four highest income families out of the 20 spread across the whole spectrum of American life, they would get almost two-thirds of the tax reduction. Four families out of 20, 20 percent of the families, would get two-thirds of all of the tax reduction.

In the Democratic plan those same four families would get $6,000 among those four families, or about 30 percent of the tax reduction. At the other end of the scale, the eight families at the lower end of the income brackets, which represent 40 percent of all Americans, they would get zero out of the Republican tax reduction plan. In the Democratic tax reduction plan, they would get almost 25 percent of the tax reduction.

TAX BREAKS FOR THE WEALTHY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from New Jersey [Mr. PALLONE] is recognized during morning hour debates for 3 minutes.

Mr. PALLONE. Mr. Speaker, sometimes a cartoon says it all, and over the weekend a cartoon appeared in the Home News and Tribune and the Asbury Park Press in New Jersey and its message was right on target. It shows two characters from the TV show "The Simpsons" both reading the newspaper with the headline, "GOP Tax Plan"; but Mr. Burns, as a representative of the rich, says, "Excellent," while Homer Simpson, as the symbol for the middle class, can only respond by saying "Duh."

This really sums up the way the American people will react to the tax bill being pushed by our Republican colleagues. If taxpayers happen to be wealthy, if they are somebody who does not have to worry too much about making ends meet or paying for their kids's education, then this plan is for them. If, on the other hand, they are part of the vast majority of the American people in the middle class or the lower end of the income scale and they could use a little help, well, under the GOP plan they are just out of luck.

Another generalistic analysis appeared in yesterday's New York Times under the headline "Study Shows Tax Proposal Would Benefit the Wealthy," with the subhead, "Wider gap is seen between rich and poor." The Times reports that the 5 million wealthiest families in our country would gain thousands of dollars, while the 40 million families with the lowest incomes would actually lose money, with the effect of widening the already growing gap between the richest and the poorest families as a result of the Republican tax plan.

The Times article cites a study that was conducted by the Center on Budget and Policy Priorities of the tax plan approved by the Republicans last month in the House Committee on Ways and Means. And although the Committee on Ways and Means' Republican staff disputes the Center's study, the Republican staff calculations conveniently cover only the first 5 years before the big tax breaks for the wealthy start to kick in well into the next century.

The rapid growth of these provisions favoring the wealthy, phased in later to hide their true extent, indicates that the revenue cost for this Republican tax scheme will explode in the outyears threatening not only the balanced budget that the Republicans claim to support, but also threatening vulnerable programs such as Medicare and Medicaid.

Mr. Speaker, I have to say that far more outrageous than these tax breaks for the wealthy is what the Republican tax plan does to the least affluent working families, those struggling just to get in or stay in the middle class. The Republican bill denies a $500 child tax credit to more than 15 million working families because it does not let them count the credit against their payroll taxes. Those are the taxes that are deducted from a worker's paycheck.

Some of our Republican colleagues have claimed that working families who qualify for the earned income tax credit are welfare recipients and, Mr. Speaker, this is an outrage. The people who qualify for the earned income tax credit are working people, as the words "earned income" attest.

No less a conservative than Ronald Reagan himself praised the EITC as a great incentive for helping people make the transition from welfare to work. And I have to say, Mr. Speaker, this week we are trying to illustrate, as Democrats, in human terms the implications of the Republican tax scheme.

I have in New Jersey a woman named Debra Hammarstrom, a resident of Toms River, NJ. She is the divorced mother of two children. I am going to continue this later, Mr. Speaker, because I am very opposed to this tax plan.

HOW RELIABLE IS THE CONSUMER PRICE INDEX?

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from Florida [Mr. STEARNS] is recognized during morning hour debates for 5 minutes.

Mr. STEARNS. Mr. Speaker, I rise today to talk about something that has received a great deal of attention today, and that is the consumer price index, or CPI. Basically, what I am doing today is calling for a hearing here in Congress so that we may better understand it.

The CPI is known to most Americans as the most notable measure of inflation. A number of Federal Government programs are regularly adjusted to account for changes in the CPI, including the Social Security, veterans' benefits, Federal retirements, and the income tax rate schedule. The CPI is also employed in the private sector as a price or lease escalator.

Unfortunately, the CPI, which has so many important consequences for all Americans, is also greatly misunderstood. Most Americans do not know what the CPI stands for, much less how it is calculated and what its consequences are.

As a matter of brief instruction, the CPI is a Bureau of Labor Statistics measure of inflation. Established by the BLS in 1913, the CPI is based on a number of sample surveys. The surveys estimate the purchasing power and patterns of typical households, the shopping patterns, the prices on goods and services purchased by these households. In short, it is a Labor Department check on 71,000 different items at 22,000 different retail outlets.

Because of its enormous base and its political neutrality, the CPI has always been considered reliable. As a result, the CPI permeates every aspect of our daily lives and is embedded in nearly every essential Federal budgetary matter. It is estimated that changes in the CPI affect the incomes of over 70 million Americans.

Mr. Speaker, given this far-reaching effect, consensus over the accuracy of the CPI results in inevitable turmoil. All of a sudden Americans are either richer or poorer, benefits are either overstated or understated, income taxes are maladjusted, the poverty line is incorrect, and on and on and on.

Such a scenario is not only confusing but troubling. Unfortunately, such is the current climate. Last year the celebrated Boskin Advisory Commission issued a Senate-ordered report that estimated the CPI overestimates inflation by 1.1 percent per year. Instantly, Americans are wealthier, taxes are too low, the economy has been growing faster than we thought, and the budgetary world is just a little bit rosier.

Or is it, Mr. Speaker?

Certainly, the CPI is not perfect. How can the commission measure inflation without an error? The answer is simple. They cannot. It is generally understood that the CPI is not perfect, that it does, in fact, overstate inflation to some degree. Nevertheless, it is foolish to assume that the error is fixed at 1.1 percent. Probably it is much lower some years; much higher in other years.

The CPI is a complex measure of the real rate of inflation. As such, it is not an accurate cost-of-living measure. Put simply, the CPI is not subjective, while the cost or benefit of living is.

Economists cannot put a price or a cost on quality-of-life issues. For example, it is obvious that medical care is more expensive than it was 30 years ago, but it is also better. Diseases are better understood and easier to diagnose. Surgery is less dangerous and we simply live longer and healthier lives. So while the costs may have increased, so did the benefits or goods.

In simple terms many of the goods, although the same in theory, are truly quite different; a comparison of apples to oranges.

This is just one of a number of apparent blind spots on the CPI, blind spots that are recognized by everyone including the Boskin Commission. So while the Boskin report certainly recognizes deficiencies of the CPI, it also notes the folly in attempting to put an exact figure in the change in the cost and quality of living. Those who point to the report as evidence of a need to adjust the CPI are quick to point to the CPI's admitted deficiencies, but are slow to point out that the discrepancy is inherently subjective and impossible to calculate.

Lawrence Katz, a Harvard University economist and the former top economist at the Labor Department, warns against quick adjustments in either direction. He warns that it is "logically inconceivable" that the bias has been a consistent 1.1 percent for an extended period of time. In other words, inflation and the standard of living are going up but not at the same rate and not even at the same pace.

To say the least, we should be very careful about what we are doing. It would be far better for our country if we were to return the debate surrounding CPI revision to the economists and to the universities where it belongs. Congress should instead address the real problems that face our Nation by balancing the budget and paying off the national debt.

Nevertheless, Mr. Speaker, I urge my colleagues to consider and to study the CPI in great depth and, Mr. Speaker, I call for a hearing here in Congress so that the American people can better understand the experts.

WHO BENEFITS FROM THESE TAX CUTS?

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentlewoman from Connecticut [Ms. DELAURO] is recognized during morning hour debates for 5 minutes.

Ms. DELAURO. Mr. Speaker, this is an important week in the House of Representatives. There is going to be a discussion and a debate and a vote on a tax cut. Democrats and Republicans are supporting tax cuts. I will repeat that. Democrats and Republicans are supporting tax cuts. The issue and the discussion and the debate will be about, from these tax cuts, who benefits? Who are the people in this country who are going to be the beneficiaries of this tax relief or these tax cuts?

In fact, Mr. Speaker, there is a difference between the Republican tax cut proposal and the Democratic tax cut proposal. The Republican tax proposal hurts working, middle-class families. That is the truth, plain and simple. While my colleague on the other side of the aisle will stand in the well of this House and say otherwise, it is not, in fact, the truth.

Here are the facts about the Republican tax proposal. Let me just mention recent, within the last couple of days, newspaper articles that talk about these tax proposals. Quote: Before Congress votes on anything, however, it should get its facts right. The Republicans present bogus, false, bogus, wrong tables suggesting that their tax package is fair. The tables stop before the cuts that favor the wealthy on capital gains, inheritance taxes, and retirement accounts take hold. The tables suggest that the middle-class reaps most of the benefits, but independent analysts say that about 50 percent of the cuts will go to the richest 5 percent of taxpayers.

Further newspaper account: The changes in Federal tax and benefit policies now working their way through Congress would eventually be worth thousands and thousands of dollars a year to the 5 million wealthiest families in America, while the 40 million families with the lowest incomes would actually lose money, a new study shows. The effect would be to widen the gap between the richest and the poorest families, a division that has been growing for the past 20 years.

Mr. Speaker, working and middle-class families are going to be given the short end of the stick from the Republican tax cut proposal. Two-wage-earner families who now have a child care tax credit, these folks are going to be penalized. These are two people in the work force who take advantage of a child care tax credit because they have to send their children for child care. They are going to be penalized by the Republican tax cut proposal.

The Republican bill hurts working families by denying minimum wage to those who are struggling to make the transition from welfare to work. Instead of being rewarded for work, people are going to be treated as second class citizens and not be paid the minimum wage. The Republican bill hurts students by providing $15 billion less for the education initiatives, for the HOPE scholarships, that were promised in the budget agreement. Middle-class working families are going to be hurt.

Mr. Speaker, who is benefiting from these tax cuts? Big business and the wealthy under the Republican tax proposal. It helps big business by scaling back something called the alternative minimum tax by $22 billion. This was a tax that was supposed to ensure that the largest corporations in this country pay at least some tax. But now the Republicans want to scale it back and phase it out completely for some businesses. That means that some businesses would have a zero tax obligation.

Further, over half of the benefits, as I have said, go to the top 5 percent of America. These are the facts. Again, Mr. Speaker, do not take my word. Republican pundit Kevin Phillips, a conservative political commentator, has said, "Republicans are determined to slash the capital gains tax, the estate tax, the corporate alternative minimum tax and some other provisions important to the people who write the campaign checks." Mr. Speaker, it clearly identifies who they want to help.

The Democratic package is focused on middle-class families. It provides the majority of its benefits to families who are making less than $100,000 a year. It also includes $37 billion for tax credits to help students to pay for college. It provides relief to small businesses, homeowners, and farmers in the form of targeted capital gains and estate tax cuts. Finally, the bill does not allow for the explosion of the deficit in later years.

Mr. Speaker, in this budget debate, it is clear whose side the Republicans are on: big business and the wealthy. In fact, it is the Democrats who can say and stand with pride and talk about how we are trying to provide tax relief for those people, working middle-class American families, who every single day are getting up and going to work and paying taxes and therefore need to have tax relief so that they can afford to raise their kids, educate them, pay for their health care, and help to pay for their retirement security.

RECESS

The SPEAKER pro tempore. There being no further requests for morning hour debates, pursuant to clause 12, rule I, the House will stand in recess until 10 a.m.

Accordingly (at 9 o'clock and 37 minutes a.m.) the House stood in recess until 10 a.m.

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AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore [Mr. RADANOVICH] at 10 a.m.

PRAYER

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

Help us, O God, to experience anew the gift of Your blessing so that each hour becomes an hour of grace and each day becomes a day when our spirits are refreshed. Enable us, O gracious God, to put aside the burdens and difficulties and errors that have held our spirits captive and free us to be good custodians of the resources of our land and be faithful guardians of the worth of every person. With gratefulness and with thanksgiving, we offer these words of prayer. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

Mr. HEFLEY. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Chair's approval of the Journal.

The SPEAKER pro tempore. The question is on the Chair's approval of the Journal.

The question was taken; and the Speaker pro tempore. announced that the ayes appeared to have it.

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

The SPEAKER pro tempore. Pursuant to clause 5 of rule I, further proceedings on this question are postponed.

The point of no quorum is considered withdrawn.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Ohio [Mr. TRAFICANT] come forward and lead the House in the Pledge of Allegiance.

Mr. TRAFICANT led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will entertain ten 1-minutes from each side of the aisle.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 1515

Mr. JACKSON of Illinois. Mr. Speaker, I ask unanimous consent to remove my name as a cosponsor of H.R. 1515, the Expansion of Portability and Health Insurance Coverage Act of 1997.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

CHINA MFN

(Mr. GIBBONS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GIBBONS. Mr. Speaker, I rise this morning to urge my colleagues to join me in support of House Joint Resolution 79, to disapprove the extension of most-favored-nation status to China.

The Chinese have enjoyed most-favored-nation status for more than 17

years, yet they continue to turn a blind eye to unspeakable human rights violations; they continue to proliferate weapons of mass destruction to countries such as Pakistan and Iran and other countries which support terrorism. They continue to blatantly violate our existing trade agreements. Still, there are those who would argue that the way to solve these problems is to extend MFN status and to maintain the status quo.

Mr. Speaker, we have tried leading by example and the Chinese Government has made it abundantly clear that they are not willing to change. Mr. Speaker, Americans should not be forced to accept the cavalier conduct of the People's Republic of China. I rise to urge my colleagues to vote yes on House Joint Resolution 79.

ALS RESEARCH

(Mr. CAPPS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CAPPS. Mr. Speaker, yesterday, along with my colleague, the gentleman from New York [Mr. GILMAN], I introduced a bill to help persons suffering with ALS, or as it is more commonly known, Lou Gehrig's disease.

ALS is a progressive disease that currently afflicts 30,000 Americans each year. Our bipartisan bill will make Medicare more accessible to them, covering drugs to treat ALS symptoms. The bill will also double Federal funding for research.

The terrible nature of ALS was brought home to me recently through a very close friend of mine, Tom Rogers of Santa Barbara, CA, who is courageously fighting this disease. Tom was an inspiration to me well before this ever happened, but he is an able and compelling legislator whose heroism during this time has been an inspiration to our entire community.

It is to my good friend Tom Rogers and others suffering with ALS across the country that the gentleman from New York [Mr. GILMAN] and I dedicate this effort. Mr. Speaker, I ask my colleagues to support this critically important legislation.

IN SUPPORT OF THE BUDGET RECONCILIATION PACKAGE

(Mr. BLILEY asked and was given permission to address the House for 1 minute.)

Mr. BLILEY. Mr. Speaker, I rise today to speak in favor of both the balanced budget and tax cuts. In other words, I am here to speak in favor of the reconciliation package which we will be considering later this week.

Before Republicans took control of Congress, it was thought impossible to both balance the budget and cut taxes. However, this week we will begin to consider the excellent tax bill of the gentleman from Texas, Chairman ARCHER, which accomplishes both objectives. This bill provides for a $400-per-child tax credit next year which will increase to $500 per child in 1999.

My colleagues remember this $500-per-child tax credit, do they not? It is the same tax cut that President Clinton campaigned on in 1992 just before he passed, without one Republican vote, the largest tax increase in American history. It is also the same tax cut which Republicans campaigned on in the Contract With America in 1994. However, unlike the President, we made good on our promises. We made good last year, when the President vetoed the first balanced budget in more than 25 years and we are making good on this promise this week when the House votes on the spending reconciliation bill.

TAX CUTS SHOULD TARGET WORKING FAMILIES

(Mr. MCGOVERN asked and was given permission to address the House for 1 minute.)

Mr. MCGOVERN. Mr. Speaker, this week Congress will be voting on two very different tax proposals, a Republican bill and a Democratic bill. As we debate the substance of these bills, we must answer a very simple question: Who benefits?

The Republican tax bill directs nearly 60 percent of its benefits to the top 5 percent of all taxpayers, those with an average income of $250,000. At the same time, the GOP bill eliminates the minimum tax that corporations are required to pay, denies the per-child tax credit to 15 million working families, and skimps on tax relief for college students. The New York Times has noted that the Republican bill "barely eases the strain on middle-class families, while showering the rich with benefits."

I support the Democratic alternative tax cut. The Democratic tax cut targets nearly three-fourths of its benefits to middle-income working families, those with incomes less than $58,000 per year. Most important, it provides the full $1,500 education tax credit that President Clinton has requested.

Mr. Speaker, I urge my Republican colleagues to abandon their massive windfall for the wealthy, and to target tax cuts to the middle-income working families who deserve a break.

FIGURES PUBLISHED BY JOINT COMMITTEE ON TAXATION

(Mr. HUTCHINSON asked and was given permission to address the House for 1 minute.)

Mr. HUTCHINSON. Mr. Speaker, every time there is a tax cut proposal, Republicans stand up and explain that the tax cuts would mainly go to the middle class, while the liberals argue exactly the opposite, that the tax cuts go mainly to the rich. Who is right?

I will explain the arguments and let the American people decide. According to Republican figures and according to the figures published by the nonpartisan Joint Committee on Taxation, 76 percent of the tax cuts in the Republican tax cut proposal go to people earning less than $75,000. I will repeat that. Seventy-six percent of the tax cuts go to people earning less than $75,000 a year.

Now, it is important to look at the assumptions used in this calculation. If the household earns $75,000 a year, that should be scored as a household earning $75,000. But according to liberal thinking, and scoring using tricks and bogus numbers, a household only earning $45,000 a year is scored as earning $75,600 per year. That is imputed earnings that cooks the numbers. Now, you decide who is right.

IRS MICROMANAGING AMERICA'S UNDERWEAR

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, an IRS manager in Florida has imposed a new rule: No cotton clothing below the waist. One IRS agent said, "It is so hot down here, I am roasting my buns off." Unbelievable, the IRS is now micromanaging America's underwear. Think about it. Liens on leotards, the seizures of BVD's, foreclosures on pantyhose, on and on and on.

There is one good thing, Mr. Speaker: Now the IRS is finally getting a dose of their own medicine. How does it feel? How do they like losing their shorts, like the rest of us? Maybe now the IRS will realize that having your assets seized is not all it is cracked up to be, Congress.

In closing, I recommend the following therapeutic advice to the IRS: Take two aspirins and two trays of ice cubes down your jockey shorts and see what it is really like. You will have a better sleep and you will feel better in the morning.

LIBERAL DEMOCRATS, MEET SEINFELD

(Mr. HEFLEY asked and was given permission to address the House for 1 minute.)

Mr. HEFLEY. Mr. Speaker, can my colleagues imagine a conversation between George Kastanza and Jerry Seinfeld about tax cuts? The level of absurdity would compare to what I am hearing on the House floor today about trying to give a tax cut to those who do not pay any taxes.

Now, everyone familiar with Seinfeld knows that George can have a rather

warped view of reality at times and Jerry likes nothing better than to point out his distorted views. Can you just imagine out-of-work George, before he got hired by the Yankees, saying how he feels cheated because he is not getting a tax cut? Then Jerry would ask, "How could that be?" He would ask, "How much taxes do you currently pay?" And George would say, "Zero." And Jerry would say, "In other words, you pay no taxes but you want a tax cut." And George would say, "Exactly." And that is when Jerry would say, "Oh, boy."

And there we have it: Liberal Democrats, meet Jerry Seinfeld.

REPUBLICAN TAX PLAN BENEFITS WEALTHY

(Mr. MILLER of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MILLER of California. Mr. Speaker, I think the Republicans have finally discovered what their tax cut plan does and they are going through contortions this morning to try to explain it otherwise.

As the New York Times said yesterday, the study shows that the proposal would benefit the wealthy. Five million of America's wealthiest families would get most of the benefit, and 40 million working families would lose money at the end of the year or get little or no benefit.

These are families who wake up and go to work every morning and try to provide for their family and pay taxes. But under the Republican plan, they would not be entitled to share in the tax cut, they would not be entitled to share in the benefits of the struggle to balance the budget in this country.

Instead, what the Republican plan would do and what every study shows, it would take most of the money and give it to families who are earning over $250,000 a year, who would get $27,000 in benefits. In fact, they would get more benefits than the salary of the 40 million families at the lower end.

TAXPAYERS OF AMERICA WANT TAX RELIEF

(Mr. JONES asked and was given permission to address the House for 1 minute.)

Mr. JONES. Mr. Speaker, most Americans do not feel that they are getting good value for their tax dollar. If people felt that the Government used their tax dollar wisely, to benefit those that truly need the help, they would not resent paying their share of the taxes.

But when the Government takes more and more of our money each year and all we get in return are more failed programs, more Government waste, and more money that goes straight into the pockets of special interests, that is when the taxpayer feels cheated.

The liberals have forgotten that the average working family spends more on taxes than the same average working family spends on clothing, housing, and food combined. The taxpayers want to be sure that their hard-earned tax dollars are being spent wisely and that they are helping their fellow citizens, who truly need the help.

Mr. Speaker, the taxpayers of America deserve tax relief. It is time to give the taxpayers tax relief.

□ 1015

FICA TAXPAYERS SHOULD BE INCLUDED IN TAX RELIEF

(Mr. HOYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOYER. Mr. Speaker, I rise to talk about Jerry Seinfeld and George Kastanza and those people who do not pay taxes. The Republicans believe if you do not pay income taxes, you do not pay taxes. I ask 50 percent of the working Americans, hard-working Americans who only pay FICA, 7 percent off the top gross, "Do you pay taxes?"

Mr. Speaker, I have three daughters, two of whom are in that category. They pay taxes. That is what the President is talking about. That is what Democrats are talking about. Yes, they ought to be included in tax relief, because those hard-working Americans are earning just enough to stay above water, and they need help; not the folks who are making $75,000, $150,000, $275,000 and $500,000. But in addition to that, Mr. Speaker, watch out. Watch out. Because what this tax bill does is it starts to really hit in the seventh year in terms of undermining our ability to get the deficit under control. In the second 10 years, it explodes in terms of tax benefits for the wealthiest in America and the deficit will be paid by the poorest working Americans in America.

AMERICA NEEDS TAX RELIEF TO REMAIN LAND OF OPPORTUNITY

(Mr. TIAHRT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TIAHRT. Mr. Speaker, few issues are more closely linked to the idea of freedom than the issue of taxation. If America is to remain the land of opportunity, it can only be so if the people are free, free from a government that stands in the way of Americans pursuing their dreams. My family came to Kansas as immigrants in 1893. They arrived virtually penniless. But they knew that through hard work, the sky was the limit. They followed the Kansas motto, "Ad astra per aspera," to the stars through difficulty. Like others, they came to America to escape limits on their freedoms, whether religious, economic, or political, and they came to pursue their dreams.

But when a government takes more and more of the fruits of our labor, it becomes more and more difficult to pursue our dreams. The Government's power to tax Americans, to take away from our dreams, has grown too great. It is time to cut back on the Government's power. It is time to bring back the idea that America is the land of opportunity.

TAX CUTS FOR ALL AMERICANS

(Mr. GEJDENSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GEJDENSON. Mr. Speaker, the debate here is rather simple. The question is, as the elected representatives of the people of this country, is it our responsibility to make it easier for those who are walking into the showrooms where they sell Mercedes or people who are trying to buy a Ford Escort and send their kids to school?

If we listen to our friends in the majority party, the Republicans, they believe that we were sent here to cut taxes for the top 1 percent by tens of thousands of dollars. The estimates are in news reports that the top 1 percent will get a $27,000 tax cut while the bottom 20 percent will actually lose money on the proposal that came out of the Committee on Ways and Means.

Mr. Speaker, this country is the most productive, wealthiest country in the world because we have provided opportunity at all levels of our economy, not just continuously shifting the burden to the poorest working people in America. Tax cuts and making it easier for middle-class and working people are what this Congress ought to be about.

REJECT MFN FOR CHINA

(Ms. ROS-LEHTINEN asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. ROS-LEHTINEN. Mr. Speaker, I urge my colleagues to reject most-favored-nation trade status for China. An increasing volume of evidence signals that this policy of engagement has failed to create democratic changes in China, nor has it helped our own national interest.

While we blindly extend MFN to China, that Communist regime continues its aggressive foreign policy. China challenges all measures of civilized international behavior. It has sold chemical weapons and missiles to terrorist nations. Domestically, the Communist regime that rules China

continues to treat its citizens with ruthless brutality. Any type of religious events are brutally brought down by the regime. Catholic priests have been murdered; women are forced to have abortions.

Even President Clinton admits that the human rights situation has not improved despite assurances that engagement will improve the lives of the Chinese.

While China reaps the benefits from trade with the United States, we have a $40 billion trade deficit with Communist China with no evidence that it will decrease in the near future. Both Democrat and Republican administrations continue to stubbornly praise a one-way engagement by the United States. The United States can do much better.

COMPETING TAX CUT PROPOSALS

(Ms. DELAURO asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. DELAURO. Mr. Speaker, the Democratic tax cut program says to families who work and who pay taxes, "Yes, you are entitled to a tax cut, to a child tax cut." That is what we will provide for you. The Republican tax proposal says to the richest corporations of this country, "We will lower your tax obligation and in fact many of you will have a zero tax obligation." That is what the Republican tax proposal says.

Do not take my word for it. Listen to conservative political commentator Kevin Phillips:

"Republicans are determined to slash the capital gains tax, the estate tax, the corporate alternative minimum tax, and some other provisions important to the people who write the campaign checks."

Mr. Speaker, those are not my words but a conservative Republican political pundit who says those. In addition to that, tonight my Republican colleagues have scheduled a million-dollar fundraising dinner on the eve of the vote for their tax cut proposal. It makes perfect sense. Rich contributors will be able to thank the Republicans for crafting a program that helps them.

REPUBLICAN TAX PROPOSAL

(Mr. MICA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MICA. Mr. Speaker, we hear countless speeches today about taxes. We hear that the debate over taxes is about fairness, it is about special interests, about the struggles of the middle class, about the American dream, about compassion and about justice. Yes, this debate is about all those things. But from my way of looking at things, this debate is principally about freedom. It is not a difficult concept. It is not an idea that requires an advanced degree or lengthy training. It is simply this. If you let people keep more of their own money, they will have more freedom to live their lives as they see fit. Letting people keep more of what they earn will allow Americans to save, to build a better future for themselves and their families, and to realize the American dream. That is what the Republicans have proposed. No more, no less.

PASS TAX RELIEF BILL FOR TAXPAYERS

(Mr. WELDON of Florida asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WELDON of Florida. Mr. Speaker, I have heard of people with a poor sense of direction, but this is ridiculous. Apparently there are some people in Washington who cannot tell the difference between money that comes out of your pocket and to Washington, and money that comes from Washington and into your pocket.

Taxpayers send money to Washington. Washington sends money to people on welfare. In the first case, the direction of the money is out of your pocket. In the second case, the direction is into your pocket. A tax cut is when less money comes out of your pocket and goes to Washington. If no money is coming out of your pocket, you are not sending money to Washington, DC.

I almost feel I am in the middle of an idiot test. Taxpayers are never confused about the direction their tax money is going. Let us stop this nonsense about giving a tax cut to people who do not pay income tax. Let us pass the tax relief bill for American taxpayers.

SUPPORT A BILL TO PROTECT KIDS AGAINST TOBACCO USE

(Mr. BISHOP asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BISHOP. Mr. Speaker, today we will introduce a bill to protect our kids against tobacco use. It is called the Tobacco Use by Minors Deterrence Act and it will stop access by children to tobacco. It is a model law tying health funds for States to their efforts to keep tobacco away from our kids. It outlaws the sale to or possession by kids of tobacco products. It requires parental notification of violations by kids. It provides civil fines and loss of driver's license for kids who are caught. It provides loss of license to sell by retail outlets for repeated infractions. It requires training of employees, posting of notices, lock-out devices for vending machines. In short, it provides for a shared responsibility by kids, families, law enforcement, and retailers to protect the health, safety, and welfare of our kids against tobacco use while protecting the right of informed adults to make a choice.

Mr. Speaker, I urge my colleagues to consider supporting this. It is a win-win situation. It protects our kids against tobacco but at the same time it protects a legal product with adult choice.

TIME TO CELEBRATE FIRST TAX CUT IN 16 YEARS

(Mr. SMITH of Michigan asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SMITH of Michigan. Mr. Speaker, 4 years ago when I first came to this Chamber, the debate was whether or not to increase taxes on Americans in this country by $250 billion over that 5-year period? Tomorrow I think we all should celebrate, Republicans and Democrats, because Congress is passing the first tax cut in 16 years. We talk about whether it is for the rich or the poor, but it seems to me that some of our focus should be on what is going to be the kind of tax incentives that result in better and more jobs that pay more, that allow the individual to have a larger paycheck and increase their standard of living.

Here is my opinion. This country became great because we had a system where those that worked hard and tried and made an effort and saved and invested ended up better off than those that did not. Now we have got people suggesting we should have a tax system to level the playing field, to punish those that saved and invested and to reward those that did not. We should celebrate our tax cut tomorrow. That gives tax cuts to working American families.

INTRODUCTION OF BILL ENCOURAGING TECHNOLOGY IN THE CLASSROOM

(Mr. VENTO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. VENTO. Mr. Speaker, today I rise to recognize the fact that along with the gentlewoman from Maryland [Mrs. MORELLA], I am joining in cosponsoring a bill dealing with technology, technology in the classroom for the 21st century.

I am pleased to join in this bill. I think it is very important, not just to have the computers and the hardware there. Of course, I think so many classrooms across the country do not even have a telephone in them these days when we talk about computers. The fact is that having the hardware and

having this good hardware in the classroom is important, but we also need to teach teachers to use that particular technology, teach both those that are in college today and those that are in the classroom.

I noticed one of the most important experiences I had as a young educator fresh out of college after doing well enough in college was the fact that I was awarded National Science Foundation scholarships. That enabled me to teach in many areas and to improve my ability to teach at that time in the 1960's. Those experiences were very valuable to me, and I think this bill that we are introducing, the Teacher Technology Act, will be valuable to students in the 21st century and teachers.

REPORT ON H.R. 2016, MILITARY CONSTRUCTION APPROPRIATIONS ACT, 1998

Mr. PACKARD, from the Committee on Appropriations, submitted a privileged report (Rept. No. 105–150) on the bill (H.R. 2016) making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 1998, and for other purposes, which was referred to the Union Calendar and ordered to be printed.

The SPEAKER pro tempore (Mr. RADANOVICH). All points of order are reserved on the bill.

RIEGLE-NEAL CLARIFICATION ACT OF 1997

Mrs. ROUKEMA. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 1306) to amend the Federal Deposit Insurance Act to clarify the applicability of host State laws to any branch in such State of an out-of-State bank, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Senate amendments:

Page 2, lines 2 and 3, strike out "Clarification" and insert "Amendments".

Page 2, line 5, before "Subsection" insert:

(a) ACTIVITIES OF BRANCHES OF OUT-OF-STATE BANKS.—

Page 3, strike out lines 3 through 7 and insert:

"(3) SAVINGS PROVISION.—No provision of this subsection shall be construed as affecting the applicability of—

"(A) any State law of any home State under subsection (b), (c), or (d) of section 44; or

"(B) Federal law to State banks and State bank branches in the home State or the host State.

Page 3, after line 10 insert:

(b) LAW APPLICABLE TO INTERSTATE BRANCHING OPERATIONS.—Section 5155(f)(1) of the Revised Statutes (12 U.S.C. 36(f)(1)) is amended by adding at the end the following:

"(C) REVIEW AND REPORT ON ACTIONS BY COMPTROLLER.—The Comptroller of the Currency shall conduct an annual review of the actions it has taken with regard to the applicability of State law to national banks (or their branches) during the preceding year, and shall include in its annual report required under section 333 of the Revised Statutes (12 U.S.C. 14) the results of the review and the reasons for each such action. The first such review and report after the date of enactment of this subparagraph shall encompass all such actions taken on or after January 1, 1992.".

Page 3, after line 10 insert:

SEC. 3. RIGHT OF STATE TO OPT OUT.

Nothing in this Act alters the right of States under section 525 of Public Law 96–221.

Amend the title so as to read: "An Act to amend Federal law to clarify the applicability of host State laws to any branch in such State of an out-of-State bank, and for other purposes.".

Mrs. ROUKEMA (during the reading). Mr. Speaker, I ask unanimous consent that the Senate amendments be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.

The SPEAKER pro tempore. Is there objection to the original request of the gentlewoman from New Jersey?

Mr. VENTO. Mr. Speaker, reserving the right to object, I would take this opportunity to acknowledge changes that were made in this time-sensitive legislation by the other body.

I yield to the gentlewoman from New Jersey [Mrs. ROUKEMA], the subcommittee chairman, for an explanation.

□ 1030

Mrs. ROUKEMA. Mr. Speaker, on May 21, 1997, the House considered H.R. 1306, the Riegle-Neal Clarification Act of 1997. It was considered under suspension of the rules. The bill passed the House unanimously and without controversy. This bill had strong bipartisan support and clarifies the ambiguities of the Riegle-Neal interstate bill and preserves the dual banking system by allowing an out-of-State branch of a State bank to offer the same products allowed in its home State as long as the host State banks or national bank branches in the State may exercise those same powers.

In addition, the bill provides that the host State law will apply to those out-of-State branches to the extent that it also applies to national banks.

This bill does not authorize, and I stress this, does not authorize new powers for State banks. It preserves the right of a State to decide how banks it charters and supervises are operated and what activities those banks can conduct.

On June 12, 1997, the Senate passed H.R. 1306 with the following amendments: First, retitles the bill as the Riegle-Neal Amendment Act of 1997; second, ensures that a Federal law that applies to a State chartered bank also applies to branches of that bank and other States; third, requires the Comptroller of the Currency to include in its annual report to Congress a review and report of actions taken with regard to the applicability of State law to branches of national banks, including a review of all such actions taken since January 1, 1992; and fourth, and finally, it preserves a State's right to opt out of the Depository Institutions Regulatory and Monetary Control Act of 1980. That act authorized State chartered banks to charge interest rates comparable to those available to federally chartered banks.

H.R. 1306's intent was to provide parity between national and State chartered banks in an interstate environment as well as to ensure the viability of the dual banking system is unaffected by the Senate's changes and those changes are acceptable, it is my understanding, to both the majority and the minority members of the Committee on Banking and Financial Services.

It is essential that this legislation be enacted into law as soon as possible. On June 1, interstate branching became effective in 48 of the 50 States. In the interstate environment that now exists, State banks will be at a distinct disadvantage to national banks if we fail to take this action today. Failure to remedy this disadvantage will certainly have a negative and counterproductive effect on our dual banking system.

Mr. VENTO. Further reserving the right to object, Mr. Speaker, the House passed H.R. 1306 on suspension calendar on June 1. The deadline for State action to limit interstate branching within the States was June 1, and although we are a bit tardy, this bill is no less important to maintain the viability of State bank charters today, than it was in May.

As has been explained by the subcommittee chairman, the title was changed, the application of Federal law to out-of-State State banks is further clarified. A State's right to opt out of the Depository Institutions Deregulation and Monetary Control Act was preserved, and, importantly, as this measure does not impact the Comptroller of the Currency's administration of national banking law resulting in the preemption of State laws when such preemption is warranted for national banks, thus opening up preemption capabilities for out-of-State State banks, the Senate amendments propose that an annual report be required of the OCC to show when and where preemption of State law took place in a previous year.

Mr. Speaker, I have no objection to this, and I urge support for the bill.

Mr. Speaker, reserving the right to object, I would like to take this opportunity to acknowledge that changes were made to this time-sensitive legislation by the other body, and

would yield to the subcommittee chairwoman, Mrs. ROUKEMA from New Jersey, for an explanation.

Continuing my reservation, the House passed H.R. 1306 on the suspension calendar in an attempt to enact law prior to June 1, 1997, the deadline for State action to limit interstate branching with the States. Although we are a bit tardy, this bill is no less important to maintain the viability for the State bank charter today, than it was in May.

As has been explained, the title was changed; the application of Federal law to out-of-State State banks was further clarified; a State's right to opt out of the DIDA [the Depository Institutions' Deregulation and Monetary Control Act] was preserved; and, importantly, as this measure will not impact the Comptroller of the Currency's administration of national bank law resulting in the preemption of State laws when such preemption is warranted for national banks—thus opening up preemption capabilities for out-of-State State banks—the Senate amendments propose that an annual report will be required of the OCC to show when and where preemption of State law took place in the previous year.

Mr. Speaker, I will not object to moving this bill which will help preserve a healthy dual banking system. I withdraw my reservation to object and ask my colleagues for their support on this measure, H.R. 1306 as amended.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore (Mr. RADANOVICH). Is there objection to the original request of the gentlewoman from New Jersey?

There was no objection.

A motion to reconsider was laid on the table.

AUTHORIZING EXTENSION OF AUTHORITY TO USE THE ROTUNDA FOR CEREMONY COMMEMORATING THE PLACEMENT OF THE PORTRAIT MONUMENT

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that the authorization contained in House Concurrent Resolution 216, which was passed in the 104th Congress, relating to the use of the rotunda for a ceremony to commemorate the placement of the Portrait Monument in the Capitol rotunda, be extended into this, the 105th Congress, subject to concurrence by the Senate.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Mr. HOYER. Reserving the right to object, Mr. Speaker, and I will not object, but if there is any further explanation necessary, I will yield to the gentleman from California.

Mr. THOMAS. Mr. Speaker, since the Portrait Monument was actually placed in the rotunda in the 105th Congress we had created an opportunity for a ceremony in the 104th. Given the rules since the 104th expired, there is no current ability to hold a ceremony. What we are asking for is to bring that ceremony authorized in Concurrent Resolution 216 into the 105th, based upon concurrence by the Senate.

Mr. HOYER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

CORRECTIONS CALENDAR

The SPEAKER pro tempore. This is the day for the call of the Corrections Calendar.

The Clerk will call the bill on the Corrections Calendar.

FEDERAL BENEFICIARY CLARIFICATION ACT

The Clerk called the bill (H.R. 1316) to amend chapter 87 of title 5, United States Code, with respect to the order of precedence to be applied in the payment of life insurance benefits.

The Clerk read the bill, as follows:

H.R. 1316

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DOMESTIC RELATIONS ORDERS.

Section 8705 of title 5, United States Code, is amended—

(1) in subsection (a) by striking "(a) The" and inserting "(a) Except as provided in subsection (e), the"; and

(2) by adding at the end the following:

"(e)(1) Any amount which would otherwise be paid to a person determined under the order of precedence named by subsection (a) shall be paid (in whole or in part) by the Office to another person if and to the extent expressly provided for in the terms of any court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation.

"(2) For purposes of this subsection, a decree, order, or agreement referred to in paragraph (1) shall not be effective unless it is received, before the date of the covered employee's death, by the employing agency or, if the employee has separated from service, by the Office.

"(3) A designation under this subsection with respect to any person may not be changed except—

"(A) with the written consent of such person, if received as described in paragraph (2); or

"(B) by modification of the decree, order, or agreement, as the case may be, if received as described in paragraph (2).

"(4) The Office shall prescribe any regulations necessary to carry out this subsection, including regulations for the application of this subsection in the event that 2 or more decrees, orders, or agreements, are received with respect to the same amount.".

The SPEAKER pro tempore. Pursuant to the rule, the bill is considered read for amendment.

COMMITTEE AMENDMENT IN THE NATURE OF A SUBSTITUTE

The SPEAKER pro tempore. The Clerk will report the amendment recommended by the Committee on Government Reform and Oversight.

The Clerk read as follows:

Committee amendment in the nature of a substitute: strike out all after the enacting clause and insert:

SECTION 1. DOMESTIC RELATIONS ORDERS.

Section 8705 of title 5, United States Code, is amended—

(1) in subsection (a) by striking "(a) The" and inserting "(a) Except as provided in subsection (e), the"; and

(2) by adding at the end the following:

"(e)(1) Any amount which would otherwise be paid to a person determined under the order of precedence named by subsection (a) shall be paid (in whole or in part) by the Office to another person if and to the extent expressly provided for in the terms of any court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation.

"(2) For purposes of this subsection, a decree, order, or agreement referred to in paragraph (1) shall not be effective unless it is received, before the date of the covered employee's death, by the employing agency or, if the employee has separated from service, by the Office.

"(3) A designation under this subsection with respect to any person may not be changed except—

"(A) with the written consent of such person, if received as described in paragraph (2); or

"(B) by modification of the decree, order, or agreement, as the case may be, if received as described in paragraph (2).

"(4) The Office shall prescribe any regulations necessary to carry out this subsection, including regulations for the application of this subsection in the event that 2 or more decrees, orders, or agreements, are received with respect to the same amount.".

SEC. 2. DIRECTED ASSIGNMENT.

Section 8706(e) of title 5, United States Code, is amended—

(1) by striking "(e)" and inserting "(e)(1)"; and

(2) by adding at the end the following:

"(2) A court decree of divorce, annulment, or legal separation, or the terms of a court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation, many direct that an insured employee or former employee make an irrevocable assignment of the employee's or former employee's incidents of ownership in insurance under this chapter (if there is no previous assignment) to the person specified in the court order or court-approved property settlement agreement.".

Mr. MICA (during the reading). Mr. Speaker, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Florida [Mr. MICA] and the gentleman from Maryland [Mr. CUMMINGS] each will control 30 minutes.

The Chair recognizes the gentleman from Florida [Mr. MICA].

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

Mr. Speaker, today and at this time is a time we have designated for technical corrections. This is a procedure

that was instituted by the Republican leadership when we assumed majority control of the Congress, and it is an effort to try to expedite legislation technical in nature but necessary for the conduct of business both for the Congress and in the operation of our Federal Government, and that is the purpose of our proceedings here this morning.

Today we take up a bill in rapid order. It has moved through our Subcommittee on Civil Service and through the full Committee on Government Reform and Oversight to the floor today in rapid time and was introduced by the distinguished gentleman from Georgia [Mr. COLLINS]. And let me say, Mr. Speaker, that this bill, H.R. 1316, addresses an inequity in the Federal Government Employees Group Life Insurance program.

Under current law, domestic relations orders such as divorce decrees or property settlement agreements do not affect the payment of life insurance proceeds. Instead, distribution of the proceeds is controlled by statute. When the policyholder dies, the proceeds are paid to the beneficiary designated by the policyholder, if there is one, or to other individuals specified by statute.

H.R. 1316, which again is introduced by the gentleman from Georgia [Mr. COLLINS], amends the law to require that the Office of Personnel Management should pay the proceeds in accordance with certain domestic relations orders or court-approved property settlements. This is similar to the law's treatment of retirement annuities, which the Office of Personnel Management must also allocate in accordance with divorce decrees.

The bill also allows courts to direct an employee to assign the policy to a specific individual identified in a domestic relations order or court-approved property settlement agreement. Thus, employees will not be able to frustrate these orders by terminating the policy.

Mr. Speaker, the technical corrections made in this legislation, H.R. 1316, provide a greater protection for former spouses of Federal employees and children of previous marriages.

This bill has a broad bipartisan support, and I want to take just a moment to commend the gentleman from Maryland [Mr. CUMMINGS], the distinguished ranking member of the Subcommittee on Civil Service, for his work and leadership in expediting this legislation. I also want to thank other members of the committee, including the gentlewoman from Maryland [Mrs. MORELLA], the gentleman from New Jersey [Mr. PAPPAS], our vice chairman, and others who are not on the committee, the gentleman from Virginia [Mr. WOLF], the gentleman from Virginia [Mr. DAVIS], and others who have supported expediting of this legislation to benefit our Federal employees.

Mr. Speaker, I reserve the balance of my time.

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

Mr. Speaker, I support H.R. 1316, which does nothing more than make a technical correction in the Federal Employees Group Life Insurance Program. I want to thank the gentleman from Georgia [Mr. COLLINS] and the gentleman from Florida [Mr. MICA], our distinguished chairman, for their leadership in bringing this very important measure to the House floor today.

As the gentleman from Florida [Mr. MICA] indicated, this bill simply ensures that a domestic relations order issued by a court is considered a binding designation of a beneficiary by an employee's agency or the Office of Personnel Management. Under current law, domestic relations orders such as divorce decrees or property settlement agreements do not affect the payment of life insurance proceeds. Instead, when the policyholder dies, the proceeds are paid to the beneficiary designated by the policyholder, if any, or to other individuals as specified by statute.

Because an employee could still frustrate the court order by terminating the policy, the bill was amended in committee to allow courts to direct the employee to assign the policy to a specific individual.

I also want to take time, Mr. Speaker, to recognize those people in our committee on our side. Of course, the gentleman from Florida [Mr. MICA] has already recognized the members on the Republican side, but the gentleman from Tennessee [Mr. FORD] and the gentlewoman from the District of Columbia [Ms. NORTON] were also very instrumental in bringing this resolution to the House floor as swiftly as we have.

Mr. Speaker, I reserve the balance of my time.

Mr. MICA. Mr. Speaker, I yield 3 minutes to the gentleman from Georgia [Mr. COLLINS], the distinguished author of this legislation.

Mr. COLLINS. Mr. Speaker, I thank the gentleman from Florida for yielding me this time.

Mr. Speaker, H.R. 1316 will amend the Federal Employee Group Life Insurance Act and ensure that there is a level playing field between State laws that govern private insurance and Federal statute that provides guidelines for life insurance policies held by Federal employees.

This legislation will clarify that a domestic relations order, issued by a court, is considered a designation of beneficiary in the event that no designation of beneficiary has been filed.

Currently, if a Federal employee dies without properly naming a beneficiary for their life insurance policy, the law provides a strict prioritized list of individuals that are eligible to receive the benefits of that policy. Unlike most State laws, the Federal Code does not provide for consideration of an existing court decree that may link that policy to a beneficiary as a part of a settlement agreement. There are real instances where this inequity in Federal law is causing confusion for Federal employees who are beneficiaries. This legislation will correct this inconsistency and ensure that a court decree is given appropriate consideration.

The Department of Health and Human Services, the Child Support Division and the Office of Personnel Management have reviewed the legislation and do not oppose this change. I have appeared before the Corrections Advisory Group chaired by the gentleman from Michigan [Mr. CAMP] and have their support, and during the 104th Congress this is actually part of the Omnibus Civil Service Reform Act as reported by the committee, and additionally the legislation was favorably reported by the Subcommittee on Civil Service, Committee on Government Reform and Oversight.

My thanks to the gentleman from Florida [Mr. MICA], the gentleman from Indiana [Mr. BURTON], and the gentleman from Maryland [Mr. CUMMINGS] and the committee group, committee members, for their support and work on this bill at the subcommittee and committee levels.

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I appreciate the opportunity to bring this bill, H.R. 1316, before the House for consideration and urge my colleagues to support this important legislation.

Mr. Speaker, I yield back the balance of my time.

Mr. CUMMINGS. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland [Mr. HOYER], dean of the Maryland delegation, who has worked over the years on these issues and played a major, major role in this House.

Mr. HOYER. Mr. Speaker, I thank the gentleman from Maryland [Mr. CUMMINGS], the distinguished ranking member, for yielding.

Mr. Speaker, I rise in strong support of this legislation and congratulate the gentleman from Georgia for bringing this forward. I regret that I did not focus on it earlier, for I would, and have discussed with the committee, an additional what I believe to be also a technical correction.

This deals with life insurance; it does not, however, impact the annuity payment of a survivor that would also be part of a domestic relations divorce or domestic agreement resolution. As a result, I want to thank the gentleman from Florida [Mr. MICA], chairman of the committee, and the staff, as well as the gentleman from Maryland [Mr. CUMMINGS], both of whom I have talked to about this problem.

It was too late in the cycle and we would have slowed this bill down, but

we did not want to do that, because this is effecting an excellent solution to an existing problem. But I want to thank the chairman for agreeing to address this issue in future legislation. It is my understanding that there will be some legislation coming along, either in July or shortly thereafter, and I believe this is an important step forward, but I believe the spouse, in a resolution of a case dealing with the annuity as opposed to life insurance, finds themselves in exactly the same situation as it relates to their ability, pursuant to court order, and/or pursuant to agreement, particularly when that court order incorporates an agreement of the parties. It seems perverse that we do not have the same kind of positive dealing in that instance.

So I congratulate the gentleman from Georgia. I thank the chairman and the ranking member for their agreement to address that issue as soon as possible.

Mr. CUMMINGS. Mr. Speaker, I reserve the balance of my time.

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

I would like to comment that I have committed to the gentleman from Maryland [Mr. HOYER] who indeed is a leader in civil service issues, to address the problem he has enumerated on the floor today. We look forward to working with him as we move new legislation through the Congress.

Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Michigan [Mr. CAMP].

Mr. CAMP. Mr. Speaker, as chairman of the Corrections Advisory Group, I am pleased to again appear before the House under the Corrections Calendar to correct an unintended consequence of current law.

Passage of this bill will once again place the scissors of efficiency on the hunt for redtape.

My distinguished colleague from Georgia, Mr. COLLINS, a fellow member of the Committee on Ways and Means, introduced H.R. 1316 on April 14, 1997, to correct what we all agree was an unintentional byproduct of Federal law affecting Federal employees.

There is a law of physics that says for every action there is an equal and opposite reaction. Unfortunately, there is no law that says these reactions must be beneficial.

Currently when a Federal beneficiary dies, the Federal life insurance benefits are granted to the individual named as beneficiary. If, however, no beneficiary has been named, there may be uncertainty and turmoil that can result. So in these trying times, families are often faced with difficult decisions on benefits and are made to face court challenges from others who seek to take advantage of the Federal employee's inaction in naming a beneficiary.

Unfortunately, under current law, State domestic relations orders such as divorce decrees or property settlements do not affect the life insurance payments of Federal employees if no beneficiary has been named. So the net effect of current law can punish children and family members because of the benefactor's failure to designate a new beneficiary.

H.R. 1316 could require the Office of Personnel Management to pay the Federal employee's insurance proceeds in accordance with State domestic relations orders. This would make sure that, in the event that no beneficiary had been named, the life insurance benefits are granted to family members and children as based on State court orders. This small change will ensure that family and children are cared for.

I want to thank the chairman and ranking member of the subcommittee and I want to thank my colleague, the gentleman from Georgia [Mr. COLLINS]. This is the second bill reported by the corrections committee to be considered on the House floor. The first, the nurse aide training bill, was introduced, passed by the House and Senate and signed into law in 2 months.

It is the unique quality of the corrections committee that brings these bills to the floor in a streamlined way.

The committee works in a bipartisan manner. We work with the committee chairs who handle these issues and we are able to forge a consensus among Members and bring needed improvements and changes to the House floor. This legislation before us today enjoys strong bipartisan support, and again I commend my colleagues for introducing this improvement to our Nation's laws.

Mr. Speaker, I urge my colleagues to adopt this bill.

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

I want to address a few issues that the gentleman from Florida [Mr. MICA] spoke on. First of all, I want to thank the chairman for the bipartisan way in which he has worked with myself and the gentleman from Maryland [Mr. HOYER]. I think it is extremely important, the issues that he has brought up. And in that spirit of bipartisanship which we have shared since I have been the ranking member, I just want to thank the gentleman again for his cooperation, because I know it is a major issue for the gentleman from Maryland [Mr. HOYER] and many other people throughout the Nation.

Mr. Speaker, this noncontroversial legislation passed the House last year as part of the omnibus civil service bill. That comprehensive legislation was not enacted. Therefore, it is appropriate that we bring forward this bipartisan bill, and I urge my colleagues on both sides of the aisle to vote favorably.

Mr. Speaker, I yield back the balance of my time.

Mr. MICA. Mr. Speaker, I yield myself the balance of my time.

Just in closing, I would like to also thank again our ranking member, the gentleman from Maryland [Mr. CUMMINGS], for the bipartisan manner in which this legislation has been handled. I am pleased that we could participate in this Corrections Day in this manner and make a correction to legislation in a bipartisan fashion. It shows, first, that the Congress does work; and, second, that the government system does function when we see a problem that can be corrected, when we are all rowing in the same direction.

So I am pleased again for the leadership provided by the gentleman from Georgia [Mr. COLLINS] in introducing this legislation and the bipartisan support we have had in passing this legislation today, bringing it before the House.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. RADANOVICH). Pursuant to the rule, the previous question is ordered on the amendment recommended by the Committee on Government Reform and Oversight and on the bill.

The question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and (three-fifths having voted in favor thereof) the bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. MICA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 1316, the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

DISAPPROVAL OF MOST-FAVORED-NATION TREATMENT FOR CHINA

Mr. CRANE. Mr. Speaker, pursuant to the order of yesterday, I call up the joint resolution (H.J. Res. 79) disapproving the extension of nondiscriminatory treatment—most-favored-nation treatment—to the products of the People's Republic of China, and ask for its immediate consideration in the House.

The Clerk read the title of the joint resolution.

The text of House Joint Resolution 79 is as follows:

H.J. RES. 79

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress does not approve the extension of the authority contained in section 402(c) of the Trade Act of 1974 recommended by the President to the Congress on May 29, 1997, with respect to the People's Republic of China.

The SPEAKER pro tempore [Mr. LAHOOD]. Pursuant to the order of the House of Monday, June 23, 1997, the gentleman from Illinois [Mr. CRANE], and a Member in support of the joint resolution each will control 1 hour and 45 minutes.

The Chair recognizes the gentleman from Illinois [Mr. CRANE].

GENERAL LEAVE

Mr. CRANE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous matter on House Joint Resolution 79.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. CRANE. Mr. Speaker, I ask unanimous consent to yield one-half of my time to the gentleman from California [Mr. MATSUI] in opposition to the resolution, and I further ask that he be permitted to yield blocks of time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The SPEAKER pro tempore. Is the gentleman from California [Mr. STARK] in favor of the resolution?

Mr. STARK. I am, Mr. Speaker.

I ask unanimous consent that I be yielded half of the time and that I be permitted to control that time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. STARK. Mr. Speaker, I ask unanimous consent to yield half of my time to the distinguished gentleman from Kentucky [Mr. BUNNING], and that he in turn be permitted to control that time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. BUNNING. Mr. Speaker, I ask unanimous consent to yield 15 minutes to the gentleman from New York [Mr. SOLOMON], chairman of the Committee on Rules and that he be permitted to control that time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Illinois [Mr. CRANE].

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

Mr. Speaker, I rise in opposition to House Joint Resolution 79 because revoking China's MFN trade status would have the effect of severing trade relations between our two countries. My firm belief is that the free exchange of commerce and ideas offers the best hope we have to project the light of freedom into Communist China.

In deciding whether to continue MFN trade treatment for China, we must keep two objectives firmly in mind: First, improving the well-being of the Chinese people; and, Second, protecting the U.S. national interests with respect to a country that possesses one-fifth of the world's population and exploding economic growth.

This year we have the added responsibility of ensuring that United States policy does not undermine the transition of Hong Kong from British to Chinese sovereignty. All would agree some of the world's most flagrant abuses of human rights and violations of religious and political freedom occur in China.

My message today is simple. Change is not coming quickly to this huge nation, but historic advancements are being made. For 20 years after the Communists seized power in 1949, China was largely isolated. This was the era of the Great Leap Forward, when 35 million died of starvation and the Cultural Revolution, which saw hundreds of thousands of Chinese killed in political purges and forced internal exile.

Since the economic opening of China by Deng Xiaoping in 1980, living conditions in China have improved vastly. To give some perspective, in 1980, 260 million of China's 1.2 billion people lived in absolute poverty.

□ 1100

In 1993 that figure was reduced by about 40 or over 40 percent to $160 million. Chinese citizens can now seek out their own jobs, move around the country, and discuss political matters, as long as they do not directly challenge the Government.

Focusing on freedom of worship for a moment, the virulently antireligious policies of the 1960's and 1970's have given way to a society that is open in large measure to the Christian message. Concerned that a few United States Christian organizations are actively advocating the revocation of MFN, a huge coalition of Christian missionaries and evangelical groups with years of experience actually serving in China have sent a powerful message to Congress. Their view is that by severing trade relations in China, it would result in a backlash against the Christian ministry in China, seriously harming their ability to reach the Chinese people.

Many would say today that preserving most-favored-nation status puts profit ahead of principle. This viewpoint contradicts what can be observed in the relationship between economic development and the expansion of democracy. Taiwan, South Korea, Singapore, and Hong Kong, to name a few Asian tigers, experienced economic success and rising living standards after opening their economies to international trade. In these countries, the elimination of severe poverty and the emergence of a middle class came well ahead of democratic political reform.

President Lee Teng-Hui of Taiwan has said:

> Vigorous economic development leads to independent thinking. People hope to be able to fully satisfy their free will and see their rights fully protected. And then demand ensues for political reform . . . the model of our quiet revolution will eventually take hold on the Chinese mainland.

Clearly China is a special case, but expanding United States commercial relations with China makes Chinese citizens less dependent on the central government for their livelihoods and in a better position to strive for freedom. As wealth is distributed throughout Chinese society, so is political power, away from the central government. Americans doing business in China have contributed to prosperity and at the same time they are continually able to transfer the values and ideals of freedom and democracy through direct contacts.

While preserving MFN trade status for China offers hope for improving the welfare of the Chinese people, it is also squarely in the United States national interest. With a fifth of the world's population, China's emergence as a global power early in the next century is a development of immense historical significance. Sharing borders with more countries, 14 to be exact, than any other country in the world, a peaceful China will be key to preserving stability in the Asia-Pacific region.

In order to protect national security interests into the next century, the United States must develop a policy that encourages China to be a friend and a valued trading partner, rather than an adversary isolated by comprehensive economic sanctions. Confronting China by revoking MFN would be interpreted by the Chinese leadership as an act of aggression. This would further strengthen the hand of those in China who oppose further reform, prompting behavior we seek to avoid.

If House Joint Resolution 79 were enacted into law, relations with the Government of China would deteriorate to the point that virtually all United States influence for the good would be lost. United States businesses which need a presence in China to support a successful Asian strategy would withdraw. Mirror trade sanctions would threaten the paychecks of 180,000 U.S. workers whose jobs are directly dependent on exports to China. Our foreign competitors in Japan and Europe

would move briskly into the void created by this bill.

The alternative strategy which I support is to maintain trade relations and preserve a basis upon which to negotiate improvements in our relationship with China. Ambassador Barshefsky's successful resolution of the section 301 case against China for failing to protect United States intellectual property rights illustrates the value of preserving normal trade relations. Armed with the authority to raise tariffs in a selective, calibrated manner, Ambassador Barshefsky threatened $2 billion in targeted trade sanctions directly tied to specific, well substantiated violations. The result was an agreement by the Chinese Government to shut down 32 pirate plants and a commitment to undertake expanded enforcement drives in regions where violations of United States intellectual property rights are known to be the highest.

Finally, the unanimous view of leaders in Hong Kong, from Governor Chris Patten to the respected activist and chairman of the Hong Kong Democratic Party, Martin Lee, is that any reversal in China's MFN status would strike a devastating blow to the territory.

In 1996, over 56 percent of China's exports to the United States and 49 percent of United States exports to China passed through Hong Kong. Denying MFN to China would threaten 70,000 jobs in Hong Kong. At this extraordinarily delicate time, the people of Hong Kong deserve our steady and strong support for renewing China's MFN status.

Mr. Speaker, we should continue to participate in the dramatic and historic change that is taking place in China, so we can help shape it in our favor and in a way that supports our allies in Hong Kong and Taiwan in their struggle to preserve freedom. The Reverend Billy Graham, whose son Ned labors as a missionary in China, wrote last week:

> I am in favor of doing all we can to strengthen our relationship with China and its people. China is rapidly becoming one of the dominant economic and political powers of the world, and I believe it is better to keep China as a friend than to treat it as an adversary.

I urge my colleagues to vote "no" on House Joint Resolution 79.

Mr. Speaker, I reserve the balance of my time

Mr. STARK. Mr. Speaker, it is my privilege to yield 9 minutes to the gentlewoman from California [Ms. PELOSI], who has been a leader on the issue of trying to bring human rights and reasonable policy to China.

Ms. PELOSI. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I will start by saying that we all agree that the United States-China relationship is an important one, and that we want a brilliant future with the Chinese people, diplomatically, culturally, economically, politically, and in every way. However, the administration's policy of so-called constructive engagement is neither constructive nor true engagement.

President Clinton has said promoting Democratic freedom, stopping the proliferation of weapons of mass destruction, and promoting U.S. exports are pillars of our foreign policy. In each of these important areas, the administration's policy of so-called constructive engagement has not succeeded. In fact, there has been a marked deterioration, not improvement, under the administration's policy.

Certainly, we must have engagement. But I contend that our engagement must be sustainable engagement, engagement that enables us to sustain our values, sustain our economic growth, and sustain international security.

In my remarks this morning, Mr. Speaker, I want to debunk three myths about MFN and trade and human rights.

The first myth is that United States-China trade is a job-winner for the United States. This is an out-and-out hoax. This year President Clinton stated trade with China supports 170,000 United States jobs. That is the exact same number he cited last year. In 1995, it was 150,000 jobs, in 1994, it was 150,000 jobs, in 1993, it was 150,000 jobs. This is an economy with 127,850,000 people. This represents one-eighth of 1 percent of jobs in America and it is not growing, while our trade deficit continues to grow.

United States jobs are being lost through the Chinese Government's practices of requiring technology and production transfer. The Chinese Government is carefully and calculatingly building its own economic future by acquiring United States technological expertise. It allows into China only the goods it wants, and then through mandatory certification of the technology by Chinese research and design institutes, the technology is disseminated to Chinese domestic ventures. Not only does this practice not benefit U.S. workers who are left behind as the companies lose their own market share, but we are surrendering our own technology in the meantime.

As a condition of doing business in China, United States companies are often required to agree to export 70 to 80 percent of their production there. This, too, translates into a loss of U.S. jobs.

In the realm of intellectual property piracy, as Members know, despite the agreement the piracy is rampant, to the cost of $2.6 billion in 1996 alone. And that is not even figured into the huge trade deficit, which is projected to be $53 billion this year.

Others say that the jobs that are created in the United States are in the production here that goes to China for assembly. Not so. Do not take my word, but the word of Ken Lodge, the manager of Hewlett-Packard's Beijing subsidiary, when he says, "Over time, the use of North American suppliers will be turned off."

Experts tell us our intellectual property is our competitive advantage. We see what the Chinese are doing to our intellectual property. It is estimated that 97 percent of the entertainment software available in China is counterfeit. It is interesting that since 1996, Chinese capacity to produce pirated products has increased dramatically. In conclusion, the United States-China trade relationship is a job loser for the American worker.

Second, China is halting its proliferation of weapons of mass destruction, myth No. 2. The truth is that China continues to proliferate dangerous weapons of mass destruction technology to Iran, Libya, Iraq, Syria, and other dangerous countries, destabilizing regions of strategic importance to the United States. The transfer of this technology is a threat to United States troops based in the Persian Gulf, and a threat to the security of Israel. We spend billions of dollars to promote the Middle East peace, and that peace is jeopardized by this export policy on the part of China, which we are choosing to ignore.

In the case of Iran, 15,000 service men and women are within range of the C-802 missiles recently transferred by China to Iran. The C-802 batteries will give Iran a weapon of greater range, reliability, accuracy, and mobility than anything in their current inventory. This missile technology is in addition to biological and chemical warfare technologies recently transferred to Iran from China.

Mr. Speaker, I want to call to my colleagues' attention this quote, this cover piece from a report from the Office of Naval Intelligence, March 1997. It states:

> Discoveries after the gulf war clearly indicate that Iraq maintained an aggressive weapons of mass destruction procurement program. A similar situation exists in Iran, with a steady flow of materials and technologies from China to Iran. This exchange is one of the most active weapons of mass destruction programs in the Third World and is taking place in a region of great strategic interest to the United States.

In terms of Pakistan, the administration continues to turn a blind eye on China's proliferation of missiles to Pakistan. For 5 years the CIA has been carefully tracking the flow of China's M-11 missile components to Pakistan. The agency, the CIA, concluded that not only is China selling missiles, but it is also helping Pakistan build a factory to manufacture them. For the CIA, uncovering the plant represented a "first-class piece of spying," says a senior agency official, but because it does not want to disrupt the so-called

improving relationship, the Clinton administration does not want to deal with this secret.

The CIA also turned up evidence that Beijing was reneging again on its promise not to spread these missiles into Pakistan. The agency maintains a vast network of informants in Asia who report on the movement of these weapons into the region. Last summer the CIA concluded that China had delivered to Pakistan not just missile parts, but also more than 30 ready-to-launch M-11's that are stored in cannisters at Sargodha Air Force base west of Lahore.

There is more on this I will submit for the RECORD, but other agencies of the intelligence community have all agreed on a Statement of Fact: A top secret document that has recently been in the press that concludes that China is helping to build this missile technology.

The third myth to debunk, Mr. Speaker, is that trade is improving human rights in China. Pro-MFN advocates continue to advance this notion of trickle-down liberty, even though the facts are to the contrary. Since Tiananmen Square, the State Department's own country reports have been dismal on this subject, and its own report in 1996, which was released this spring of 1997, contains an excellent description of the current state of human rights in China, but it is a sad one.

Mr. Speaker, I would draw Members' attention particularly to the statements in that report that—

> The (Chinese) government continued widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent * * *.

Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government has been effectively silenced * * * even those released from prison were kept under tight surveillance and often prevented from taking employment or resuming a normal life.

Mr. Speaker, there is a report on religious persecution which the administration is sitting on until after this vote, which documents the violations of religions of the Buddhists, Catholics, Christians, Muslims, and the people of Tibet.

On MFN, the debate today is necessary because the administration has refused to use the tools at its disposal, and because the Chinese ship one-third of their exports to the United States, while allowing only 2 percent of our products into China. We have leverage. The Chinese regime cannot take their business elsewhere. One-third of all of their exports cannot find another market.

A vote for MFN today is a vote of confidence in a failing policy. Opposing MFN says that you believe that the status quo is not acceptable. Instead, we must have a policy of sustainable engagement with China, engagement which makes the trade fairer, the world safer, and the people freer. I urge my colleagues to oppose MFN by voting "yes" on House Joint Resolution 79.

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Mr. STARK. Mr. Speaker, will the gentlewoman yield?

Ms. PELOSI. I yield to the gentleman from California.

Mr. STARK. Mr. Speaker, I just want to see if there is not one other myth. There has been a myth that we have a different policy for Cuba than we do for China. But I do not think that is true, because I think the President continues to deny medicine and food to the children in Cuba at the same time that the President countenances children who are selected for starvation in China. So I see a very consistent policy in our administration toward both Cuba and China, and that is to ignore the plight of children in both of those countries.

Mr. Speaker, would the gentlewoman agree?

Ms. PELOSI. Mr. Speaker, I would agree. I want to emphasize that we are not advocating an embargo on China but threat of increased tariffs.

Mr. MATSUI. Mr. Speaker, I yield 3 minutes to the gentlewoman from Connecticut [Mrs. KENNELLY], who has been a leader on welfare reform, tax policy, trade policy, and health care.

Mrs. KENNELLY of Connecticut. Mr. Speaker, I rise in opposition to House Joint Resesolution 79 and speak in favor of our normal trading relationship with the People's Republic of China. Today's debate will have a complexity that goes far beyond what is in front of us, trade and emigration. On both sides, economic, political, strategic, and humanitarian differences abound, and yet we have allowed this one issue, most-favored-nation status, to be a referendum on U.S.-China relationship.

It has become the lens through which most Americans look and view the entire United States-China policy. Mr. Speaker, this is indeed unfortunate, because not only is China the largest emerging market in the world, it is also a potent political and military force. China's new leadership will shape, whether we like it or not, for better or worse, what happens in the Pacific rim, from Indonesia to Korea, from Australia to Japan, the course of events will be influenced daily by China.

So we must influence what happens in China. We will undermine our ability to shape not only our future but China's future if we withdraw from this situation. Without our influence, how will democratic values come to be accepted in China? Without our example, how will dissent come to be tolerated? Without our presence, how will religious liberties come to exist, without our active engage? How will human rights come to be respected? To the extent the United States has been a positive influence on China, it is because we have been there. We have been on the ground. We have been there to demonstrate to people who have been isolated from the world that there is another way.

And just as surely, Mr. Speaker, if we isolate China, so the Chinese people will lose, because they have benefited from a more open market, from exposure to cultural and ideological differences, from experience with Western business with better working conditions. There is no debate here today whether we must continue to highlight human rights abuses or point out that China will never be the world leader that it so craves to be if it continues to persecute its own people. Of course we must debate this. The debate though is how best to do it.

My answer is, we do it best by engaging with the Chinese, not from withdrawing from them. Change is occurring in China. Mr. Speaker, I was there earlier this year. I saw a nation, a nation that is vibrant, a nation that is colorful, a nation that is on the move. I saw people who were demanding, millions and millions of people demanding to be part of the marketplace.

Mr. Speaker, China is emerging. China is going to be a power. We have a duty here in this body to make sure we are an influence on China. We cannot withdraw from this debate. We cannot withdraw from China. Mr. Speaker, we might not like what is going on in all ways and aspects, but, Mr. Speaker, we have a duty to influence China.

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

Mr. Speaker, I rise in support of House Joint Resolution 79, the resolution of disapproval. We should definitely deny most-favored-nation trading status to China. The debate today is not just about China and the Chinese Government and its failure to live up to accepted standards of civilized nations. This debate is also about our own country, about what we are willing to stand up for. This debate is about principles, human rights, human decency. This debate today is about whether or not we as a Nation put trade before people and profits above principles. Where do we start a debate like this? Since the President initiated the recommendation to renew most-favored-nation trade status for China, let us start with his own State Department's findings.

In the country report on human rights for 1996, the State Department said, and I quote, the Chinese Government continued to commit widespread and well-documented human rights abuses in violation of internationally

accepted norms, stemming from the authority's intolerance of dissent, fear of unrest and the absence or inadequacies of laws protecting the basic freedoms, unquote. It starts out pretty bad and things go downhill from there.

The supporters of MFN for China insist that we must stay engaged with China. We must be patient and engage China through continued trade. They will also be bringing up Hong Kong and the Chinese takeover on July 1 as a reason to stay engaged. From where I sit, China is a little too engaged already. It is engaged in transferring dangerous technology, enabling rogue nations to develop weapons of mass destruction.

The Chinese Government is engaged in providing Iran's advanced missile and chemical weapons technology, providing Iraq and Libya materials to produce nuclear weapons. It is engaged in providing missile related components to Syria and providing Pakistan's advanced missile and nuclear weapons technology. It is engaged in selling over $1.2 billion in arms to the military rulers of Burma. How much engagement do we need? But it does not stop here. There is much more.

The Chinese Government is engaged in a massive expansion of its own military machine, taking up where the Soviet Union left off, using the profits from trade with us to pay for it. The Chinese Government is engaged in brutal suppression of human rights at home. Evangelical Protestants and Catholics who choose to worship independently of state-sanctioned churches are harassed and in prison. The Chinese Government continues its brutal repression of the religion, people and culture of Tibet; slave labor, prison camps, forced abortions. If the government of China were any more engaged, the people of China simply would not be able to take it.

Nobody really disputes any of this. The big question is, what do we do about it? No one believes that simply denying most-favored-nation status is going to solve everything. Let us be honest about it. Denying MFN might not solve anything. But I do know that, if we believe in human rights, if we believe in human decency, we must respond somehow. We cannot allow such abysmal treatment and such callous disregard for human rights to go unnoticed or unanswered.

Denying MFN might not be a great answer, but it is the only one we have at hand today. We have to send a very strong message, even if it is a weak one; we have to stand for something, even if it is imperfect. And MFN is the only game in town.

This debate is not really that hard for the American people. In a poll taken by the Wall Street Journal and NBC news on June 10, it was discovered that 67 percent of American adults believe that the United States should demand improvement in Chinese human rights policy before granting an extension of MFN trading status to China. If Members choose today to oppose this resolution, if they choose today to vote for renewal of MFN, they have to first ignore the pain of the Chinese people and then they have to ignore the opinion of the American people.

Please do not put profits over principle, vote for the resolution of disapproval.

Mr. Speaker, I include for the RECORD the following:

U.S. IS FINANCING CHINA'S WAR PLAN

(By Timothy W. Maier)

Recent intelligence reports obtained by Insight indicate China's People's Liberation Army is picking up where the Soviets left off, moving to create a military leviathan designed for fighting in the South China Sea and built to destroy U.S. ships and aircraft. The Red Chinese are using the U.S. bond market to finance their military expansion.

China is making a statement in the Pacific that threatens several of America's most important allies and could force a showdown with the United States. The Red Chinese plan, say U.S. intelligence sources, is to expand its military hegemony to dominate trade in the South China Sea. It's called "power projection," and Pentagon officials, China experts and senior intelligence specialists privately are saying that it could erupt in bloodshed on the water.

These experts say the United States is facing a multibillion-dollar military threat. And, to complicate matters, it is being subsidized by the U.S. bond market, senior national-security officials tell Insight. It is money from American pension funds, insurance companies and securities that may never be paid back.

China's plan is militarily to dominate the first tier of islands to the west of Japan and the Philippines and then project its force to the next "island tier," leaving America's most important allies in the Pacific surrounded by the Chinese military and, short of nuclear war, defenseless.

Foreign diplomats tell Insight the move toward the second tier started two years ago when China's People's Liberation Army, or PLA, set up command posts on uninhabited islands near the Philippines. "They are drawing their line, basically saying this area is Chinese territory," a Philippine diplomat who is monitoring Chinese military movements warns.

An ancillary motive behind China's plan to expand its military hegemony by more than 1,000 miles to the southern part of the South China Sea, say regional experts, revolves around the Spratly Islands, believed to be rich in oil and natural gas. Countries already claiming part of the Spratlys include Taiwan, the Philippines, Malaysia and Vietnam. In addition, China has shown interest in Guam and a set of islands north of the Spratlys, which Japan claims. A further target, says the Philippine diplomat, is control of the Kalayaan Island group, dominating the supply routes to the Philippines and important logistically to resupply other islands.

"They are setting the building blocks to eventually make that power projection," says the diplomat, who asked not to be named. "These are the building blocks for controlling the sea lines on which all the countries in the region such as Taiwan and Japan rely for economic vitality. The Chinese want to constrict trade to break Taiwan and Japan be being able to cut off the oil supply. While they may not be a direct threat to the U.S., they are more than enough of a threat to smaller weaker countries including ourselves and Japan. . . . The U.S. has done nothing because there is no blood on the water—yet."

A Japan Embassy official, who spoke for the record but asked not to be named, says Japan has no intention of surrendering claims to its islands in the region. "It is clear the islands [Beijing wants] belong to us," the official says, adding that if China moves in this way Japan expects the U.S. to intervene. "We have been watching China's military very closely," says the official.

Arthur Waldron, a China strategy expert at the U.S. Naval War College in Newport, RI, says China has wanted to reclaim the South China Sea since 1950, but placed that mission on the back burner because it was trying to defend itself from a possible Soviet invasion. Most of China's troops were deployed along the Soviet border or near Tibet and Vietnam, countries that were armed by Moscow. But now that the Russian threat has been greatly reduced, Beijing strategically has revised its military strategy and reorganized the PLA aggressively to pursue its maritime expansion mission, as was evident last year when Red Chinese missiles were fired over Taiwan as a means of intimidating both Taipei and Washington.

"I think it's absolutely delusionary to think they can achieve that goal by military force, but for us not to take China's military seriously is extremely dangerous," Waldron warns. "That is exactly what the Chinese want us to do. This is such a very dangerous situation that [protection of the South China Sea] should be negotiated and settled by all the parties concerned."

In April, the House Intelligence Committee released a Department of Defense report called "Selected Military Capabilities of the People's Republic of China" which highlights similar concerns. The report claims China has focused on developing nuclear-weapons systems and advanced intelligence, surveillance and reconnaissance capabilities to "develop a capability to fight short-duration, high-intensity wars in the region" and defeat the U.S. Navy.

The report concludes that China will have the capacity "to produce as many as 1,000 new [ballistic] missiles within the next decade" and is developing land-attack cruise missiles as a high priority for strategic warfare.

A naval-intelligence report released in February warned of Beijing's emphasis on obtaining a sophisticated blue-water navy technology to achieve four objectives: First, safeguard what the PRC calls China's territorial integrity and national unity—this includes China's claim over Taiwan; second, conduct a possible blockade of Taiwan; third, defeat seaborne invasions; and fourth, create intercontinental nuclear retaliatory forces. Meanwhile, two Red Chinese fleets patrol the area—one within 20 nautical miles of the coast targeting the first tier of islands, and another patrolling the outer reaches of the East China Sea in the area of the Taiwan Strait, the February report says.

In a country with nuclear attack submarines, this could mean trouble. Also, China possesses accurate and stealthy ballistic and cruise missiles with multiple warheads—some of which are aimed at Los Angeles and either Alaska or Hawaii, according to U.S. intelligence officials. China's force-projection plans also include building modern aircraft carriers.

The architect behind this buildup, say Western intelligence sources, is the Soviet-educated Chinese navy commander, Gen. Liu Huaqing, 79, a hardliner whose family is reported to be heavily involved in international power-projection through trade with the West in the manner of V.I. Lenin's New Economic Plan. To China's neighbors Liu is the "power broker who calls the tunes," which fits with the widespread opinion among security experts that the PLA is the power behind the Chinese government.

Former Time journalists Ross Munro and Richard Bernstein claim in their recently published book, "The Coming Conflict With China", that Beijing's primary objective is to become "the paramount power in Asia" by tapping U.S. technology and using Russian military experts. The authors contend China has proceeded in its plan with the help of about 10,000 Russian scientists and technicians—some of them in China and others communicating through the Internet. Though some of this is official, the Russian government is known to be sharing some very sophisticated weapons technology to assist the PLA, not all of it is. "The Russian military-industrial complex, staffed by some of the world's best (suddenly underemployed and underpaid) minds in military technology, is so corrupt and so desperate for cash that everything seems to be for sale," Munro and Bernstein write. "In 1995, for example, there were reports that Chinese agents, paying bribes to staff members of a Russian base near Vladisvostok, obtained truckloads of plans and technical documents for Russia's two most advanced attack helicopters." The Chinese since have obtained intact nuclear weapons from Russia, according to intelligence reports.

Adm. Joseph W. Prueher, chief of the U.S. Pacific Command, testified before a House National Security Committee in March that China is not yet a threat because its military is about 15 years behind that of the United States. In light of the blow that the U.S. military might have delivered even 15 years ago, say defense experts, that hardly is comforting. And, Waldron says, this can be a dangerous presumption because history indicates it didn't stop Japan in 1941 or Saddam Hussein during the Persian Gulf War. In 1994, a war game at the Naval War College conceptualized a sea battle between the U.S. Navy and the PLA navy off of China's shores in the year 2010. The battle hypothesized that China continued to acquire military technology at a rapid pace. The game, which Pentagon officials have refused to talk about, ended with a PLA victory, according to reports in Navy Times.

"The U.S. Navy is very angry at the Clinton administration for not taking a more robust approach," Waldron says. "We should pay a lot more attention. It's a great mistake to think a country with a military only comparable to ours will not attack. I worry very much about what China will do."

China analysts and national-security officials say the operating officer at the heart of Beijing's master plan to seize hegemony over Taiwan, Japan, Okinawa, Iwo Jima, Saipan, Guam and the Philippines is Wang Jun—Clinton's Feb. 6, 1996, coffee-klatsch guest who has taken advantage of corporate greed by persuading American investors to pour billions of dollars into joint-venture projects that allow Wang to tap into the U.S. bond market, borrowing millions from American mutual funds, pension funds and insurance companies to support the war chest.

Wang chairs both PolyTechnologies, or Poly, the arms-trading company of the PLA, and China International Trust and Investment Corp., or CITIC, a $23 billion financial conglomerate that Wang says is run by China's government, or State Council. His dual control of CITIC and Poly (the PLA company caught last year allegedly smuggling 2,000 AK–47 assault rifles to U.S. street gangs) makes it difficult for American firms to know whose hand they are shaking. "He's a master of muddying the waters," says James Mulvenon, a China researcher at California-based Rand Corp. "American companies are playing a shell game."

Not surprisingly, CITIC officially has controlled Poly. The relationship dates back to 1984 when the PLA created Poly for arms trading and structured it under the ownership of CITIC in part to conceal Poly's link to the PLA, according to Western analysts. Wang is the son of Red China's late vice president and Long March veteran Wang Zhen. The president of Poly is Maj. Gen. He Ping, son-in-law of the late Deng Xiaoping. A former defense expert for the Chinese Embassy in Washington, He Ping is director of PLA arms procurement and chairs CITIC-Shanghai. A second major subsidiary of CITIC is CITIC-Pacific in Hong Kong, chaired by Rong Yung, son of China's vice president, Rong Yiren, who founded CITIC. In short, this is a high-level operation of the Beijing government directly connected to the men in charge.

With the help of CITIC-Beijing, He Ping engineered the billion-dollar sale of Chinese arms that included missiles to Saudi Arabia and short-range cruise missiles to Iran during the mid-1980s. That deal was assisted by the government-controlled China Northern Industrial Corp., or Norinco, which now is under investigation in the West for selling chemical-weapons materials to Iran for weapons of mass destruction, according to April testimony before a Senate Governmental subpanel. China's sale of nuclear and chemical weapons to the Middle East all are part of a strategic plan to spread out deployment of the U.S. Navy so the PLA can concentrate on the South China Sea, according to intelligence and diplomatic officials.

But take Wang's word for it, he is far removed from Poly, according to a rare and exclusive interview he gave to the Washington Post. The Post did not question Wang's assertion that he only spend 5 percent of his time with Poly. But Mulvenon, who is researching the PLA empire, laughs at that estimate. "It is more likely 15 to 20 percent," he says. And some defense-intelligence sources tell Insight CITIC is so closely linked to the PLA that professional observers have little doubt that the PLA is calling the shots.

Wang's ability to mask Poly by show-casing CITIC has paid off handsomely for his other enterprises on behalf of Beijing's war plans. In particular, the U.S. bond market already has been an attractive target for CITIC to the tune of $800 million in borrowing. That, of course, begs the question: Why is the high-level Beijing operative Wang Jun allowed to borrow huge sums from Americans when President Clinton says it is "clearly inappropriate" even to meet with this PLA arms dealer? The White House assures that questionable visitors such as Wang no longer will have access to the president because FBI and National Security Council background checks now will expose them in advance. Yet, there is no national-security screening of foreign borrowers in U.S. securities markets from which huge sums are being allowed to float into China's war chest.

Sound incredible? A new booked called Dragonstrike: The Millennium War, by British Broadcasting Corp. and Financial Times journalists Humphrey Hawksley and Simon Holberton, presents a scenario on how the Red Chinese military might manipulate the international financial market to raise capital. It's what Roger Robinson, former senior director of International Economic Affairs at the National Security Council, warns already is happening. Robinson, described by President Reagan as "the architect of a security-minded and cohesive U.S. East-West economic policy," claims that these enormous sums may never be paid back.

"This is cash on the barrel," Robinson says. "This totally undisciplined cash with no questions asked concerning the purpose for the loans. This could be used to fund supplier credits, strategic modernization, missiles to rogue states like Iran and to finance espionage, technology theft and other activities harmful to U.S. securities interests."

Some of the bond money "undeniably" is supporting PLA enterprises, says Orville Schell, a China expert who is dean of the journalism school at the University of California at Berkeley. Schell says that's because "there is no division between government and business" in the PRC, making it nearly impossible to distinguish PLA companies from government-controlled companies. "It means China is going to be exporting and docking at facilities in Long Beach [Calif.]" at the former U.S. Navy base there, notes Schell in reference to what some regard as a military concession to go along with its acquisition of control of ports at both ends of the Panama Canal. "It means China is going to be buying U.S. companies. It is going to be doing all of the things that everyone else does. Whether it is a security risk depends on your assessment of China," says Schell. "But one thing for sure. China is the most unsettled country in Asia."

Thomas J. Bickford, a PLA expert and political-science professor at the University Wisconsin at Oshkosh says accessing the U.S. bond market is just one way the PLA can rise the money to purchase the most modern military equipment. "But it's not in just the bond market, it's also in consumer sales," with 10,000 to 20,000 companies, he says (see "PLA Espionage Means Business," March 24). Many of those PLA enterprises are losing money and in essence promoting corruption in the ranks, says Bickford, as some PLA business operatives personally are pocketing profits to purchase luxury cars or resorts, while others are fully engaged in smuggling operations. "The corruption is so high it goes all the way up to the generals," Bickford says. "That gives you an idea how much rot exists."

Where large profits from PLA companies do occur, much goes toward purchasing food and housing for some 3.2 million Red troops, says Bickford. This suggests the bond market may play a bigger role for the PLA than most people expect because that money could be going to support a defense budget the U.S. government claims to be as high as $26.1 billion a year. And Munro and Bernstein claim it really is about $87 billion a year when profits from PLA businesses are calculated in the total.

Deeply concerned about all of this, Robinson advocates creating a nondisruptive national-security screening process to help the Securities and Exchange Commission identify and exclude PRC fund-raising operations disguised as business ventures. The process would be similar to security checks now conducted at the White House, or the seven-day

waiting period for a background review required to purchase a handgun. He says it would weed out dangerous foreign business partners such as PLA gunrunning companies and the Russian Mafia.

"Russia thinks the water is fine," Robinson says. "They are going to have as many as 10 to 12 bond offerings in the next 18 months—and some of those might involve organized crime. So there is every reason to be concerned because there might be bad actors among the Russian bond offering. We don't want terrorists, drug dealers, an organized criminal syndicate, gun smugglers or national military establishments borrowing on the U.S. securities markets with impunity."

Bickford says Robinson's solution would "catch the obvious" PLA players, but it won't stop all the diverting of money to the military because many of the PLA enterprises have joint ventures with Chinese government-controlled companies—making it nearly impossible to track the bad seed. "The PLA businesses are very good about hiding themselves," Bickford warns.

But Robinson says the National Security Council knows who the bad actors are and could effectively knock out the threat. "We need to get national security back in the picture," Robinson insists. "We are not trying to discourage investing in the market, but this is too fertile a territory for potential abuse. We just need to get additional protection for the American investment community via U.S. intelligence in a secure, nondisruptive manner."

Robinson has uncovered $6.75 billion in Chinese government-controlled bonds floated on the U.S. and international securities markets between September 1989 and December 1996. China also has placed $17.2 billion in bonds with Japan. About 65 percent of the U.S. money, or $4.4 billion, was issued to the PRC, the Bank of China and Wang's CITIC. The PRC raised $2.7 billion on six bond issues from October 1993 to July 1996. The Bank of China raised $850 million on four bond issues from October 1992 to March 1994. CITIC raised $800 million on five bond issues from March 1993 to October 1994.

Robinson says all three areas could be suspect: The PRC because that money could go anywhere, Wang because of his direct link to the PLA and the Bank of China—a company that has flooded the Washington radio market with an advertising and public-relations campaign—because it now has been directly linked into the Clinton fund-raising scandal.

What is the link? For one, the Wall Street Journal recently reported that the Bank of China transferred hundreds of thousands of dollars in $50,000 and $100,000 increments to Clinton friend Charlie Trie in 1995–96. Trie and Harold Green, another Clinton friend who assisted Wang with getting security clearance, dumped similar amounts of cash into the Democratic National Committee and Clinton's legal defense fund shortly after Wang was permitted access to the president.

John N. Stafford, chief judge of the Department of Interior in the Reagan administration who publishes a highly respected national investment newsletter, says the relative ease with which China can tap into the U.S. bond market by using intermediaries such as the Bank of China is based largely on American greed. Stafford says businessmen are following the lead of Henry Kissinger and Alexander Haig who are players in U.S.-China trade (see "Lion Dancing With Wolves," April 21).

Stafford says, "We are providing funding for our own self-destruction, especially when money is being used to facilitate efforts to build up China's military and provide weapons of mass destruction to known terrorist countries and sworn enemies of the U.S." A onetime supporter of Robert Kennedy and Scoop Jackson, Stafford turned his support to the Republican Party because he says under President Carter the Democrats gutted national security and had a dismal economic record. He compares China's activity in the bond market to Soviet operations during the Cold War, when he says the USSR diverted billions of dollars of borrowed Western funds to support military activities contrary to U.S. interests.

"This is a replay of Russia in the mid-seventies," he says. "This is business vs. national security. It is a case where money is more important than human rights. Lenin was right when he said the capitalists will sell us the rope with which we will hang them. That's what is happening here."

[From the Wall Street Journal June 10, 1997]

CHINA CLASH

Question: Should we maintain good trade relations with China despite disagreements over human rights, or demand that China improve its human rights policies if it wants to continue to enjoy its current trade status with the United States?

Percentages of groups saying the U.S. should first demand improvement in human rights policies.

All adults, 67 percent.
Men, 63 percent.
Women, 70 percent.
Age 35–49, 64 percent.
Age 65+, 72 percent.
Under $20,000 income, 76 percent.
Over $50,000 income, 63 percent.
Democrats, 73 percent.
Republicans, 61 percent.

U.S.-CHINA TRADE: THE STATUS QUO

1996 trade deficit: $40 billion.
1997 trade deficit: $53 billion.

TARIFFS

Average U.S. MFN tariff on Chinese goods: 2 percent.

Average Chinese MFN tariff on U.S. goods: 35 percent.

EXPORTS

Percent of U.S. Exports allowed into China: 1.7 percent.

Percent of Chinese Exports to the U.S.: 33 percent.

JOBS

Chinese jobs supported by U.S. trade: 10,000,000.

U.S. jobs supported by Chinese trade: 170,000.

TRADE GROWTH

Exports to China have grown: 3 times.
Imports from China have grown: 13 times.

CHINA'S PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

The Chinese government is engaged in transferring dangerous technology enabling rogue nations to develop weapons of mass destruction, including: providing to Iran advanced missile and chemical weapons technology; providing to Iraq and Libya materials to produce nuclear weapons; providing missile-related components to Syria; providing to Pakistan advanced missile and nuclear weapons technology; and selling over $1.2 billion in arms to the military rulers of Burma.

THE CHINESE GOVERNMENT'S VIOLATIONS OF HUMAN RIGHTS

The State Department's "Country Reports on Human Rights for 1996", states that "The (Chinese) Government continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence of inadequacy of laws protecting basic freedoms."

The report also notes that: "Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention, or house arrest. No dissidents were known to be active at year's end. Even those released from prison were kept under tight surveillance and often prevented from taking employment or otherwise resuming a normal life." (emphasis added).

Since the State Department report was released in February, additional information has been provided to Congress about the Chinese government's repression of basic freedoms and human rights, including: The persecution of evangelical Protestants and Roman Catholics in China who choose to worship independently of the government sanctioned (and controlled) church; forcibly closing and sometimes destroying "house churches," and harassing and imprisoning religious leaders; the threat to currently-existing democratic freedoms in Hong Kong. The takeover of Hong Kong by China is scheduled for July 1, 1997. Already, the Chinese government has moved to disband Hong Kong's democratically elected legislature and to repeal its bill of rights; the brutal repression of the religion, people and culture of Tibet; and the regulation of the free flow of information, including restricting access to and use of the Internet and restricting basic economic and business data.

OPEN LETTER ON CHINA'S PERSECUTION OF CHRISTIANS

DEAR MEMBERS OF CONGRESS: Recently, letters have circulated on Capitol Hill from some groups and leaders involved in missions in China. These letters urge Members not to vote to revoke China's Most-Favored-Nation (MFN) trade status. They cite potential dangers to the missions if the U.S. responds to Beijing's terrible record on human rights, national security and workers' rights.

There are points of agreement between us and those missions organizations. We can agree, for example, to put no individual at risk of retaliation. We should take great care in dealing with a regime that has demonstrated its willingness to settle disagreements with tanks and with bullets in the back of the head. We can also agree that those Christians directly involved in work in China are not necessarily the ones to lead the fight against MFN. They may be too close to the situation for prudence or safety to permit open opposition to the regime.

But the letters make other arguments. They suggest that a forceful response by the United States government to what everyone acknowledges is an appalling Chinese government record would be counter-productive. We cannot accept those arguments. As deeply as we respect Christian missionaries in China and throughout the world, we must disagree with a policy which allows China's rulers to manipulate the United States of America simply by threatening reprisals against these innocent, godly people. It is a form of hostage-taking.

For the U.S. to surrender to such threats would be to assure that Beijing will use threats whenever Americans cry out against

the cruelty and injustice of the communist Chinese regime. Should we all keep silent about China's massive campaign of forced abortions and compulsory sterilizations? Should we avoid criticizing China's use of slave labor in the Laogai? Should we turn aside from China's latest violations of chemical weapons agreements, including shipment to Iran of poison gas? Is the United States truly the leader of the Free World? Or are we merely the "moneybag democracy" the Chinese rulers contemptuously call us?

There is a real danger that the arguments made by some U.S.-based missions may be seized upon by those whose only interest in China is profits. Some multi-national corporations have allowed the brutal Chinese birth control policies to be run in their factories. Some have also accommodated Chinese repression by banning religion in the workplace. And some have exploited prison laborers.

We wholeheartedly support missions throughout the world, and especially in China. We think it's necessary, however, to take a clear-eyed view of the conduct of the Chinese government. While missionaries seek no conflict with the government, the reality is that China's rulers do not view Christians so benignly.

Paul Marshall, in his well-received book "Their Blood Cries Out," describes the attitude of China's elites. "In 1992, Chinese state-run press noted that 'the church played an important role in the change' in Eastern Europe and warned, 'if China does not want such a scene to be repeated in its land, it must strangle the baby while it is still in the manger.'"

We are proud to note the consistent and principled stance of the U.S. Catholic Conference in opposing MFN for China. Catholics are brutally repressed in China, as are Evangelicals, Muslims and Buddhists. But the USCC has never allowed Beijing's threats to deter it from its duty to speak up for the oppressed. Nor should we.

We know that we are not on "the front line" in confronting Chinese repression. Because we have a freedom to speak out that is not granted to those on the Mainland, we must use our God-given freedom to speak out for those who cannot speak for themselves. When it is argued that the situation will be worsened if America takes action, we must ask candidly, how can it be worse for the Chinese dissidents? Our own State Department reports that all dissidents have been either expelled, jailed or killed.

We rejoice in the fact that American missionaries hold U.S. passports. We pray that a strong United States will help to safeguard our fellow Americans' lives while they do the Lord's work in China. But Chinese Christians are not so protected. For Pastor Wong, leader of 40 Evangelical churches, MFN has brought no benefits. He has been arrested four times for spreading the Gospel. The last time he was jailed, his fingers were broken with pliers. While Vice President Gore was preparing to visit Beijing in March, Chinese secret police invaded the apartment of Roman Catholic Bishop Fan Zhongliang in Shanghai, seizing Bibles and other religious articles. The move against the nation's highest Catholic prelate was clearly intended to intimidate millions of faithful Chinese Catholics. MFN has only made the Chinese police more efficient in denying basic human rights to Bishop Fan and his flock.

President Clinton's 1994 "delinking" of trade and human rights concerns has actually increased repression in China. Now, even if missionaries plant churches, the Chinese secret police can disrupt them. This view is affirmed by New York Times editor A.M. Rosenthal. He has written:

"Knowing Washington would not endanger trade with China, even though it is mountainously in China's favor, Beijing increased political oppression in China and Tibet—and its sales of missiles, nuclear material and chemical weaponry."

Rosenthal refers to the president as Beijing's "prisoner." Let us assure, by our steadfastness, that the rest of us do not wear such chains.

From the beginning of this debate, we have recognize that the argument over MFN is not just about what kind of country China is, it is also a dispute about what kind of country America is. We believe Americans have a moral obligation to stand up for human rights, for the rule of law and for the rights of workers. We know, from long and tragic experience in this blood-stained century, that a regime which brutalizes its own people is virtually certain to threaten its neighbors.

Sincerely yours,

Gary L. Bauer, President, Family Research Council; Ralph E. Reed, Executive Director, Christian Coalition; Rev. Richard John Neuhaus, President, Institute for Religious and Public Life; Keith A. Fournier, Esq., President, Catholic Alliance; D. James Kennedy, President, Coral Ridge Ministries; Joseph M. C. Kung, President, Cardinal Kung Foundation; James C. Dobson, Ph.D., President, Focus on the Family; Phyllis Schlafly, President, Eagle Forum.

Chuck Colson, President, Prison Fellowship Ministries; Gov. Robert P. Casey, Chairman, Campaign for the American Family; Steve Suits, South Carolina Family Policy Council; William Donohue, President, Catholic League for Civil and Religious Rights; Richard D. Land, President, Christian Life Commission; Steven W. Mosher, President, Population Research Institute; Gerard Bradley, Professor, Notre Dame Law School; John DiIulio, Professor, Princeton University.

Robert P. George, Professor, Princeton University; John Davies, President, Free the Fathers; Kent Ostrander, Director, The Family Foundation (KY); Matt Daniels, Executive Director, Massachusetts Family Institute; Rev. Donald E. Wildmon, President, American Family Association; Deal W. Hudson, Publisher & Editor, Crisis Magazine; Bernard Dobranski, Dean, Columbus Law School; Rev. Steven Snyder, President, International Christian Concern.

Ann Buwalda, Director, Jubilee Campaign; P. George Tryfiates, Executive Director, The Family Foundation (VA); Randy Hicks, Executive Director, Georgia Family Council; Marvin L. Munyou, President, Family Research Institute (WI); William T. Devlin, Executive Director, Philadelphia Family Policy Council; William Held, Executive Director, Oklahoma Family Council; William A. Smith, President, Indiana Family Institute; Thomas McMillen, Executive Director, Rocky Mountain Family Council.

Michael Heath, Executive Director, Christian Civic League of Maine; David M. Payne, Executive Director, Kansas Family Research Institute; Gary Palmer, President, Alabama Family Alliance; Jerry Cox, President, Arkansas Family Council; Dennis Mansfield, Executive Director, Idaho Family Forum; Michael Howden, Executive Director, Oregon Center for Family Policy; William Horn, President, Iowa Family Policy Center; Joseph E. Clark, Executive Director, Illinois Family Institute; John H. Paulton, Executive Director, South Dakota Family Policy Council; Mike Harris, President, Michigan Family Forum; Mike Harris, President, Michigan Family Forum.

INDEPENDENT FEDERATION OF CHINESE STUDENTS AND SCHOLARS,
Washington, DC, April 25, 1997.

U.S. Congress,
Washington, DC.

DEAR MEMBERS OF CONGRESS: The Independent Federation of Chinese Students and Scholars (IFCSS), the sole national umbrella organization of Chinese students and scholars in the U.S., is taking this opportunity to express its opinion on the extension of most-favored-nation (MFN) status to China. The IFCSS reiterates its support for the U.S. and other western countries in conducting trade with China. We believe economic exchange and commerce will mutually benefit people in all countries conducting such trade; however, China is governed by an authoritarian and repressive regime, lacking in fundamental respect for the basic rights and freedoms which U.S. citizens so highly value.

The IFCSS, therefore, urges the U.S. to adopt a more responsible trade policy. The rights and freedoms cherished in this nation should be linked to trade in order to make U.S. trade policy more responsible and accountable.

We believe human rights is a fundamental issue, inseparable from the construction of a modern and humane society in our country. The Chinese government must learn to respect the rights of its 1.2 billion citizens as they strive for economic prosperity in the 21st century.

That the Chinese government has increased its control of Chinese society, both politically and ideologically, is well documented. For instance, the government has cracked down severely on dissidents, curtailing their activities and depriving them of their right to earn a living, as reported in U.S. State Department Report '96. The result is that no single active political dissident's voice remains in China: leading dissidents Liu Gang and Wang Xi-zhe were forced to flee the country after consistent torture, harassment, and nationwide pursuit by the police; Liu Xiaobo, Li Hai, Guo Haifeng and a dozen other dissidents have been imprisoned once again for their peaceful expression of opinions and criticisms; Nobel Peace Prize nominee and the most prominent dissident Wei Jingsheng is still in jail, with deteriorating health. We were outraged to see student leader Wang Dan, who gained prominence in the prodemocracy movement of 1989, held in illegal detention for 16 months, finally charged with conspiracy to overthrow the government and sentenced to 14 years in prison. This was done without solid evidence or a fair trial, by a legal system at the beck and call of the Communist Party, and in defiance of the international community's concerns.

While ordinary Chinese citizens are encouraged to become rich, they cannot express political views dissenting from the government. Freedom of the press, expression, association and assembly remain extremely forbidden. Like all authoritarian regimes, the government of China keeps its citizens

under tight control in these aspects in order to maintain its governance.

Unfortunately, the weakening of pressure from foreign governments in the past several years, as evinced by President Clinton's decision in 1994 to delink human rights from MFN, has encouraged the Chinese government to increase political repression. President Clinton has admitted the failure of this policy but the U.S. government continues to pursue it. Further proof of this lack of concern over human rights abuses in China can be seen by the collapse of the coordinated efforts by democratic allies to condemn the Chinese government at the 1997 U.N. Human Rights Commission. We strongly denounce China's blatant retaliation threats against those western countries supportive of the resolution. We also urge the U.S. government to reconsider its weak and passive policy toward China, which gravely undermines its commitment and obligation, as the most powerful nation in the world, to work to advance human rights and democracy globally.

The IFCSS stresses its belief that the conditional MFN was an effective policy in the past. Unfortunately, we've all seen how aggressively the business community attacked this policy for their own commercial interests and, worst of all, how successfully they were able to influence both the Congress and the Administration. Despite assurances to the contrary, however, the unparalleled economic growth in our country has not in any way resulted in a more humane society, more respect for basic rights or less repression. Sadly, the opposite has occurred. China's leaders have learned a lesson from the collapse of the Soviet Union and the Eastern-Europe bloc and the result is a mutant form of communism, but communism nonetheless. China is now a nation that encourages economic prosperity through foreign investment, the use of advanced technology and capitalist management styles. On the other hand, the Communist party continues to exert political and ideological control through its one-party monopoly. This clearly demonstrates that economic prosperity does not bring about "automatic" democracy, as predicted by so many.

Whether or not this hybrid eventually succeed remains uncertain. What is certain is the continuing political repression, depriving Chinese citizens of basic rights and denying the international community's effort on behalf of human rights and freedom in China. With increasing wealth, the Chinese government is becoming less, rather than more, accountable. International pressure has played a critical role in pushing China to be more open, but western nations are also morally obliged to keep applying this pressure, particularly at a time when the system in China has become more intolerant and repressive. It is shameful to see western business interests being held hostage by the Chinese government in order to evade international condemnation for its repressive policies.

We hereby urge the members of Congress to give this issue the serious consideration it deserves. The IFCSS particularly appreciates the U.S. government's consistent claim that human rights issue is one of the cornerstones of its foreign policy. We respectfully appeal to the members of Congress to make improvements in human rights a condition of extending MFN status to our country.

Sincerely,

XING ZHENG,
President.

STATEMENT OF JOHN CARR, SECRETARY, DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE, U.S. CATHOLIC CONFERENCE

CATHOLIC BISHOPS OPPOSE RENEWING MFN

The U.S. Catholic Bishops lead a community of faith, not a political or economic interest group. The Bishops' Conference opposes renewal of MFN for China because it is the only available means to send a clear signal to the Chinese government that the United States will not ignore pervasive violations of religious liberty, human dignity and workers rights.

The Bishops are not newcomers to this important cause and we welcome those who join with us from diverse political, religious and ideological communities. We come together, despite our differences, to insist that U.S.-China policy must more clearly reflect fundamental moral principles. From across the political spectrum, we are affirming that there are ties of common humanity that are deeper and stronger than those of trade. We are joining in solidarity with those who are persecuted for their faith or their political courage; we are affirming the rights of workers to labor freely; we are standing profiteering from slave labor, and we are defending married couples from the inhumanity of coercive abortion policies.

In urging the Congress not to renew MFN for China, the U.S. Catholic Conference recalls that religious liberty is a foundation of our freedom, and that hard experience has shown that a free society cannot exist without freedom of conscience. Freedom for markets without freedom of worship is not really freedom at all. Despite the claims and hopes of the Administration and others, religious persecution in China is serious and apparently growing. As a result of recent laws, regulations and practice, many believers in China—underground Catholics, Tibetan Buddhists, Protestant House Churches and others—are denied their right to practice their faith without government interference, harassment or persecution.

Our Church seeks a constructive and positive relationship with China and its people. We support reconciliation and dialogue between the U.S. and China and among the Chinese, but these vital tasks must reflect fundamental respect for human life, dignity and rights. The U.S. must reorder its priorities in China policy insisting that protecting the rights of believers, workers and dissidents is as important as combating piracy of CD's and videos. Let us send a message so clear that those who wish to do business in China will spend less effort lobbying the U.S. Congress to protect their economic interests and more effort to help China understand that U.S. concern for human rights will not go away.

Current policies have failed; it is time to send a clear message. MFN may not be the perfect vehicle but it is our best chance to insist we will no longer ignore religious persecution, violation of worker and human rights, and coercive abortion policies.

INTERNATIONAL CAMPAIGN FOR TIBET,
Washington, DC, May 21, 1997.

Hon. NANCY PELOSI,
House of Representatives,
Washington, DC.

DEAR CONGRESSWOMAN PELOSI: I wish to submit, for the May 21 press conference on most-favored-nation (MFN) trade status for China, a brief description of the difficult situation in Tibet and, in particular, China's repression of religious freedom which has worsened in recent years.

In 1994, President Clinton abandoned the use of trade privileges as a mechanism to move China into compliance with internationally-recognized human rights norms. It is now evident that China consequently accelerated its course of repression in Tibet from a negative direction to an extreme degree. In the place of linkage, the Clinton administration has chosen to pursue a policy of "engagement" with China while, ironically, China has taken up the policy of linkage and blatantly doles out significant economic favors to all who are willing to halt criticism of its human rights record. At this year's U.N. Human Rights Commission meeting in Geneva, important U.S. allies in previous efforts to condemn China's human rights record, withdrew their support for lucrative trade contracts with China. Three years after the U.S. delinkage of trade and human rights, President Clinton himself has judged the U.S. engagement policy a failure as China has completely silenced its dissidents and has given up all pretense of tolerance for the distinct cultural, linguistic and religious traditions of the Tibetan people.

We do not know how many political prisoners there are in Tibet today, although some 700 have been at least partially documented. One young Tibetan, Ngawang Choephel, was sentenced in December 1996 to 18 years for videotaping traditional Tibetan music. This extremely harsh sentence was handed down in spite of personal appeals to the Chinese leadership by U.S. Government officials, including Members of the U.S. Congress. It even appears that Ngawang Choephel's status as a Fulbright scholar was used against him by the Chinese authorities who, on this basis, added collusion with the West to his list of so-called espionage charges.

There are reports from Tibet that popular and successful Tibetan language programs at middle schools and universities have been discontinued. While these programs were few in number, they removed the enormous and unfair obstacle of Chinese language proficiency for some Tibetans. Indeed, those children in Tibet who are schooled in their mother tongue in the primary grades are blocked from continuing education by obligatory tests administered in Chinese only. This Chinese language-only policy exacerbates the increasingly high drop-out rate for Tibetan children whose schools have taken the brunt of government cut-backs and must operate without resources, including heat. Money for blankets has come to mean no money for food in most Tibetan schools.

It is, however, the lack of religious freedom that is the most revealing of China's malicious intentions in Tibet. The State Department, in its "Country Report on Human Rights Practices for 1996" mistakenly qualifies China's actions in Tibet by stating that "the Government does not tolerate religious manifestations that advocate Tibetan independence." The trust is that China has determined to eradicate completely Tibetan Buddhism as an enduring threat to the Chinese communist state. This was China's original motivation for going into Tibet, temporarily laid aside by the threat of international scrutiny, and taken up with renewed verve at the time of delinkage in 1994. The abduction of the child Panchen Lama is yet the most recent symbol of a conscious choice by Li Peng and Jiang Zemin articulated over the last three years, to crush Tibetan Buddhism.

Last month, His Holiness the Dalai Lama visited Washington where he was received in the Congress, the State Department and the White House. At each stop, he was given assurances of support for his proposed negotiations with China on the future of Tibet. Thus

far, China has resisted calls for negotiations, and the United States has demonstrated a lack of resolve in pushing China to make concessions in the area of human rights. I would urge the U.S. Government in 1997 to take the kind of stand against China's policy in Tibet that would be experienced in Beijing with the same intensity as was the President's MFN delinkage in 1994. If it is the case that U.S. dollars fuel China's power and its powerful, then U.S. leverage must be of the economic kind to be appreciated.

While the world's sole superpower pursues a China policy that takes the position that the engagement of Western and Chinese businesses will bring about gradual changes in China's human rights policies, it is providing a fig leaf for every Western nation to do business with China regardless of its human rights practices. I urge the United States to go beyond its diplomatic rhetoric, assert its world leadership and elicit significant and positive changes in China's Tibet policy.

Sincerely,

LODI G. GYARI,
President.

[From the Freedom House News, June 3, 1997]

CHINA'S PERSECUTION OF UNDERGROUND CHRISTIAN CHURCHES CONTINUES TO INTENSIFY AS AUTHORITIES SEEK THEIR ERADICATION FINDS HUMAN RIGHTS MISSION

NEW TREND NOTED TO ARREST HOUSE CHURCH LEADERS; TORTURE REPORTED; ANNUAL UNDERGROUND CATHOLIC PROCESSION SUPPRESSED

WASHINGTON, D.C.—Today (June 3, 1997) Freedom House released the findings of its mission to China during the last two weeks of May that investigated state persecution against underground Christian churches. The investigation revealed that China is continuing and intensifying its campaign against the Christian underground.

"Some Provinces are more repressive than others, but repression has intensified in all the Provinces from where we received reports," reported Dr. Marshall who conducted the fact-finding in China for the Puebla Program on Religious Freedom of Freedom House. In addition to closing unregistered churches (Christian gatherings that occur without government sanction), authorities are now aggressively seeking out and arresting members and leaders of the Christian underground. Eighty-five house-church Christians were arrested in May in Henan Province alone. New incidents of torture by beatings, binding in agonizing positions, tormenting by cattle prods and electric drills and other brutal treatment by Public Security Bureau police against Christians were reported to the Freedom House representatives.

Ninety percent of the underground Protestant church members interviewed by Dr. Marshall said the repression is the worst since the early 1980's. Repression against the underground churches began to rise in 1994 after Beijing issued decrees 144 and 145 mandating the registration of religious groups, with a marked increase from the summer of 1996.

Puebla Program Director Nina Shea observed, "The ferocity of China's crackdown against the underground Christian community can be explained by the fact that these churches constitute the only civic grouping that has survived outside of government control in China proper. Even in the underground in China there are no independent human rights groups, labor unions or samizdat presses. These underground churches by their very existence defy the state and cannot be tolerated by the aging communists in power."

The Freedom House team met with 15 underground church members, 12 of whom are pastors or in other leadership positions and are viewed as highly credible. It received reports from over half of China's Provinces and regions (Henan, Hubei, Sichuan, Heilongjiang, Xisang, Shanxi, Guangdong, Anhui, Hunan, Shandong, Liaoning, Hebei, Inner Mongolia, Jilin, Guizhou, Beijing and Shanghai.)

House church leaders interviewed by Freedom House representatives reported the following:

The standard sentence for illegal church activities is now three years of "re-education through labor" in a labor camp. This is applied on the third offense for ordinary church members, often to leaders on the first offense, and is usually applied to preachers who are out of their home area.

In Henan Number One Labor Camp (laojiao) approximately 50 out of the 126 inmates are imprisoned for underground church activities. A ratio of about forty percent holds for Henan generally, evidencing that Henan Province is where house-church evangelicals are experiencing some of the harshest repression.

In Louyang, approximately 300 underground Protestants have been detained since July 1996.

On September 24, 1996 in Tenghe, Henan, a Public Security Bureau raid arrested Elder Feng, Brother Zheng, Brother Xin, Sister Li and Sister Luo. Several of these who were in leadership positions were beaten and tortured during interrogation to force them to reveal more names of those involved in the house-church organizations. Sister Luo had her arms tied tightly behind her back in an excruciating position, and was beaten unconscious, leaving her in a coma for several hours. One of the other detainees was beaten almost to death over a period of nine days. They were also abused with electric cattle prods, often in a bound position. Since Elder Feng is 72-years-old and not able to perform hard labor, he is being detained indefinitely. The other four have been sentenced to three years of "reeducation through labor" in Luoyang, Henan.

Other forms of torture widely used by police against Christians entail forcing underground Christians to kneel while police stomp on their heels. One detained underground church member in Shanxi was beaten with an instrument that pulled out flesh. He was also bound and tormented with an electric drill. In December 1996, in Langfang, Hebei, several underground Christians were caught at the train station carrying imported Bibles. They suffered crippling beatings at the hands of the Public Security Bureau police and they remain unable to walk without assistance.

In Zhoukou, Henan, 65 underground Christians were arrested on May 14, 1997. An accompanying raid resulted in the arrest of 20 other Christians. Since all 85 underground evangelicals had been previously arrested at least two other times, their fellow congregants anticipate that their sentences will be three years of "reeducation through labor."

The annual pilgrimage to the Marian Shrine at Dong Lu in Hebei Province by underground Catholics was prevented by government authorities from occurring this year. In 1995, according to the Far Eastern Economic Review, the procession attracted some 10,000 Catholics loyal to the Holy Father. The event was crushed in 1996 and the priest in charge of the Shrine, Rev. Xingang Cui, remains in prison after his arrest in Spring 1996. The Shrine itself has been desecrated. A foreign journalist who attempted to visit the area was immediately stopped and detained for nearly a day before being expelled from the area.

The underground Catholic bishop of Shanghai, Bishop Joseph Fan Zhongliang, whose home was raided before Easter is under virtual house arrest with heavy police surveillance. He is effectively prevented from meeting with foreigners. [As has previously been reported, four other underground Catholic bishops are detained, imprisoned or their whereabouts are unknown at this time.]

All the church representatives (both registered and unregistered, Catholic and Protestant) gave reports of a three- to fourfold increase of members since 1990, and a greater than ten-fold increase since 1980. Freedom House estimates that China's Christian population numbers about 60 million. In many areas, the boundaries between registered and underground churches are blurred, as members and even leaders move back and forth between both. Dr. Marshall observes: "Ironically, the very campaign to eradicate the underground churches by the government may be spurring their growth. Underground leaders say the commitment required to practice one's faith in China leads to a strong, disciplined and growing church."

Mr. BUNNING. Mr. Speaker, I reserve the balance of my time.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota [Mr. RAMSTAD], our distinguished colleague.

Mr. RAMSTAD. Mr. Speaker, I thank my distinguished chairman for yielding me the time.

Mr. Speaker, I strongly support the bipartisan effort to renew normal trade relations with China and oppose the disapproval resolution we are considering today. United States engagement in China through continued trading relationships is clearly, clearly the best way to influence China's policies. How can we be a force for change in China's human rights policies if we are not there?

We learned during our Committee on Ways and Means hearing last week that many evangelical Christians and humanitarian groups which actually work in China strongly support MFN renewal. Let me quote from two.

First, Joy Hilley of Children of the World, which is a nonprofit international relief and adoption agency operating in China, said that her group's concern for continued access to China is based on their belief that their presence in China has not only enriched the lives of the children who have been adopted but has actually helped save the lives of those children who remain in orphanages in China.

MFN renewal is also supported by the Rev. Ned Graham, son of another well-known minister, the Rev. Billy Graham, who heads a ministry which works with the churches in China.

With all that in mind, Mr. Speaker, I must say that we do not need to apologize for recognizing that the United

States-China trade relationship is also very important to jobs and to businesses in this country.

An aggressive free trade policy is absolutely essential to our economy and our workers. We in Minnesota know what this means. In 1996, we exported over $60 million worth of goods to the growing Chinese market. We are currently working on improving that figure through the Minnesota Trade Office's Minnesota China Initiative. In fact our State legislature just authorized $350,000 for this effort to establish Minnesota companies as known and preferred vendors in China.

The workers understand what this MFN means in terms of jobs. Let us hope the Congress understands. Vote down this disapproval motion.

Mr. STARK. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland [Mr. CARDIN].

Mr. CARDIN. Mr. Speaker, I thank the gentleman for yielding me this time and congratulate him on his leadership on this issue.

Mr. Speaker, I heard all these arguments before against United States involvement on human rights issues. We were told with the Soviet Union that the United States would be alone. Just the opposite was the case when we stood up and denied most-favored-nation status to the Soviet Union. Other countries followed the United States leadership. I heard the same arguments about South Africa, that would hurt the blacks of South Africa. By standing up for human rights, we have brought down that apartheid government of South Africa. We said that we were going to hurt our own interests because of the richness of South Africa and their natural resources. We stood up and we changed South Africa. When the United States leads, the world will follow.

China's human rights record is horrible. Listen to our own State Department. I quote:

> Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention, or house arrest. Nonapproved religious groups, including Protestant and Catholic groups, also experienced intensified repression as the government enforced the 1994 regulations. Discrimination against women, minorities, and the disabled, violence against women, and the abuse of children remain problems.

China's human rights records are horrible. Listen to what Professor Nathan of Columbia said: Human rights in China are of our national interest to the United States. Countries that respect the rights of their citizens are less likely to start wars, export drugs, harbor terrorists, produce refugees. The greater the power of the country without human rights, the greater the danger to the United States.

I have heard all the arguments against involvement. MFN is supposed to be for immigration only. MFN is for nations that respect human rights. China does not respect human rights.

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We never have to apologize for this Nation standing strong against nations that abuse human rights. Let us stand up for what this Nation believes in. Vote to deny China MFN. They do not deserve it.

Mr. MATSUI. Mr. Chairman, I yield 3 minutes to the gentleman from Massachusetts [Mr. NEAL].

Mr. NEAL of Massachusetts. Mr. Speaker, I rise in opposition to House Joint Resolution 79, disapproval of most-favored-nation trade treatment for China.

Mr. Speaker, this is one of those fascinating arguments that confronts this institution, where there is some truth to what everybody says. But it is ironic that we opened this century with the Boxer rebellion and now we close the century with MFN; and it highlights how this relationship between our Nation and China has been mishandled for the better part of one century.

I think that the issue for us today is really to take the long view of our relationship with China. Every year since 1980, Presidents have requested waivers from Jackson-Vanik in an effort to discuss MFN status as it relates to China. The Jackson-Vanik amendments were enacted to address the freedom of immigration issue. But through most of the 1980's, Presidents have indeed requested this waiver of MFN for China and the waivers, for the most part, were noncontroversial.

Now, I acknowledge that after 1989 and the massacre of Tiananmen Square that the situation changed. But, as we all know, the United States-China relationship remains precarious, and we have to decide the best manner in which to improve this relationship.

In May 1994, President Clinton decided to delink human rights from China's MFN status and to establish new programs to improve human rights in China. This decision was based upon the belief that linkage was no longer useful. I agree with President Clinton's decision.

This does not mean that we have forgotten about the students in Tiananmen Square and we have not forgotten about China's human rights record. We constantly raise these issues with China, and the Tiananmen Square sanctions are still in place. We continue to enforce United States laws banning prison imports.

But the sincere question in front of this House today is, how do we best engage China and to encourage those structural reforms that will retain and bring China further into the relationship of civilized nations? We have gotten away from the original intent of the Jackson-Vanik amendment. None of us endorse all of our actions as they relate to China. But if we want to improve our relationship with China, the best way to do it is to continue to engage them through current actions of trade.

We are not asking to condone China's egregious actions of the past, but we need to remember that renewing MFN is not providing China with special trade provisions. MFN is the normal trade treatment we provide to almost every other country. I believe that if we engage China, we can make China take actions and move toward familiarizing them with international standards.

In recent Chinese history, the worst human rights violations occurred in times of international isolation. Engagement is working. China is making improvements. Even though it seems as though these steps are baby ones toward conforming to international standards, these are steps in the right direction.

I am going to close the way I opened. In this argument, there is truth to what everybody says in this institution. But let us not retreat today from MFN status for China.

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

Mr. Speaker, in rising in support of the Solomon resolution, let me just say that enough is enough is enough. If ever there was a policy out of touch with reality, it is our current policy of appeasement toward Communist China. And, of course, the continuous unlinked granting of MFN is the cornerstone of that appeasement policy; and that is why I have introduced this legislation, which would revoke MFN for China temporarily until the communist Chinese Government decides to change it, to change its ways by stopping its religious persecution, its human rights atrocities, and selling deadly missiles and poison gas factories to rogue nations like Iran. That does not even mention its trade discrimination, costing hundreds of thousands of American jobs.

Mr. Speaker, hardly a day goes by when the economic and trade picture with China does not get worse. We have heard it alluded to earlier today. China's refusal to grant fair and open access to American goods has resulted in our trade deficits with that country skyrocketing to $38 billion last year, and it is going toward $50 billion this year because our goods are not allowed in China.

Mr. Speaker, engagement theorists claim that United States exports to China currently support 170,000 United States jobs, which they say would be jeopardized if we cut off most favored trade status for China and China then retaliated against us. Well, Mr. Speaker, leaving that aside, this 170,000 figure has not changed since last year and the year before and engagement theorists say it should be going up, it

should be creating more U.S. jobs. Considering that over one-third of China's exports come to us, versus 2 percent of ours going to them, does it not seem rather odd for us to be afraid of a trade spat with China? Two percent of our total exports go to China, and 33 percent of theirs come here. We clearly have the upper hand, my colleagues. But the engagement theorists do not have the guts to truly engage China and let them know that their behavior is disgusting.

More importantly, hardly a day goes by without reading of yet another act of aggression, another act of duplicity, or another affront to humanity committed by the dictatorship in Beijing. Consider human rights, the same people who conducted the massacre in Tiananmen Square and the inhumane oppression of Tibet have been busily eradicating the last remnants of democracy in China. And as we speak, they are preparing to squash democracy in Hong Kong.

I invite all my colleagues to go with me in about 3 or 4 months and see what is over there. According to the U.S. State Department's annual human rights report, and I quote, and my colleagues ought to hear this because it is coming from this administration.

> Overall in 1996, the authorities stepped up efforts to cut off expressions of protest and criticism. All public dissent against the party and government was effectively silenced by intimidation, by exile, the imposition of prison terms, administrative detention, or house arrest.

That is what they say, Mr. Speaker. And I emphasize the words "stepped up" because human rights violations in China are getting worse, according to the report I just read you. And that is the exact opposite of what is supposed to be occurring, according to the proponents of engagement theory.

China has also ramped up its already severe suppression of religious activity having, among other things, recently arrested the co-adjutor Bishop of Shanghai. We all know this is happening. Engagement theorists on both sides of this aisle know it. They know that this is happening, and all they can talk about is dollars for multinational corporations. It is enough to make you throw up sometimes.

Just read all these newspaper ads that have been appearing all over the country. We have a right to stand up for America and not business interests in this country, Mr. Speaker.

And even worse, in the field of national security, and I would hope that everybody is listening to this, in the field of national security, the engagement theorists completely ignore our national interests by appeasing the communists in Beijing. They totally ignore the relentless Chinese military buildup, ever more frequent exports of technology for weapons of mass destruction, and an increasingly belligerent Chinese foreign policy.

While every other major country has reduced its military spending, Communist China has increased its military spending by double digits each year, increasing their military budget by more than 50 percent in the 1990's alone, when every other country in the world has been cutting back.

What are they buying with all that money that is being financed by the trade deficits in this country? Soviet-made Sunburn missiles from Russia, that is what. We debated that on the floor here last night. The Sunburn was designed with the express purpose of taking out United States ships and killing American sailors, and Communist China is buying it with the express purpose of intimidating the United States Navy in the Taiwan Strait and in the Asian-Pacific theater. Or they are going to give it to Iran to attack American ships, as Iran did when they killed 37 American sailors aboard the *USS Stark* a few years ago.

Meanwhile, China's irresponsible missile proliferation activities continue unabated. Are my colleagues not concerned about that? I know some of them are. I have talked to some on that side of the aisle who are formerly for MFN and now they have changed their mind for this very reason. Despite engagement, or because of it, China continues to export ballistic missiles and nuclear technology to Pakistan—do my colleagues not think something is going to happen over there?—and missile, nuclear and chemical weapons technology to the avowed enemy of America, Iran. I did not say they are our enemy. They said they are our enemy.

Let me repeat. Has anyone around here thought about who these missiles that the Iranians are buying, who they will be used against? They will be used against the U.S. Navy because we will be called in over there, the same as we were in the Persian Gulf. And it is going to be used against Israel and a lot of other decent human beings over in the Mideast who will not be able to protect themselves against this nerve gas and the poison gas and the missiles.

Every Member of this body that claims to be a supporter of Israel should come over here today and vote for this resolution. Because if they do not, Iran's chief weapons supplier, Communist China, will be off the hook once again, and once again we will be back here next year, as we were last year and the year before.

Let me just note that the denial-inducing effects of the engagement theory are especially visible in the case of China's nuclear transfers and C-802 missile sales to Iran. These transactions are in clear violation of the 1992 Iran-Iraq Nonproliferation Act and should initiate sanctions against China, not more appeasement.

The principal author of this legislation is none other than Vice President AL GORE, but the numbing effects of the engagement theory have precluded the administration from invoking the Vice President's own legislation.

If it were not so serious and so sad, Mr. Speaker, it would be a laughable matter. These are the very bitter fruits of engagement. And I want to know just how long it is going to take for the engagement theorists to wake up. We will be going on here for another 5 years.

To show just how much the engagement theory seals its proponents off from reality, Mr. Speaker, I would like to quote from a recent "Dear Colleague" signed by four senior members of the Committee on Ways and Means, all of whom are card carrying engagement theorists. They say, and I quote, "The Chinese would interpret the severing of normal trade relations as an unfriendly act."

Mr. Speaker, I do not know whether to laugh or to explode in anger when I hear such statements. This rogue, vicious dictatorship commits murder, it commits rape, and intimidates countries with missiles. It makes aggressive land grabs, makes veiled threats of nuclear attacks against Los Angeles. Did we just overlook that? It sells deadly missiles to our archenemy Iran and buys missiles designed to kill Americans.

And the proponents of engagement are worried about us making unfriendly acts. What an outrage, Mr. Speaker. What a deep offense against the victims of this regime, both inside China and, God forbid, without. And what a deep offense against the United States military personnel that are on watch in the Pacific and in the Middle East, who may one day be a victim of China's military aggression or of China's irresponsible missile proliferation policy.

What has to happen? Does China need to commit a second Tiananmen Square in Hong Kong or elsewhere? Do they have to invade Taiwan? And if so, what is Congress going to do about it, Mr. Speaker? More appeasement? Do they have to take out American ships and kill American sailors with Sunburn missiles? Then what are we going to say? "Oh, my goodness, you should not have done that, China"?

Mr. Speaker, it is nothing short of a disgrace that we would even consider waiting that long. But that is exactly the fix that the engagement theorists have put us in. And I resent it. Mr. Speaker, we owe it to this country to temporarily cut off MFN, now it does not have to be permanently, to temporarily cut it off until China becomes a responsible member of the international community. Is that not what we want?

□ 1145

Is that not what we want? Because if we do not, Mr. Speaker, the proponents

of engagement may very well be responsible for the lives of Americans 5 or 6 or 7 years down the line. I do not want Members coming back to me and saying, "Oh, my gosh, I made a mistake," because then it is too late.

Mr. Speaker, no MFN was given to the Soviets under Ronald Reagan. Peace through strength brought down the Iron Curtain and brought an end to that deadly atheistic communism in that part of the world. At the same time we were giving most-favored-nation treatment to China. Some of my colleagues will say, "Well, we were playing the China card" and, yes, maybe we were but the China card is over. Now is the time to stand up to this rogue regime in Beijing and let them know we are not going to take it anymore.

That is why Members ought to come over here and vote to send a message that we are going to protect American lives and American interests around the world and that China had better become a decent actor in the world.

Mr. Speaker, I reserve the balance of my time.

Mr. CRANE. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Pennsylvania [Mr. ENGLISH].

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD). The Chair will remind all persons in the gallery that they are here as guests of the House and that any manifestation of approval or disapproval of proceedings is a violation of the rules of the House.

Mr. ENGLISH of Pennsylvania. Mr. Speaker, in the debate on whether to continue normal trade relations with China, the opponents of trade have failed fundamentally to answer one question: What will ending our engagement with China accomplish? It will not improve human rights or political rights on the mainland. It will not benefit American security interests in Asia or stabilize the Pacific rim. It certainly will not improve trade opportunities for American companies and American workers in the world's largest and fastest growing market. Our severing of normal trade relations with China would be the greatest windfall that we would have bestowed on our European competitors since the Marshall plan. American companies would likely lose their favored position in the Chinese market permanently.

So what would ending normal trade relations with China achieve? For one thing it would devastate our longtime trading partners in Hong Kong at a sensitive time when they are returning to Chinese sovereignty but seeking to retain their autonomy. Ending MFN would undermine Hong Kong's economy and potentially their liberties as well.

Mr. Speaker, the best way for America to influence Chinese society is to pursue a policy of constructive and comprehensive engagement with China utilizing our economic role to leverage reforms that benefit individuals on the mainland. In this way we can stimulate market activity and growth on the mainland which has proven subversive of totalitarian bureaucracies worldwide.

Oppose this resolution.

Mr. STARK. Mr. Speaker, I yield 2½ minutes to the distinguished gentleman from California [Mr. BERMAN].

Mr. BERMAN. Mr. Speaker, I rise in support of the resolution of disapproval. For me it is a very difficult decision and a very close call. I regret having to oppose the administration on this issue. As a general proposition, I favor engagement over containment. While we have many contentious issues with the Chinese in the area of treatment of political dissidents and religious minorities and the curtailment of democracy and civil liberties in Hong Kong and the treatment of Tibet and our growing trade deficit and the creation of artificial trade barriers, none of these cause me to reach the conclusion that I should oppose the continuation of MFN. My decision instead is really based on the Chinese failure to abide by their international commitments in the area of the proliferation of weapons of mass destruction, a proliferation which threatens world peace and stability. I am voting against MFN because China has not lived up to its commitments not to promote the export of these weapons. I am voting against MFN because preventing the proliferation of weapons of mass destruction is the most serious immediate challenge for the future for all of us.

China has ratified the Nuclear Non-Proliferation Treaty, the Chemical Weapons Convention, and the Biological Weapons Convention. They have announced stronger nuclear export controls and adherence to the Missile Technology Control Regime. But commitments without compliance mean nothing. They have made many excuses for their failure to keep these international commitments. "How can we monitor every businessman exporting millions of dollars of chemical weapon production materials to Iran?" But they can find every dissident working secretly on a subversive pamphlet and imprison that person.

"We adhere to the Missile Technology Control Regime. We just don't recognize the Annexes" which give that commitment any meaning whatsoever.

Mr. Speaker, what I want is for this administration to scream as loudly about the proliferation of weapons of mass destruction as it has about the manufacturing of counterfeit CD's and stolen computer software and video games. I want this administration to threaten the import controls and higher tariffs on key products imported here from China as forcefully and effectively as it has waved and wielded that weapon to remedy violations of intellectual property agreements. What I want this administration to do is to hound and to badger our key allies like Japan and Germany and France and Britain to pursue meaningful multilateral export controls that tell China that their movement to a fully modern society depends on stopping the weapons of mass destruction and their export.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin [Mr. KLECZKA].

Mr. KLECZKA. Mr. Speaker, I rise in opposition to the resolution before us today. I think this annual debate on trade with China is healthy, for through our voicing our dissatisfaction with not only human rights but other activities in that country, I think we make them aware of our posture as a nation. However, I think it is important to restate that this is not a special privilege to China. This is the same type of trade relations that we give to 184 other nations around the world. Let us set that out and it should be repeated over and over again. This is not privileged trade for that country.

Know full well that in the last decade, we have had some $12 billion in exports to China and the author of the resolution indicates that this might not be accurate but, yes, there are 170,000-plus jobs, American jobs, connected to those exports.

In my State of Wisconsin, major companies like ABB Drives and Rockwell—Allen-Bradley—have penetrated the Chinese market and over the last year we have seen a 29-percent increase in exports to China. Our colleagues in support of the resolution indicate that going it alone will work, and I say to them, it will not and it has never worked on behalf of this country. I cite the grain embargo against Russia because of their activities in Afghanistan. Know full well that there were countries waiting at the door to pick up those grain sales, grain sales that to this day we have not gotten back. The same is true for any and every export to China. The European Community is just waiting at the door. Japan is waiting at the door. Those trading items are lost. Those American jobs connected to that trade is lost forever. Let us continue the engagement like we have over the years. Let us keep the pressure on, but let us look to people on the ground in China like missionary groups which indicate that it would hinder the cause of human rights if we were to stop our trading activity.

The China Service Coordinating Office, an organization serving over 100 Christian organizations in service and witness there, fear that ending MFN would close the doors to China through all sorts of educational and cultural reforms. Let us defeat the resolution. Let

us continue normal trade with this country.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentleman from Colorado [Mr. HEFLEY].

Mr. HEFLEY. Mr. Speaker, those who support most-favored-nation status for China argue that maintaining open trade with China would spur economic growth, as well, and have a consequence of social reform. While I sympathize with this position, I am opposed to extending MFN status to China, and instead favor imposing conditions upon our future trade designation.

China has a continuing legacy of human rights violations and oppression of its citizens which cannot be ignored. The events of Tiananmen Square provided the world with a clear picture of the Chinese Government's ruthless and immoral nature. Year after year we have been told, "Give most-favored-nation status to China and we can win them over." We heard that during the Bush years. We hear it during the Clinton years.

Let us look at the score card a little bit regarding this strategy. We gave most-favored-nation status and they continue their policy of population planning with forced abortion. We gave most-favored-nation status and they continue not to tolerate any dissent of any kind, and the imprisonments, the torture, and the killings go on. We gave most-favored-nation status and they continue to try to stamp out any religion that is not state-supported religion, and the murders of priests and ministers continue.

We gave most-favored-nation status and they throw out the elected legislators in Hong Kong and replace them with handpicked Beijing lackeys. We gave most-favored-nation status and they made plans to invade Taiwan. When we stood in their way of that, they threatened to send nuclear missiles to our west coast.

We gave most-favored-nation status and they tried to smuggle automatic weapons into the United States to supply gangs in this country. We gave most-favored-nation status to them, and they have the biggest buildup of nuclear missile development of any country on the face of the earth.

Let us look at the score card. Do my colleagues suppose maybe that strategy is not working? How long before we get a new strategy?

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. BOEHNER], our distinguished conference chairman.

Mr. BOEHNER. Mr. Speaker, I come to the floor today to support continued normal trade relations with China. We have heard before the term most-favored-nation status, which I do not think really says the true story. Most nations of the world, almost all the nations of the world, have most-favored-nation trading status. The fact is, what we are looking for is the same status for China.

Mr. Speaker, I understand my friends on both sides of the aisle are concerned about the issue of human rights, religious persecution and other abuses that go on in China. I and those who support MFN and normal trade relations with China are as concerned as they are. The issue is, how do we best address those? By delinking ourselves from China, by walking away from East Asia, or by staying engaged with them economically?

I think the best two examples that I have seen are what has happened in Taiwan and what has happened in South Korea. Twenty years ago both of those countries had brutal dictatorships, lack of religious freedom, lack of any kind of democratic freedom. Today both nations have popularly elected Presidents of their countries, real democracy.

Where did the democracy in those two countries come from? It came through expanded trade, expanded economic freedom that was engaged because the United States was engaged economically with those parts of the world.

Second, I would point out to my colleagues that when we talk about normal trade relations, if we want to delink this and we want to say no, who are we really hurting? Those in East Asia, those in China? Or are we really hurting the people in our own country, the people in my district?

Let us talk about agriculture, our country's No. 1 export, some $50 billion a year of exports going all over the world, and China being one of the main customers of our agricultural products. How about Procter & Gamble in Cincinnati? It has a huge presence in my district. Or Parker Hannifan in Eaton. French Oil Co. These are jobs in my district. Let us not hurt our people in order to raise our case about human rights in China.

Mr. STARK. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Stark County, OH [Mr. TRAFICANT], one of the experts on foreign trade in this House.

Mr. BUNNING. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. TRAFICANT].

Mr. SOLOMON. Mr. Speaker, I also yield 30 seconds to the gentleman from Ohio [Mr. TRAFICANT].

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

Mr. TRAFICANT. I yield to the gentleman from California.

Mr. STARK. I thank the gentleman for yielding to me.

Mr. Speaker, I just wanted to point out, as I listen to this debate, that it becomes very clear what the issues are. The issues are, do you believe in human rights? And everybody does. But there are some who believe in making money more, and feeling that trade and money and campaign contributions from major corporations in this country are more important than human rights. So that while we all believe in human rights, are you willing to forgo the money to enforce them?

□ 1200

Mr. TRAFICANT. Mr. Chairman, China sells missiles to our enemies, China threatened to nuke Taiwan and Los Angeles. China is buying intercontinental ballistic missiles, attack aircraft, and nuclear submarines. Congress, China is literally building a military juggernaut with American dollars.

China enjoys a $50 billion trade surplus, they have a 17-cent an hour labor wage, they deny most American products, and they impose up to 30 percent tariffs on nearly all of our products.

In addition, China shoots their own citizens, treats their women like cattle, laughs in the face of the United States.

And finally, China is a Communist dictatorship, and American law, current law, says no Communist nation shall get MFN.

Now the President wants to waive that. I ask the Congress, what did China do to deserve this waiver?

Now the President talked about building a new bridge to the future. I was always under the impression that new bridge was in America. It is evident to me the President was talking about building a new bridge over the River Kwai here.

I am opposed to this madness. We are, in fact, empowering a super dragon that is powerful enough some day to eat our assets. I think we are foolish.

China has become a powerful military problem. We better recognize it now before we arm them to a degree where we may have trouble reinforcing our freedom and national security in the future.

I commend the gentleman from New York [Mr. SOLOMON], proud to join forces with him. Vote "no" on MFN, vote "aye" on the resolution.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. LEVIN].

Mr. LEVIN. Mr. Speaker, I rise in opposition to the disapproval resolution. On critical issues relating to China we need a policy, not a protest.

We do have serious problems with China; let us not paper them over: human rights, national security, trade. But for too long we have gone through the annual spasm over MFN only to more or less forget about China the rest of the year. It is time for more sustained and serious effort. Congress needs to roll up its sleeves, not throw up its hands.

On economics and trade, our problems with China are rooted in a fundamental change that has taken place in the nature of international trade. In

earlier decades trade was mainly among industrialized nations, and the focus of trade negotiations was on tariffs and later market access. But today economic competition is increasingly between industrialized and developing nations, often with centrally managed economies with dramatically lower wage and salary levels sustained by government intervention.

These fundamental economic issues with China cannot be addressed through the annual MFN debate; they can be addressed directly through negotiations about China's accession to WTO, and they can be addressed as to other developing nations through comprehensive, hardheaded fast track legislation.

I urge all of my colleagues to confront these key issues, persuade the media to shine the light on them and help the administration play a central role by addressing them as we take up fast track and China's WTO accession. MFN has become a diversion rather than an answer. I oppose this resolution.

Mr. BUNNING. Mr. Speaker I yield myself 30 seconds to respond.

It has been brought up that we have normal trade relations with China. That is absolutely not true. We did not have normal trade relations with the Soviet Union because we did not grant most-favored-nation status, and we do not have a normal trade relationship with Cuba because we do not grant most-favored-nation status to Cuba. So it is not true when people talk about normal trade relations.

Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. ROHRABACHER].

Mr. SOLOMON. Mr. Speaker, I yield 30 additional seconds as well to the gentleman from California.

The SPEAKER pro tempore. The gentleman from California [Mr. ROHRABACHER] is recognized for 2½ minutes.

Mr. ROHRABACHER. First and foremost, Mr. Speaker, we are not talking about severing our trade ties with China, or talking about walking away from China, or talking about isolating China. That rhetoric does not meet the reality. What is being argued today is whether we should extend most-favored-nation status to China.

Now we have heard today that we are really talking about normal trade relations with China. Well, I too do not think it is normal trade relations. What we have is an unfair trading relationship with China. But, OK, a normal trading relationship with Communist China, yes, it is an unfair, irrational, unbalanced relationship that is unfair, yes, to the American people and putting our own country at risk. Why our corporate elite keeps pushing to maintain MFN is easy to see, but we have to get a little bit below the surface.

This is not about whether we should sell our products to China or corporations can still sell their products to China. Extending MFN means that these corporations will continue to get taxpayer subsidies. That is what it is about. When these big corporations go to China to use their slave labor or near slave labor, what they want is the taxpayers of the United States to guarantee their interests on their loans and guarantee the loans so it is easier for them to set up manufacturing units using slave labor in China than to do it in the United States.

This is an abomination, an attack against the well-being of the people of the United States who are paying those taxes. We end up putting them out of work so they can set up these companies and make a bigger profit in China. It is a terrible policy; it is unfair to our own people.

By the way, this unfair trading relationship burdens our goods when we want to sell over there that are made by our laboring people with a 35-percent tariff. Their goods flood into the United States of America with a 2-percent tariff. Yes, that is what we are talking about today, not most-favored-nation status. What we are talking about is an unfair trading relationship that we want to end by ending most-favored-nation status with China.

The trade deficit with Communist China is expected to be $50 billion this year. What are they using that money for? Again they are using that money directly against the interests of the people of the United States. They are buying weapons that could some day be used to kill Americans.

This is an abominable policy. Our policy makers should have their head examined for kowtowing to a Chinese dictatorship that is working against the interests of the American people. Vote for this resolution.

Mr. CRANE. Mr. Speaker, I yield 2½ minutes to the gentleman from Arizona [Mr. KOLBE], our distinguished colleague.

Mr. KOLBE. Mr. Speaker, I rise today in opposition to House Joint Resolution 79, the resolution calling for the United States to revoke the so-called most-favored-nation status with China. I oppose it so we can send a message to that nation about American principles and American values. I agree with the proponents of this resolution, let's send a message. Let us send a message to China, let us send a message about hope, let us send a message about freedom and democracy, let us send a message about prosperity, individual liberty, and the rules of law.

I strongly support institutions and organizations that promote American values abroad. I always have. I do so because I think America can be a shining example to the world, and I think these groups send powerful messages about America. When our people work abroad, they carry with them the best of what America has to offer, principles of fairness, of individual responsibilities and individual choice. Those are embodied with American businesses and organizations when they work abroad.

This is the best way for America to carry its message. Let us not isolate ourselves. But do not listen just to my words. Listen to those of others who have argued that a vote for MFN is a vote for religious freedom in China. Listen to these words of Reverend Sirico, a Paulist priest in China. Quote:

> Sanctions won't bring freedom for religious expression in China. They can only further isolate China and close off avenues for greater Western influence.

A vote for MFN is a vote for the people of Hong Kong. Listen to the words of Chris Patten, Governor of Hong Kong:

> Unconditional most-favored-nation trade status is unequivocally the most valuable insurance America can present to Hong Kong during the handover period.

A vote for MFN is the best hope for democracy. Listen to these words of Nick Liang, a former student leader in Tiananmen:

> The spirit of the Tiananmen Movement is not one of confrontation, not one of hatred, not one of containment, but of engagement. As one of the students from Tiananmen carrying on this spirit, I support MFN trade status, which is a very primary and effective vehicle of engagement.

Mr. Speaker, let me end with this quote by Daniel Su, an evangelical minister who spoke privately to some of us last week, and his words rang in my ears then and they ring here today. He was talking about why this debate and the motives of those, who support or oppose MFN. Either way, we should not question those motives. They are honorable, but Daniel Su also urged opponents of MFN to think about the consequences of their opposition. He said these words:

> To sacrifice ourselves for a principle is heroic. To sacrifice others for that same principle is insensitive.

Mr. Speaker, let us not sacrifice the Chinese people on our principles. Let us support MFN. Oppose this resolution.

This past January 1 led a 22-member, bipartisan congressional delegation on a fact-finding mission to Hong Kong and China to see first hand the impact that the United States policy of engagement is having on the Chinese economy and the Chinese people. I was truly astounded to see all the positive changes that have occurred since my first visit to that country in 1994, and I returned more committed than ever to our policy of economic and political engagement.

The changes we witnessed in China reflect many of the changes we have seen grip other Asian nations. Over the past decade, economic liberalization has generated powerful currents of democracy and freedom that have rippled throughout Asia. These currents have reshaped the socioeconomic landscape of the region.

Economic growth, driven by United States policies of free markets, free trade, and peaceful dialog among nations, has allowed countries like Japan, South Korea, and Taiwan to emerge as prosperous industrialized nations. Invariably, economic growth in these nations has led to expansion of individual freedom and liberty. Today, these countries have developed into true democracies characterized by political pluralism, functioning independent political parties, and greater respect for the rights of the individual.

Admittedly, these changes did not occur overnight. They were part of a long-term, evolutionary process. I believe we are seeing the same forces of change at work today in China. I am convinced that if we remain steadfast in our policy of engagement, with confidence that American values of freedom and democracy will ultimately prevail over the tyranny of repression and the economic stagnation that accompany state controlled economies, we will ultimately see the same economic and political transformation in China that we have seen in Japan, South Korea, and Taiwan.

Two decades ago, virtually every aspect of Chinese society was under state control. Today, more than half of China's output is generated by private enterprise. The development of a strong, vibrant, private sector—particularly in southern China—continues to weaken centralized control. This, I think, continues to represent the best hope for political freedom to spring full-blown in China.

Economic liberalization and growth of trade and economic links with the United States over the past two decades already have enhanced freedom for the Chinese people. That is undeniable. Millions of Chinese citizens are now employed in non-state enterprises, and they have the basic freedom to select their own employment and to change jobs when they are dissatisfied with working conditions or wages. This environment is the direct result of our policy of engagement.

Clearly, civil liberties and personal space have increased over the past two decades as the Chinese economy has improved. In my view, the ongoing process of political reform in China would be severely compromised if we were to erect barriers to trade and economic exchange between our two countries. This is reason enough to support renewal of China's most-favored-nation trading status.

But there are other reasons. In just a few weeks the world will watch as Hong Kong undergoes the peaceful transfer of sovereignty from Britain to China. If we pass the resolution of disapproval in the House of Representatives on the very eve of this transfer, what message will we send to the world and the people of Hong Kong? That America wants to turn its back on them, break economic and political ties with that region, and abandon its citizens at the precise hour of their greatest need? I do not think that is what the United States stands for.

I also fear that passing the resolution of disapproval in the House will result in a backlash against American goods and American values. It would be nothing less than a unilateral declaration of political and economic war, providing just cause to hard-line elements in the Chinese Government who advocate more state control and less foreign influence.

I fear the result will be the exile of groups associated with the United States who promote western values. Groups such as the International Republican Institute, which works to develop the rule of law in China and strengthen the nascent village democracy movement, would be discredited. Missionary organizations, like the Evangelical Fellowship, would no longer be welcome. We would be extinguishing some of the brightest rays of hope to the Chinese people, ultimately hurting the very people we are trying to help.

Maintaining normal trading relations with China does not mean that we can't also speak frankly and firmly to the Chinese Government about issues and values important to us. There are opportunities where we can and should let our concerns about human rights, trade, and nuclear proliferation be known. I have certainly done so in my meetings with top Chinese leaders. But if we disengage, if we pull back our most effective resources, what incentive will those Chinese leaders have to listen to, or care about, what we have to say?

I certainly think there is more that we can do. For example, I favor bringing China into the World Trade Organization on commercially viable terms. I think doing so would oblige the Chinese leadership to implement difficult domestic economic reforms while providing the United States with a strong multilateral vehicle for dealing with issues such as market access in China.

I also favor accelerating and funding efforts to work with the Chinese to promote the rule of law and encourage and support the village election process. In fact, I am currently working with Representatives JOHN PORTER of Illinois and DAVID DREIER of California to examine just such an approach.

But one thing is clear. The United States must remain a major influence in Asia. We must strengthen our relations with our allies and maintain a strong military presence in the region. And we must be clear and consistent in our message to the Chinese Government. This annual debate over whether we will continue our political and economic relations with China destructive and counterproductive. It hampers our ability to formulate a comprehensive and effective policy toward the region. And I think it is time for it to end.

Thus, I strongly urge my congressional colleagues to renew MFN status for China. History has shown that economic growth is the most effective catalyst for political change. The principles of freedom and individual liberty embodied in economic liberalization will ultimately prevail—but only if we have the political courage to allow them to flourish.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Rhode Island [Mr. KENNEDY].

Mr. KENNEDY of Rhode Island. Mr. Speaker, let us see what the appeasement strategy of MFN has gotten us.

On military aggression China sales of weapons to Iran are well-documented. But even worse than being well-documented, China defends their sale of weapons to Iran.

We have heard about the trade deficit approaching nearly $50 billion a year. Those are jobs, my colleagues. Between 1989 and 1994, our trade deficit with China increased tenfold. I wonder why. Well, maybe it is because despite the fact that they have agreed to end trade and prison labor it is estimated that between 6 and 8 million Chinese are enslaved in labor camps. I thought they said they gave us their word they were not going to engage in slave labor any more. Whoops, small detail there. Well, according to Amnesty International, this is continued every year. In addition, over 3,500 documented executions occur every year in jails in China.

My colleagues, vote "yes" on the resolution and "no" on MFN.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri [Mr. SKELTON].

Mr. SKELTON. Mr. Speaker, I rise to speak against the resolution to disapprove. It boils down to whether my colleagues want China inside the tent or outside the tent.

Now all of this China business, there is one segment of trade that has not been discussed as thoroughly as it should, and that segment is agricultural exports. So today I speak for the American farmer, I speak for the rural Missourians who sell products abroad.

United States should again extend normal trade status to China. Failure to do so will jeopardize American agricultural sales to that country that last year topped $3 billion. Overall, our country enjoys a substantial agricultural trade surplus with China of $2½ billion. Moreover, agricultural exports to China stand to gross significantly in the coming years as income growth in China leads to continuing dietary improvement.

Let us look at some of the sales statistics that we have. Nineteen hundred ninety-six, corn sales to China topped 90 million bushels; fertilizer, $1.1 billion; wheat, $426 million; cotton, $736 million; soy beans, $414 million; soybean meal, $116 million; soybean oil, $104 million, and poultry, $408 million.

China is already a major market for American agricultural exports and has the potential to become an even bigger customer as the economy continues to grow. So for the American farmer, for the Americans and those who live in rural Missouri and rural America, I say let us continue to sell agricultural products to that country.

□ 1215

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from New York [Mr. PAXON].

Mr. PAXON. Mr. Speaker, it is with great sadness that I rise today to oppose the renewal of MFN for China. This decision has been a difficult one for me. I am a firm believer in free trade.

Trade is of vital importance to American jobs and the world economy, but our foreign policy is about more than

simply trade. There are sound arguments on both sides of this debate. There are no black and whites here, there are no absolutes, except one: the absolute failure of the Clinton administration to effectively represent American interests and values on the world stage.

I wish I could stand here today and support MFN. Each of the four times that President Clinton has asked this body to renew, I have given him my vote. But when the Clinton-Gore administration fails to use our trade relationship to promote free and fairer trade, encourage human rights improvements, or to limit the proliferation of arms, it is time to try something else.

I will admit it: Trade for trade's sake is the closest thing this administration has to a consistent foreign policy, but the world is more complex than that, and American foreign policy is about more than champagne toasts and caviar receptions.

This administration's failures are not limited to Asia. Their debacles litter the globe from the Middle East to central Africa. Clinton-Gore foreign policy has made a mockery of this Nation in the eyes of the world. We have gone from being the world's policeman to its Keystone cops. Today, bumper sticker slogans substitute for honest dialog and fundraisers have replaced fact-finding.

America is best represented, I believe, by a cohesive, coherent, and disciplined foreign policy executed by the President of the United States. Sadly, the current administration refuses to address seriously even the most basic of human rights, trade, and national security concerns when it comes to United States-China relations.

I will be the first to admit it: Denial of MFN to China would be at best a blunt, imprecise instrument, but I believe it would send a message to China that the United States believes in something more than the blind pursuit of trade.

Do I wish the President would step up to the plate and do his job? Absolutely, yes. But absent that leadership, what choice does Congress have? Denying MFN will not solve all of our problems with China, but at least someone will have signaled to the leadership in Beijing that trade with America is not just a right, but a privilege.

Mr. CRANE. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Florida [Mr. FOLEY].

Mr. FOLEY. Mr. Speaker, I rise in opposition to this resolution to deny MFN trading status for China. Many of us share great reservations about the fate of Hong Kong under Chinese rule. Most of us also share deep concerns about human rights abuses, whether those abuses are in China or elsewhere. But denying MFN to China is the wrong way to address these issues.

Hong Kong Governor Chris Patten has made it crystal clear that denying MFN status will only hurt Hong Kong. His quote: "For the people of Hong Kong," he said, "there is no comfort in the proposition that if China reduces their freedoms, the United States will take away their jobs."

Christian missionaries are also pleading with us not to endanger their work and their people by denying MFN. We cannot address the issue of human rights in China, or anywhere, if we are not engaged, and we cannot help Hong Kong retain its freedoms and its status as the center of trade if we undercut our influence there and undercut Hong Kong's economic health.

From my days as a real estate broker I can tell my colleagues that we gain nothing if we are not at the table. We cannot serve our interests or those of our clients by being absent during a closing. If we are not in the room, we are not a player, period, and that goes for trade as well.

I urge opposition to this resolution denying MFN trading status for China.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentlewoman from Connecticut [Ms. DELAURO].

Ms. DELAURO. Mr. Speaker, I want to build a strong relationship between the United States and China, but the most-favored-nation status that China enjoys has done little to build a strong and mutually beneficial relationship between our two Nations.

China has engaged in unfair trade practices, pirated intellectual property, spread weapons and dangerous technology to rogue nations, suppressed democracy, encroached on democratic reforms in Hong Kong, and engaged in human rights abuses.

They have profited. They send one-third of their exports to the United States and allow only 1.7 percent of American exports to crack the Chinese market. The result? A $40 billion trade deficit which is expected to reach a staggering $50 billion by the end of this year.

The United States should use our trade laws to pressure China for greater access for American companies and goods. I am voting against MFN for China because we need to let China and our trade leaders know that more of the same from China is not acceptable. If our Government wants support for free trade, then it must insist on fair and equal standards and compliance with our trade laws. When that happens, there will be broader support for MFN.

Mr. MATSUI. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from New York [Mr. RANGEL].

Mr. RANGEL. Mr. Speaker, I rise in support of the President's decision to extend most-favored-nation status to the products of China for another year, and urge my colleagues to vote "no" on House Joint Resolution 79.

As most of my colleagues know, we are not really talking about giving privilege or favorable treatment to the Republic of China; what we are talking about is treating them as we would normal trading partners.

I think, too, one of the reasons I support it is because this is not just a trade issue, it is a foreign policy issue, and I think the President and the State Department should have more information as to where we can go as a nation and what proper tools we have available to use in order to bring the entire free world around to understanding that democracy really and truly works.

It seems to me that boycotts and using trade as a weapon can only work if we have a consensus among the world leaders that we are going to be working collectively. Here we see a situation which should be proven to us by the embargo against Cuba that there are too many countries willing to fill the vacuum that America would leave, if we just decided unilaterally that we had a higher sense of human rights than the people that we were dealing with.

It is just hard to see what our history of doing business with dictators in South America and around the world, including the former Soviet Union, than how with China we find this new high moral standard in dealing with them. It is not as though withdrawing and not communicating is going to improve the situation. Most no one denies that job creation in our country can be the difference in whether we trade or whether we do not, or whether someone else gets the jobs.

Mr. Speaker, on the question of human rights, I would just like to say that our great Nation exceeds the world in the number of humans that we have incarcerated per capita. If we take a look at the profile of those people that are locked up and have had their liberties taken away from them, and knowing the fact that statistically people who look like them will be ending up in jail, we would be hardpressed on American soil to explain that we are not talking about political prisoners.

Most all of these people, at least 80 percent of them, come from poor communities; one way or the other they have been affected by drugs; most of them of color; most all of them are uneducated, untrained, and most of them do not think much about their lives and the lives of other people. It would seem to me that if we really were concerned, we would find out the source, the poverty that exists in communities, the failure of our school system to work, and to see how close to 2 million people could possibly enjoy the benefits of expanded trade which we hope this great Nation will be looking forward to.

What I am saying is that we all are seriously concerned about the human rights of every individual, and we

should be, but I do not want any country ridiculing or telling my country, the greatest republic in the free world, what we are doing wrong. I do not want anyone setting these standards for my country.

I think that the fights that we have, we are able to fight back because we have the opportunity to do it. We have the ability to try to impress each other, to make America better, and I think the only way we can get this idea across to other countries is to be there and let them see who we are, how we succeed to have a better life. I think it is true in Cuba, if we went there and showed them what American capitalism is like, and I think that the United States as an economic showcase has changed the lives of many people in China.

Mr. Speaker, by continuing the dialog and creating the jobs on this side of the ocean, I truly believe that is a better solution to the problem than us determining what human rights should be in the Republic of China.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. HUNTER].

Mr. HUNTER. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, this Tickle-Me-Elmo made in China is more coherent than the trade policy of the Clinton administration.

Let me turn this fellow off.

Trade is a balancing of interests. Whether we engage with a nation with respect to trade is a balancing of interests.

What are we getting? We are getting a smaller export to China than we get to Belgium. They are not a major trading partner except for the one-way street, except for the $50 billion-plus coming back to China, the trade surplus that they enjoy over us, the enormous sales throughout our Wal-Marts and K-Marts with hundreds and hundreds of products, many of which are made by the People's Liberation Army, and what are we getting in return for that?

Have we stopped any of the poison gas sales to Iran by China? Have we stopped any sales of ring magnets that are used to make ICBM's sold to Pakistan? Have we stopped the purchase of the missile destroyers that were purchased from Russia, that have one purpose, and that is to kill American sailors and destroy American ships on the high seas?

My colleagues have spoken of the policy of engagement, but not one CEO, not one president, not one trade negotiator can point to a single case of technology transfer or military transfer that they have stopped by engaging with the Chinese, nor can any of them really point to any attempts that they have made to stop this amassing of military capability in China and the transferring of military capability to outlaw nations around the world.

So in the balancing of interests, we are getting about the same exports that we get to Belgium, which is very little, and in return for that we are making China strong with hard American dollars. They are militarizing with their strength, and the same children, the 5- and 6-year-olds playing with that made-in-China Tickle Me Elmo today, may well be facing us on a battlefield in Korea when they are 17 or 18 years old. Vote against MFN for China.

Mr. DREIER. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Sanibel, FL [Mr. GOSS], chairman of the House Permanent Select Committee on Intelligence.

Mr. GOSS. Mr. Speaker, I thank the distinguished gentleman from California for yielding me this time.

I continue to believe that we must remain engaged in China; clearly the power to be reckoned with both now and in the next century. However, I have to say it is with increasing reluctance this year that I am going to support these normalized trade relations. I have just about had it.

As chairman of the Select Committee on Intelligence, I have two major concerns: First, China's flagrant and inexcusable weapons proliferation activities; no denying it. Specifically, the provision of advanced weapons systems, equipment, and technologies to nations, including some that are hostile to America, that are known to have active programs to develop weapons of mass destruction. I want to be sure President Clinton knows how serious this is; I want to hear him say it, I want to hear him say he is going to do something about it.

The other issue clouding the debate for me is the serious allegation that Chinese officials engaged in improper and possibly illegal activities to influence the outcome of U.S. elections.

□ 1230

This matter is still unresolved, and it deserves cooperation, and I hope also we will get the cooperation of the administration on this.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey [Mr. PASCRELL].

Mr. PASCRELL. Mr. Speaker, let us not surrender to the China lobby. I rise today to make known my strong support for House Joint Resolution 79, disapproving the extension of most-favored-nation trading status to Communist China. The debate that this body is now engaged in is of the utmost importance for American jobs today and the security of our Nation tomorrow.

Let me say that I know my colleagues in this Chamber want nothing more than for our trade deficit with China to narrow, for human rights to improve, for the grave incidents of nuclear and weapons proliferation to cease, and finally, for democracy to take root in China. Let us be honest about this discussion. There is not a single Member in this body who does not want to achieve these laudable goals.

But I have come to realize that the annual exercise of renewing China's most-favored-nation status has been a complete failure in its annual exercise of futility. In fact, continuing MFN treatment for China has been based upon a series of broken promises. First, we have heard that engagement is critical for the United States to achieve its economic goals with China. We ought to engage the American worker, that is what we need to engage, in America, to protect our jobs and stop shipping them across the ocean.

We ought to visit China, but we should visit the shops and factories in our own districts back home where those folks have to work, where those folks need to be producing products that need to be sent to China, not to have a 35 percent duty or tariff on it, and ours a 2 percent, so China can send goods to us and we cannot send goods to them.

Mr. Speaker, our argument is not with the Chinese people, it is with their authoritarian government. The China lobby which did us in in the end of the Second World War is alive and well in Washington, DC. We should make the decision for our workers and working Americans, instead of shipping jobs across the ocean.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Oregon [Mr. BLUMENAUER].

Mr. BLUMENAUER. Mr. Speaker, this is a high water mark for me in the last 2 years I have been able to be in Congress, being able to be a part of this discussion on our relationship with China. It is bipartisan, it makes a difference, it is Congress at its best and its most exciting.

Over the last 25 years, since President Nixon reversed our policy of isolating ourselves from China and the rest of the world, we have seen a safer and more prosperous world. It helped hasten the end of the cold war, it helps keep peace today on the Korean peninsula, where China is one of the few countries that actually exercises some control over the North Koreans. It has pointed toward more prosperity and freedom for the Chinese. Even the progress with American missionaries on the ground in China in the last half dozen years would have been unthinkable 20 or 30 years ago.

Most important, it has planted seeds for a dynamic change in the future with access to information and to markets. The reason it sounds to people today that we are talking about a multiplicity of countries is the fact that

China, although large and with an ancient culture, is complex and it is not monolithic. We cannot treat it as such.

The notion that somehow MFN will force a monolithic Chinese ancient society to change and accommodate us is misguided. It did not work during World War II, when there were over 1 million Japanese soldiers on Mainland China and we were giving them billions of dollars. The Chinese risked nuclear war and fought us to a draw in Korea, and tens of thousands of Americans needlessly died because we thought we could force China. It does not even work with a two-bit dictator 90 miles away with Cuba today.

We need to engage the world to work with us, not cutting ourselves off from China, but to work cooperatively, providing leadership. This Congress needs to support policies that enable the administration to continue the process of engagement and progress. We need to defeat this resolution.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentleman from Florida [Mr. STEARNS].

Mr. STEARNS. Mr. Speaker, the question can be summed up in two words: self-aggrandizement. Is our interest in self-aggrandizement in this Nation more important than the principles involved? Are we a Nation whose purpose is expanding business at all costs, no matter what? Or do we have a Nation where some principles are important to us? Is expanding trade with China more important than the fundamental principles that define the beginning of this Nation? Is the loss of trade harmful to the economy, so harmful that we are willing to sacrifice any principle, or is there a higher good in which to lead our Nation in our trading practices?

I believe there is a much higher purpose today. How can we support trade policy with a Nation that believes in the power of the State rather than the power of the people? We are subsidizing through our trade policy China's economic interests, which is controlled by the State, and the people who are existing in that country get no benefit.

Mr. Speaker, I do not pretend to know all the answers. Maybe there is a compromise. China in the very near future can become a strategic threat, and this strategic threat is more important to us than trade.

The esteemed Frank Gaffney, the director of the Center for Security Policy, this is what he said: "China is utilizing most of the huge trade surplus that it enjoys, thanks to this privileged trading status, to mount a strategic threat to the United States and its vital interests in Asia, the Middle East, and beyond."

The United States trade deficit with China is $40 billion for 1996 alone. Because the State owns nearly all the businesses in China, the hard currency they receive from the United States trade deficit is used to purchase advanced military weaponry, such as advanced naval vessels from Russia that can be a direct threat to the United States in the western Pacific.

Our vote today is very important. Keep the principles in mind.

Mr. DREIER. Mr. Speaker, I am happy to yield 2 minutes to the gentleman from Metairie, LA [Mr. LIVINGSTON], the chairman of the Committee on Appropriations.

Mr. LIVINGSTON. Mr. Speaker, I thank my friend for yielding time to me.

Mr. Speaker, the people of China are light years better off today than they were 15 or 20 years ago. There is a whole world of difference between the way the Chinese people were treated by their own Government back then and the way they are treated today. They are coming out in the open. They are gravitating toward Western styles, and maybe they will not even want to hear that, but to democracy. They are not open, they are not perfect. Everything that everybody has said on the floor today is right about the atrocities committed by the Chinese Government. But they are moving in the right direction, and most-favored-nation status is important to preserve normal trading relations with China.

If we cut them off, isolate them, are we going to enhance the plight of the Chinese people, or all the people they control? Not according to Martin Lee, who is the leader of democracy in Hong Kong; not according to Chris Patten, the former Governor of Hong Kong, who is on his way out; not according to the Dalai Lama from Tibet. These three leaders and proponents for democracy say that cutting off MFN for China is going to increase the probability that people will be oppressed by the Chinese Government.

If MFN is not extended, Hong Kong will stand to lose $20–30 billion in trade and 60,000–85,000 jobs. Moreover, their economy will be cut by over 50 percent and incomes will be reduced by $4 billion.

The United States has an estimated 170,000 jobs dependent on exports to China.

United States exports have more than tripled over the last 10 years and China is now our fifth largest trading partner, accounting for $12 billion of United States exports.

A number of religious groups in and out of China favor MFN. Taking away MFN will only hurt the Chinese people, particularly those who are persecuted because of religious faith.

Engagement does not mean we support all of China's policies. We should, and will continue to, press China on proliferation, human rights, religions freedom, and the rule of law. Revoking MFN?

What in the world are we doing? We have realized sanctions do not work. They have not worked in other places in the world, and they are not going to work against the most populous nation on Earth. The Chinese people deserve to be free. The people in Hong Kong deserve to be free. The worst thing we can be doing is cutting off MFN now, before we find out what happens to the people of Hong Kong.

Six months from now, a year from now, if things go badly, maybe then, maybe then we can cut off MFN, but not now. Let us give the only hope for freedom to the people of Hong Kong that we have. Let us extend normal trading relations.

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

I would like to comment, I have been informed that the Dalai Lama did not endorse MFN and suggest that it was necessary. Quite the contrary, he supports our position.

Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. KUCINICH].

Mr. KUCINICH. Mr. Speaker, I rise in opposition to most-favored-nation status for China. The American people have heard that trade at all costs with China serves United States interests, but here are the figures. The United States trade deficit with China has grown at a faster rate than that of any other major United States trading partner. The level of United States imports from China more than doubled between 1992 and 1996. The United States trade deficit was nearly $40 billion in 1996, and it is on its way to surpassing that mark in 1997.

These figures mean lost jobs in the United States, and it is just beginning, because United States-based multinational corporations are investing to build new plants and new equipment in China. Contractual agreements with the Chinese Government require that the supply of goods for those new factories will have to come from China as well, and that means more United States jobs lost.

Human rights are important in this. Why have we tolerated for so long the United States double standard of fierce commitment to the rights of intellectual property, important to multinational business, while the rights of workers in the United States and independent thinkers in China are cast aside?

Mr. Speaker, I say human rights are as important as copyrights.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentlewoman from California [MRS. TAUSCHER].

Mrs. TAUSCHER. Mr. Speaker, this debate is what makes us different. It is exactly what should be happening in this great country of ours. America should never base its decisions solely on the power of economics. I commend those Americans, particularly those Members of Congress, particularly my good friend, the gentlewoman from California, MS. NANCY PELOSI, for raising so many of the important issues related to extension of normal trade relations to China.

So it is with some reluctance that I oppose this resolution and support extension of MFN to China. Secretary

Madeleine Albright has stated, "Engagement does not mean endorsement." I believe engagement does mean opportunity, opportunity to export our values and lifestyle, and an opportunity to promote a better and more secure world for our children and the children of China.

I worked on Wall Street for 14 years before I left to raise my family. I recognize the opportunities economic integration can provide. I believe there is no greater opportunity or challenge in American foreign policy today than to secure China's integration into the international system as a fully responsible member, not just in economic terms, but in terms of human rights, the environment, weapons proliferation, intellectual property protection, and other issues.

I believe we can better influence China's direction by exposing them to our Democratic ideals through engagement. We can effectively move the Chinese to change by increasing their exposure to the alternative model. We can work to end human rights abuses by continuing the dialog through trade and exchange. Revoking MFN would severely damage American interests and undermine our ability to influence China's direction. I urge my colleagues to vote "no" on this resolution and support extension of normal trade relations to China.

Mr. BUNNING. Mr. Speaker, I have the distinct privilege of yielding 3 minutes to the gentleman from New York [Mr. GILMAN], the chairman of the Committee on International Relations.

Mr. GILMAN. Mr. Speaker, I rise in strong support of this resolution, House Joint Resolution 79, offered by the distinguished chairman of the Committee on Rules, the gentleman from New York [Mr. SOLOMON], disapproving the extension of MFN trading status to China.

Mr. Speaker, this legislation sends a clear signal to Beijing that our Nation does not reward unsavory economic and political practices. Our Nation must do right and value principle over practice.

The regime in Beijing repeatedly has violated international trade agreements, spread weapons of mass destruction, committed terrible human rights abuses, both in China and in occupied Tibet, and persecuted all those who pursue religious freedom, while at the same time enjoying the privilege of an open trade agreement with our own Nation.

The so-called constructive engagement policy favored by the administration I think has been ineffective in moderating the Chinese Government's policies. It has not brought about a level economic playing field for American businesses and exports. The situation shows no sign of improvement.

What have we achieved in return? A $40 billion trade deficit, which, by the way, is likely to top $50 billion this year.

□ 1245

Chinese tariffs on American exports average 23 percent, a bewildering array of nontariff barriers to United States goods. The piracy of our intellectual property and the intentional diversion and illegal transfer of American dual use technology. The key to a successful policy of engagement is supposed to be reciprocity. The administration's advocacy for renewing MFN is a policy of appeasement, not reciprocity. China's weapons proliferation practices are a source of international concern and serve to embroil regional turmoil.

We must be willing to use our tremendous economic influence in order to stop any nation from violating international nonproliferation agreements. We should be willing to use our economic power to foster measurable progress on human rights around the world. The government in Beijing has a deplorable human rights record, and the administration's decision to delink human rights from the MFN debate has not helped but has contributed to a worsening condition in China.

A recent poll by a major United States news outlet showed that nearly two-thirds of Americans believe that we should demand progress from China on its human rights practices before extending any trade privileges. I agree.

We should base our foreign policy on the values that have made a great Nation of America: democracy, freedom, universal human rights, and the rule of law. Accordingly, I strongly encourage my colleagues to support this resolution. I invoke the words of the great American, Dwight D. Eisenhower, who said a people that values its privileges above its principles soon loses both.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota [Mr. STUPAK].

Mr. STUPAK. Mr. Speaker, how can we endorse products manufactured by slave labor, child labor, and prisoners? We as United States citizens and as citizens of the international community, we cannot, we should not endorse these Chinese labor practices. We must reject trade agreements whereby low-cost products of countries which lack effective labor laws are sold in the United States at considerable profit for these countries.

My second concern involves the trade deficit with China. This trade deficit now stands at $40 billion. It is expected that our trade deficit with China will exceed Japan's within the next 12 months. In 1989, it was only $3 billion. Less than 10 years later, it is now $53 billion.

Mr. Speaker, that is not a trade policy. It is a trade giveaway. I hope we will all vote in favor of House Joint Resolution 79.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from California [Mr. DOOLEY].

Mr. DOOLEY of California. Mr. Speaker, every year that I have been in Congress we have had this debate regarding China. The one thing that has been very consistent and very constant is that all Members, regardless of what their position is on China MFN, do agree that there are serious problems with human rights in China, with nuclear proliferation, with religious freedom. And there certainly are trade barriers. But what there is great disagreement on is, how can this country be most effective in addressing and improving upon those problems?

I agree with what every President since the 1980's has agreed to, that it is by maintaining economic engagement with China that we are going to be more successful in empowering the citizens of China to be able to be more successful in improving their human rights situation.

Since many of my colleagues have discussed many issues surrounding the China debate, I want to spend a little bit of time talking about agriculture. As a farmer from the most productive agriculture region in the country, I believe that the most useful action the Federal Government can undertake is to expand market access for agriculture products.

Few people realize that China is currently the sixth largest export market for United States agriculture goods. In 1996, China bought over $1.9 billion of United States agriculture products. When we look to the future with 1.2 billion people in China, with limited arable land, it is now expected that China will consume almost 50 percent of the increases in United States agricultural exports in the coming decades.

China is already No. 1, the world's largest wheat importer, and in the last 4 years China's feed grain consumption has increased by over 50 million tons. We must ensure that this country can be a reliable supplier to China. We must not repeat some of the mistakes of the past when this country put in place a grain embargo, when we acted unilaterally. The only people who suffered when we put in the grain embargo were United States farmers. If we do not choose to go forward with China MFN policy, we will in fact be putting another embargo that will also be unilateral which will ensure that it be will the United States farmers who will have the most to suffer. Let us vote against this resolution.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair would advise all Members that the gentleman from Illinois [Mr. CRANE] has 32½ minutes remaining; the gentleman from California [Mr. STARK] has 30 minutes remaining; the gentleman from California [Mr. MATSUI] has 30½ minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 17 minutes remaining; and and gentleman from New York [Mr. SOLOMON] has 3½ minutes remaining.

The Chair recognizes the gentleman from Kentucky [Mr. BUNNING].

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentlewoman from Florida [Mrs. FOWLER].

Mrs. FOWLER. Mr. Speaker, almost exactly a year ago, I stood before this body to oppose extension of most-favored-nation trading status for the People's Republic of China. I did so with reluctance because I am a strong supporter of business and I have a fundamental commitment to free trade, also because I believe that the United States should remain engaged with China, which is an emerging superpower.

However, I do not believe in commerce at all cost. I could not in good conscious support normal trade relations with the PRC in view of a number of the Chinese Government's activities. I had hoped to be able to support MFN this year. But unfortunately, the actions of the Chinese Government over the last 12 months and this administration's lack of a coherent response to those actions leave me no choice but to oppose MFN once again.

In addition to its egregious human rights violations, including the use of slave labor, outrageous abuse and neglect of baby girls and persecution of Christians, the PRC continues to actively engage in weapons proliferation activities around the globe and to be a one-stop shopping center for Third World nations hoping to acquire or develop weapons of mass destruction. These proliferation activities pose a clear and present danger to our national security and to our young men and women in uniform, and the current administration has done little or nothing to address this situation.

I believe that supporting MFN would amount to tacitly approving both China's dangerous weapons and technology sales and this administration's lack of a coherent policy for dealing with the PRC. I can do neither and I will vote in favor of this resolution as a way of sending a message that this Congress will no longer tolerate the current state of affairs.

I urge my colleagues to do the same.

Mr. CRANE. Mr. Speaker, I yield 1 minute to the gentleman from New Jersey [Mr. FRELINGHUYSEN].

Mr. FRELINGHUYSEN. Mr. Speaker, I rise in support of MFN for China. I rise in support of the common sense proposition that we continue to normalize trade relations with the People's Republic of China. We live in a global economy and it simply makes no sense to turn our back on a nation of a billion people. It is in our own national security interest as well as our economic interest that we have normal relations.

We are all concerned about human rights and individual freedom, but the best way to promote those causes is to be present in China with our values and our products. In my district alone I have heard from large and small companies whose futures for products and jobs largely depend on new markets. Mr. Speaker, I can think of no more important export to China than each and every example of the American success story.

I urge my colleagues to oppose this resolution and to support MFN for China.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. BROWN].

Mr. BROWN of Ohio. Mr. Speaker, every year China promises to open its market to American products. Every year Congress grants most-favored-nation status to China. Yet nothing seems to change and we are about to do it again.

MFN is a job killer for America. MFN is a job killer for America because China refuses to open its markets to us. MFN is a job killer for America because China uses slave labor in prison labor camps. MFN is a job killer for America because it uses child labor to make things like these Spalding golf balls or this Mattel Barbie doll. Twelve-year-old Tibetan boys and girls in slave labor camps in China make these soft balls for 12-year-old kids to play with on America's playgrounds. Chinese children make these Barbie dolls in sweatshops—12-year-old Chinese children make these Barbie dolls in sweatshops—so America's 12-year-olds can play with these Barbie dolls in their bedrooms.

Mr. Speaker, repression in China today is much more than an isolated mock trial here, a closed newspaper there. Instead it encompasses the arbitrary arrest, torture, and execution of thousands of prisoners of conscience. It is systematic. It is wholesale. It is thorough, it is complete.

When I hear the State Department say that no dissidents are known to be active in the People's Republic of China, as it did in its 1996 human rights report, I am reminded of a line from Star Wars which is chillingly applicable to China. It is as if millions of voices cried out in terror and were suddenly silenced.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from New York [Mr. LAFALCE], ranking member of the Committee on Banking and Financial Services.

Mr. LAFALCE. Mr. Speaker, in January 1979, I was fortunate to be a part of the United States congressional delegation that represented the United States at the ceremonies reestablishing relations between the United States and China. That was the first time I was in China. We met extensively with Deng Xiaoping; we viewed China. It was a drab, terrible place. But it was good that we reestablished relations.

This year, 18 years later, January 1997, I had occasion to go to China again, met with President Jiang Zemin and saw China 1997.

Mr. Speaker, I doubt that any country in the history of the world has advanced as much in an 18-year period as China has. I doubt that the human rights condition of a people has advanced in any country in the world as much in 18 years as China has. That would not have happened had we not reestablished relations. That would not have happened had we not established normal trading relations with China. So if Members want to pursue the cause of human rights in China, continue normal relations with China, do not make the single largest foreign policy mistake in the history of the United States.

Mr. BUNNING. Mr. Speaker, I yield 1½ minutes to the gentleman from Iowa [Mr. GANSKE].

Mr. GANSKE. Mr. Speaker, in 1995 and 1996, I voted for MFN. This year I will not. I will support this resolution.

Why the change? Well, it is not just one reason. I think that China's human rights record is no better and it may be worse. Second, I know for sure that our trade deficit is worse because we are not making any progress on bringing down their import tariffs. And we are losing American jobs because of it.

Third, we just learned that the Chinese sold cruise missiles to Iran. This places American troops in harm's way. And how about Chinese sales of nerve gas technology to Iran?

Finally it appears that the Chinese have tried to influence our own elections with illegal contributions. United States-China policy made in China.

Mr. Speaker, we need to send China a message. First, lower your tariffs. Second, stop persecuting religious freedom of speech. Third, stop selling weapons of mass destruction to terrorist states and, fourth, do not ever meddle in our elections again. Vote "yes" for this resolution.

Mr. Speaker, I include the following for the RECORD:

Today I vote on whether to extend most-favored-nation [MFN] trade status to China. Everyone agrees that the United States-China relationship is very important and I have spent much time thinking about our country's relationship with the most populous nation on Earth. I voted for China MFN the last time. This year I will not. Why the change?

I believe our foreign policy should promote democratic freedoms, stop the proliferation of weapons of mass destruction, and promote U.S. exports. Indeed, since the Tiananmen Square massacre of 1989, Congress has been concerned about China's violation of trade agreements, sales of weapons of mass destruction, and human rights violations. There is new information available on abuses in each of these areas. In addition, it appears that the Communist Chinese Government tried to influence the outcome of our election in 1996. United States-China policy made in China.

I believe that free markets around the world lead to higher standards of living for all. However, free markets mean free markets. The

United States, under MFN for China, levies an average 2 percent tariff on Chinese goods coming into the United States. The Chinese levy a 35 percent tariff on United States goods exported to China. Is it any wonder that the United States trade deficit with China has soared from $6 billion in 1989 to $50 billion projected in 1997? In January 1997 alone, imports from China were up 18 percent over the month before and United States exports to China were down 28 percent.

Despite the 1995 and 1996 intellectual property rights agreements, piracy of United States software and CD's continues in China. In 1996, that piracy cost our economy over $2.3 billion. China wants our technology, requires a "certification" of that technology by Chinese research and design institutes, and then disseminates that technology to Chinese domestic ventures. Is it any wonder that the CEO of one of Iowa's largest seed companies told me that they won't do business with China until his company's intellectual property is better protected?

Congress has had concerns about Chinese sales of arms, but just this past week the State Department officially informed Congress that the Chinese Government has sold cruise missiles to Iran that enhance Iran's ability to disrupt Persian Gulf shipping and strike United States forces there. In addition Chinese companies have recently sold Iran chemicals and technology that help Iran make nerve gas. China has provided Iraq and Libya with materials to produce nuclear weapons, have provided missile-related components to Syria and have provided Pakistan with advanced missile and nuclear weapons technology.

United States companies have sold supercomputers to China that allow the Chinese to do small underground nuclear tests at the same time that Chinese companies have exported AK–47's to be used by gangs in Los Angeles.

The United States should not ignore Chinese transfer of weapons technology to rogue nations like Iran when we are spending billions of dollars a year to promote Middle East peace. Furthermore, just last week United States military intelligence reported that the Chinese are developing an intercontinental ballistic missile that will give Beijing a major strike capability against the Western United States within 3 years.

In the human rights area, there was a recent report released by the State Department in January 1997 stating, "The (Chinese) Government continued to commit widespread and well documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence of laws protecting basic freedoms."

Since the State Department release, additional information has been provided to Congress about the Chinese Government persecuting evangelical Protestants and Roman Catholics who choose to worship independent of the government church, promoting a policy of forced abortions, and brutally repressing the people of Tibet. The takeover of Hong Kong by China is scheduled for July 1, 1997. Already, the Chinese Government has moved to disband Hong Kong's democratically elected legislature and to repeal its bill of rights.

The current policy of so-called constructive engagement has bolstered the Chinese Government and has made little progress in promoting Chinese-United States fair trade, stopping Chinese nuclear proliferation to countries which are dangerous to us, and in promoting the political freedoms we will be celebrating ourselves this 4th of July. A "no" vote by the House of Representatives on MFN would send a message to the Chinese regime and also to the Clinton administration that the status quo is not acceptable.

□ 1300

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. OXLEY].

Mr. OXLEY. Mr. Speaker, I rise in support of a productive engagement with China, support of American jobs, in support of the people of Hong Kong, in support of human rights, in support of religious freedom, and against the resolution disapproval.

I have had an opportunity to visit China on three different occasions. And as my learned friend, the gentleman from New York [Mr. LAFALCE], had said earlier, China has changed dramatically, has changed dramatically much more than any of us could have anticipated in so many ways.

I remember having a discussion with a young lady who was working in this case for an American company in China on our most recent visit. She had been educated here in the United States at a rather prestigious university and then went back to China and began working for an American company based there. She told me that about 20,000 Chinese students are educated in the United States, a total now of over 250,000 of the bright, elite people in China, the people who are the future of China, and that they have been educated in the United States, have gone back to their home country, and have participated in changing China in so many ways.

And I thought to myself as I spoke to this young lady that she really represented the future of China, that China is changing dramatically and continues to change in a positive way. And the fact that these students are going back and working for American companies based in China providing modern telecommunications, modern pharmaceuticals, and the like, I think was a real eye opener for all of us who were part of that delegation.

It would be a mistake, a huge mistake, if we are going to think somehow that by revoking normal trade relations with China, the same relations we have with everybody else, if we reject MFN, that we in fact have made a huge mistake in our trading relationships with the largest country in the world.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the gentleman from Oregon [Mr. DEFAZIO].

Mr. DEFAZIO. Mr. Speaker, no one will stand on this floor today to defend China's arms trafficking to terrorist nations, Iran, Iraq, Libya, Syria, America's enemies. But the apologists also say MFN is not a tool to stop illegal traffic and weapons of mass destruction. No one will stand on this floor today to defend the human rights atrocities of the Chinese regime. But the apologists will say MFN should not be used to defend human or labor rights. The apologists say MFN for China is just normal trade relations. How can you have normal trade relations with an outlaw regime? How can we have normal trade relations with the most unfair trading nation on Earth?

The Chinese systematically exclude nonstrategic United States goods. First, there is a 23 percent tariff, on average. Then they have their discriminatory 17-percent value-added tax, which often only gets added to United States goods, not Chinese goods. Then, if that is not enough, they have nontariff barriers that make the Japanese nontariff barriers look like the work of amateurs. And finally, something might somehow get past that they have unwritten rules that change day-to-day, port-to-port in China to keep out anything that might get past those barriers.

The bottom line is, the only United States goods allowed in are those that enrich China's corrupt leaders or add to their store of critical technology and military weaponry. Yeah, it is about jobs. It is about Chinese jobs, not American jobs.

With a $50 billion trade deficit this year, according to the Commerce Department's own way of figuring exports and imports, we will export 1 million United States' jobs to China. Yes, this is free trade. One-way Chinese free trade into America, the largest consumer market on Earth, and not through their protected barriers into China.

Stop the apologies. Stop the appeasement. Send the Chinese a tough message they will respect.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana [Mr. ROEMER].

Mr. ROEMER. Mr. Speaker, I rise in favor of normal trade status with the Chinese. Back in 1919, then-President of the United States Woodrow Wilson said this, and I quote,

> We set this Nation up to make men free and we did not confine our conception and purpose to America.

Now I say that for two reasons. One, because in 1920, the United States, after 140 years, extended the right to vote to women; 140 years. We did the right thing. We are still having problems in this Nation at times doing the right thing. Yet Members of Congress parade down here and they want to see China do the right thing in 1 year, in 6 months, in 2 weeks.

I think what Woodrow Wilson said in that quote was not only recognizing

that we stand up for human rights in this country, but we should insist on it in other countries. And that is what constructive engagement is doing slowly, day by day. And if we go back to when we recognized China, they can now vote for somebody that is not a Communist and not be thrown in jail. There is tangible progress.

Now I know we have a lot of experts here in this body on foreign relations. But when we go to the real experts on foreign relations and we are concerned about religious freedom, Billy Graham, the Reverend Billy Graham has written, "Do not treat China as an adversary but as a friend."

If my colleagues were concerned about human rights, ask Martin Lee, who is over there in the trenches. "Do not take away MFN," he says. If my colleagues are concerned about Hong Kong, Gov. Chris Patten says, "Do not take away MFN for Hong Kong or China."

Finally, for us, if we go forward and revoke MFN, we will spend billions of dollars in defense, with a new cold war era, we will spend billions on environmental problems, and we will give up billions to trade for the Japanese and the Koreans.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentlewoman from Washington, Mrs. LINDA SMITH.

Mrs. LINDA SMITH of Washington. Mr. Speaker, I rise today to give voice to millions of Americans who have grave concerns about America's relationship with China. I guess the rainbow to this long debate over most-favored-nation status for China has ended with Americans realizing that something is wrong, deeply wrong.

Americans know in their hearts and minds the difficult social, moral, and economic issues involved. We knew something was wrong when we watched our President change his mind and turn his back on the issue of slave labor, which he said he would change if he were elected. We knew something was wrong when he decided that it no longer made any difference that we saw more labels "Made in China" that used to be carrying proudly the "Made in U.S." label.

Americans are weighing this issue, and they are thoughtfully, thoughtfully but adamantly, against giving MFN to China. Just this week, a poll came out and it is growing the opposition. It is now 67 percent against giving most-favored-nation status. It is not a third for. Only 18 percent would support it at this point after this long debate.

Furthermore, Americans are dissatisfied with the current status quo. Recently, I got another letter from a union in my area, the Machinist Union, and they echoed the concerns of this poll. They echoed the concerns that China has to open up its markets. We have very few products and very few commodities now going into China. But they really had a loud voice in this letter, and also in the poll, that said a country that tortures its own to keep the rest terrified is not acceptable.

I would urge my colleagues to join the American people and vote "yes" on this resolution.

Mr. CRANE. Mr. Speaker, I yield 1 minute to our distinguished colleague, the gentleman from Illinois [Mr. EWING].

Mr. EWING. Mr. Speaker, I am here today, of course, to talk about most-favored-nation status. Much has been heard about our bilateral trade deficit with China. It is the same argument that protectionists use as a reason not to trade with Japan. These protectionists argue that because we have a large trade deficit with a specific country, we should erect trade barriers or force them to purchase more American goods to level the playing field.

In the 1980's, Japan was the culprit. Today it is China. And if China is treating us unfairly simply because of our trade deficits, then we are treating nations like Australia, Argentina, Egypt, and Poland unfairly and they should erect trade barriers to level the playing field with American products.

The fact is, all Americans run up lifelong trade deficits with their local restaurants, grocery store, department store. We do not demand that our local grocer or retailer purchase something from us in return for patronage. Of course, that is where I believe the so-called fair traders are incorrect. It is difficult to find a majority of economists who agree on anything, but they do agree erecting trade barriers hurts the nation doing it.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentlewoman from Ohio [Ms. KAPTUR], a champion on this issue.

Ms. KAPTUR. Mr. Speaker I rise in support of the motion of disapproval and ask the question: Why renew the terms of an abnormal relationship that is not working? Have freedom and liberty of the Chinese people expanded? No. Repression has increased. Has the United States earned income from this trade deal? No. Our trade deficits with China have exploded, as we watch China spend their dollar reserves to arm themselves militarily while they keep their tariffs against our goods at 40 percent, and give us no reciprocity in their market. For America, freedom should mean more than selling fertilizer.

John F. Kennedy inspired the world when he said that human progress is more than a doctrine about economic advance. Rather, it is an expression of the noblest goals of our society. It says that material advance is meaningless without individual liberty and freedom.

Exercising economic sanctions against South Africa's repressive regime resulted in an advance of freedom. But in our Chinese engagement, America's efforts have resulted in creating more powerful oligarchs that feast off our misdirected trade policies.

Upend this abnormal trade relationship, support the motion to disapprove.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Tennessee [Mr. CLEMENT].

Mr. CLEMENT. Mr. Speaker, I thank the gentleman from California [Mr. MATSUI] for yielding me the time.

Mr. Speaker, I cannot think of a more compelling argument made in the U.S. House of Representatives today than the words of a very dear friend and inspiration of mine, Dr. Billy Graham. As many of my colleagues remember, last February we bestowed a great honor on Dr. Graham and his lovely wife Ruth, the highest award, the Congressional Gold Medal.

Dr. Graham is not a politician or a policymaker. He is not going to be pulled into the political debate. But he understands China and he understands the world because he has traveled it extensively. He said recently, and I think he said it so well, "In my experience, nations respond to friendship just as much as people do."

Dr. Graham is exactly right. MFN approval is not a vote or a referendum on China's behavior. It is a vote on how best to promote U.S. values. The only way to change China is to continue to engage China, not to declare economic warfare.

Mr. Speaker, please look at the big picture. I firmly believe that without MFN, human rights abuses will worsen and the dream of achieving democracy in America will dim. Vote "no" on House Joint Resolution 79 and "yes" to the rising voices and change in China.

Mr. BUNNING. Mr. Speaker, I yield such time as he may consume to the gentleman from Indiana [Mr. BURTON].

Mr. BURTON of Indiana. Mr. Speaker, I strongly oppose MFN for China.

My reasons to defeat MFN.

HUMAN RIGHTS

Every year since 1980, when President Carter first extended China MFN, supporters have argued that this action will help the United States promote human rights in China.

It has failed. State Department's own Country Reports on Human Rights (January 1997) admits:

> The Chinese Government continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence or inadequacy of laws protecting basic freedoms. * * * Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism.

And from Clinton's Assistant Secretary for Asia:

> Frankly, on the human rights front, the situation has deteriorated * * * They're rounding up dissidents, harassing them more.

In addition: Over 1,000 forced labor camps; harvest and sale of organs from executed prisoners; forced abortions; and persecution of religious believers.

Nongovernment churches are outlawed.

Independent worshipers of the government church are harassed and imprisoned.

Their house churches are being forcibly closed or destroyed.

NATIONAL SECURITY

Selling nuclear material, weapons and military technology to rogue states (ex: Iran)

Purchased 46 American-made supercomputers which could design nuclear warheads for missiles capable of reaching the United States.

COSCO lease of Long Beach Port gives PLA base of operations in the United States.

TRADE

Economic espionage: U.S. workers lose when U.S. technology is stolen.

Violations of intellectual property rights: $40 billion trade deficit; 2 percent of United States exports are allowed in China, 33 percent of China's exports come to United States.

China charges American products with huge tariffs:

Even if we would extend least-favored-nation [LFN] status to China, their tarrifs would still tower ours.

China import tax on United States cars: 50 percent. United States import tax on LFN cars: 25 percent, that is one-half the rate charged by China.

China duty on shoes: 50 to 60 percent. United States duty on LFN shoes: 35 percent.

Allegations of attempting to influence our Presidential elections through campaign contributions. Vote "yes" for House Concurrent Resolution 79.

Yet, the administration has chosen to stand up to China on only one issue: intellectual property rights.

When they were faced with trade sanctions over this issue, they backed down.

If this type of muscular action is justified for the music industry, then it is justified for persecuted Christians, murdered infants, and nuclear proliferation. We need to put away the carrots and break out the sticks. The President's policy isn't just one of engagement, it's a see-no-evil strategy.

□ 1315

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Nebraska [Mr. BEREUTER].

Mr. BEREUTER. Mr. Speaker, as chairman of the Subcommittee on Asia and the Pacific, I oppose House Joint Resolution 79.

There is perhaps no more important set of related foreign policy issues for the 21st century than the challenges and opportunities posed by the emergence of a powerful and fast-growing China. However, today we are not having a debate focused on those challenges. Instead, we are debating whether to impose 1930-era Smoot-Hawley trade tariffs on China that the rest of the world and China knows we will never impose.

This particular annual debate has become highly counterproductive. It unnecessarily wastes our precious foreign policy leverage and seriously damages our Government's credibility with the leadership of the PRC and with our allies. It hinders our ability to coax the PRC into the international system of world trade rules, nonproliferation norms, and human rights standards. Moreover, Beijing knows the United States cannot deny MFN without severely harming American companies and workers, or without devastating the economy of Hong Kong or Taiwan.

It is true, as MFN opponents argue, that ending normal trade relations with China would deliver a very serious blow to the Chinese economy, but the draconian action of raising the average weighted tariff on Chinese imports to 44 percent instead of the current average of 4 to 5 percent would severely harm the United States economy as well. And after China's certain retaliation, many of the approximately 175,000 high-paying export jobs related to United States-China trade would disappear while France, Germany, Canada, and other major trading nations would rush to fill the void.

But MFN is about much more than trade. China is an emerging power with a potentially wide range of interests and influence around Asia. Ending normal trade relations with the PRC would not only send that economy into a tailspin, making China's neighbors especially nervous, but would have a devastating impact upon Hong Kong and Taiwan. For example, the Hong Kong Government estimates that as many as 86,000 Hong Kong workers would lose their jobs.

Mr. Speaker, ever since President Nixon traveled to China, United States policy has sought to promote a stable and peaceful Asia where America's trade interests could be advanced without sacrificing security. Successive administrations have made expansion of trade relations and economic liberalization key tenets of our China policy. The goal has been not only to expand United States trade, but also to provide a means of giving China a stake in a peaceful, stable, economically dynamic Asia-Pacific region. This approach has worked well and protected not only our national interests, but also those of our friends and allies. Immediately, U.S. dock workers, transportation workers, and retail workers would be harmed until alternative sources for Chinese manufactured goods could be found.

For example, the Hong Kong Government estimates that as many as 86,000 Hong Kong workers would lose their jobs if the United States ended normal trade relations with China and, almost incredibly, they project that Hong Kong's gross domestic product would decline by nearly half. That is why Governor Patten recently stated in a letter to Members of Congress that "unconditional renewal of MFN is the most valuable gift that America has within its power to deliver to Hong Kong at this critical moment in its history." And Hong Kong is not alone—Taiwan also quite appropriately, but too quietly, recognizes the importance of MFN. Last year, key business leaders publicly supported normal trade relations between the United States and China.

Mr. Speaker, the United States has convinced nearly every other country in the region that the best way to avoid conflict is to engage each other in trade and closer economic ties. Abandoning this basic tenet of our foreign policy with China would be a serious shock and set back what we have been trying to achieve in the entire Asia-Pacific region. It would send many countries scrambling to choose between China or the United States.

Opponents of MFN say that human rights in China have not improved and that the human rights situation in China has deteriorated. I certainly do agree that very serious human rights problems remain including arbitrary detentions, widespread religious persecution, suppression of nearly all political dissent, and coercive abortion practices. But, it is simply wrong to ignore the fact that since the United States embarked on normal trade with China, the day-to-day living standard of the Chinese people has improved dramatically. Moreover, the denial of normal trade relations with China will not directly improve the plight of those courageous advocates of democracy and reform in China—indeed it may worsen their plight and cause repressive action on many more Chinese citizens.

In making somewhat of an exit assessment on January 1, 1994, then-United States Ambassador Stapleton Roy said that in the history of China "[t]he last two years are the best in terms of prosperity, individual choice, access to outside sources of information, freedom of movement within the country and stable domestic conditions." Now, 3½ years after Ambassador Roy's observations, those general trends continue; the Chinese people enjoy even more personal choice concerning their career, education, or place of abode. Just last year modest legal reforms were advanced in the area of criminal procedures which make it more likely that individuals will be considered innocent until proven guilty, will have a right to a lawyer at the time of detention, and will be able to challenge the arbitrary powers of the police. Although these reforms have far too many caveats that permit the government to suppress political dissent, they nonetheless represent progress toward a rule of law in China.

There have been other positive developments in China. The National People's Congress showed small but encouraging signs of assertiveness by attacking a government report that failed to adequately address corruption. Village elections, once the sole domain of local Communist party functionaries, have suddenly become contested events—with noncommunists elected in many places.

For these reasons, many human rights leaders support normal trade relations. For example, Wei Jingsheng, a prominent dissident still jailed for his eloquent and strongly held democratic beliefs, urges the United States to continue MFN. Similarly, Martin Lee, a democratic leader in Hong Kong, argued for unconditional renewal of MFN on his recent visit to the United States.

Mr. Speaker, as the chairman of the Asia and the Pacific Subcommittee, this member has become convinced that the annual MFN process is counterproductive and undermines

United States foreign policy interests with respect to China. However, the United States has other points of leverage where we can encourage China's leaders to be responsible actors in the world community.

For example, China's leaders will be faced with many difficult economic reform decisions in the next several decades; Therefore, rather than devoting attention to MFN, the United States should focus on one of the most important foreign policy decisions for the United States: China's accession to the World Trade Organization [WTO]. A good way to maximize our trade leverage is embodied in legislation that this Member and the gentleman from Illinois, Representative TOM EWING recently introduced. That legislation, the China Market Access and Export Opportunities Act, requires China to pledge adherence to the world's trade rules and accede to the World Trade Organization or face "snap-back" tariffs on goods imported to the United States. It would induce China's leaders to join the WTO by eliminating our annual MFN review upon China's membership in the World Trade Organization. Alternatively however, the China Market Access and Export Opportunities Act would require the President to impose realistic, pre-Uruguay Round tariff increases—4–7 percent—on Chinese imports if the PRC continues to deny United States exporters adequate market access or if it does not make significant progress to become a member of the WTO.

The PRC's desire to get into the World Trade Organization represents a historic opportunity for the United States to level the playing field for United States companies and workers wanting to sell their products in China. But we should act now. Recent press reports indicate that the PRC's trade negotiators may be walking away from the currently unproductive negotiating table. This news is especially disturbing given that last year's U.S. trade deficit with China was nearly $40 billion and this year's imbalance has risen by 37 percent Secretary of Commerce, William Daley, recently said that "China remains the only major market in the world where U.S. exports are not growing and this despite significant economic growth in China."

The China Market Access and Export Opportunities Act is a tough but fair approach to China's WTO accession. The Congress should immediately consider this legislation to accelerate the forces of change that have been unleashed by the PRC's desire to become a part of the world trade community. Economic and trade liberalization reforms in China, which this legislation will promote, not only will reduce our enormous bilateral trade deficit and benefit United States workers and consumers, it will also continue to provide the most positive forces of political and social change in China.

Mr. Speaker, I urge opposition to House Joint Resolution 79.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentlewoman from Kentucky [Mrs. NORTHUP].

Mrs. NORTHUP. Mr. Speaker, I rise to speak against the resolution and in behalf of continuing normal trading relationships with China.

We are all here today for one reason, because we are very concerned about China. We are very concerned about human rights and civil rights, and we are wondering in what way we can best reach out and change China's current policy. The fact is that we recognize that China is a growing power, and there are some things, Mr. Speaker, that no matter what we do today in our vote, we are not going to change.

We are not going to change the fact that China is growing militarily. We are not going to change the fact that technologically China is advancing at a very rapid pace. We are not going to change the fact that China is going to have a profound impact on our world in the coming years.

And so, Mr. Speaker, the question before us is not how do we stop those things which we cannot stop, but how do we most influence them? Over the last 20 years, China has changed, China has grown, it has become more aware of civil and human rights, and their citizens have demanded more than they ever have before. Is it fast enough for us? No, it is not. But the fact is, it is that relationship, it is that continued relationship that gives us the most chance to affect China as it inevitably grows and advances.

Mr. Speaker, we can do a lot from the outside, demanding and asking for civil and human rights in China. But the way it will most change is when the Chinese people begin to be able to think, because of prosperity, about something more than where their next meal is coming from and how to meet their basic needs. When they begin realizing what is available in other countries in terms of their own civil rights and human rights, they will also demand more from within as we are demanding from without. Please, let us continue this relationship so that they will be able to enjoy the civil and human rights that we do.

Ms. PELOSI. Mr. Speaker, I yield 3 minutes to the gentleman from Georgia [Mr. LEWIS], a champion for human rights throughout the world.

Mr. SOLOMON. Mr. Speaker, I yield 30 seconds to the distinguished gentleman from Georgia [Mr. LEWIS].

Mr. LEWIS of Georgia. Mr. Speaker, I do not propose cutting off relations with China, but I simply cannot accept the situation as it is with China today. We cannot stand by while innocent people in China and Tibet are fighting and dying for democracy. Thousands of innocent Christians, Muslims, and Buddhists are dying in Chinese gulags. Millions of Chinese women are not allowed to plan their own families. They are not allowed to make the most basic, the most private decisions. The Chinese Government intrudes on families, their beliefs, their lives. They are desperate for our help. Yet we do not help. We continue business as usual. The abuse of human rights continues. And the United States renews MFN. China will not work with the community of nations to stop nuclear proliferation. And the United States renews MFN. Business as usual. Trade as usual.

We cannot accept and we must not accept what is happening in China. To quote Gandhi, "Noncooperation with evil is as much a duty as is cooperation with good." We can never forget Tiananmen Square. Those students bravely stood for democracy, and they were slaughtered. I was a student once, fighting for what I believed, I was fighting for a nation free of racism, free of segregation. During the 1960's, some among us were jailed and beaten during that struggle. Some even died. Schwerner. Goodman. Chaney. Three young men gave their lives so that others could register and vote, so that others could participate in the democratic process. They did not die in vain.

Now it is the 1990's and China is on the other side of the world from us but their struggle is just as important. Their lives and their struggle must not be in vain. In a real sense, Mr. Speaker, our foreign policy, our trade policy must be a reflection of our own ideals, our own shared values.

What does it profit a great nation, a compassionate and caring people, to close our eyes and look the other way? As Martin Luther King said, "There comes a time when a Nation and a people must stand for something or we will fall for anything." I feel that the spirit of history is upon us. We must make a decision today and it should be on the right side of history. We must stand with the people who are struggling for freedom, struggling for democracy. If we fail to act, no one will act. They are our brothers and our sisters.

Yes, Mr. Speaker, I believe in trade, free and fair trade, but I do not believe in trade at any price. I ask my colleagues on both sides of the aisle, how much are we prepared to pay? Are we prepared to sell our souls? Are we prepared to butcher our conscience? Are we prepared to deny our shared values of freedom, justice and democracy? Today I cast my lot with the people in the streets, with the students of Tiananmen Square, and with the people of this country who understand that a threat to justice anywhere is a threat to justice everywhere.

I urge and I beg of my colleagues to oppose MFN for China. I thank the gentlewoman from California and the gentleman from New York for yielding me this time.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD). The Chair will remind all persons in the gallery that they are here as guests of the House and that any manifestation of approval or disapproval of proceedings is a violation of the House rules.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Texas [Mr. GREEN].

Mr. GREEN. I thank the gentleman from California for yielding me this time.

Mr. Speaker, I rise in opposition to the disapproval resolution and I reluctantly do so. In previous Congresses, I voted for the extension of MFN for China with the belief that more engagement on economic and diplomatic fronts would yield gradual but positive changes within China. But as our trade deficit has worsened, I know that has not been the case. I know things have changed in China. In fact, there are elections that are going on on the local level, so there has been progress. But the concern I have is the tariff disparity between the United States and the People's Republic of China, so I was seriously considering voting in favor of the disapproval resolution. But I am going to vote against it today, because I do not think it would improve our trade deficit if we pass this resolution. I do not think it would give us more access to the China market. I do not think it would improve the treatment of Christians in China, although I know we have heard today both people who said they are persecuted and people who have said, including Reverend Billy Graham, that it would be bad not to have most-favored-nation. I do not think it would prevent China from selling weapons to Iran if we disapprove most-favored-nation.

I think the best choice we have is to continue to work with China and respect their culture and respect their country, and to say we are two great nations and we need to work together. That is why China's desire for WTO membership requires more open markets. I hope we will see that in China. I hope we will see a lessening of the tariffs on our products going to China because then this will come up again next year. That is why I have cosponsored our Democratic leader's bill asking for China's accession to WTO be subject to a vote in Congress.

Mr. BUNNING. Mr. Speaker, I yield 1 minute to the gentleman from Florida [Mr. SCARBOROUGH].

Mr. SCARBOROUGH. Mr. Speaker, yesterday in the New Republic we had this headline talking about persecution of Christians. It is in stark contrast to what we read about and hear about from apologists for China, whether it is in Wall Street, Washington, or in Hollywood.

The New Republic reported that persecution is real and by all reports getting worse. Attacks of Catholics and of Protestants continue, and the Far East Economic Review stated that police destroyed 15,000 religious sites in one province last year alone. Priests were sent to re-education camps for 2 years for simply saying mass, and 40 percent of all inmates in labor camps are members of the Christian underground. The New Republic went on to say that

The methods used to re-educate Christians include starving and beating detainees, binding them in excruciating positions, hanging them from their limbs and torturing them with electronic cattle prods and drills. Sometimes, relatives are forced to watch the torture sessions.'

When I hear the gentleman from Georgia [Mr. LEWIS] speak about what happened in the 1960's in America, it reminds us too much of what is happening today even in a country that has killed 60 million of their own people in the past 50 years. We have to stop apologizing for China and stand up to this tyranny.

The SPEAKER pro tempore. The Chair would advise all Members that the gentleman from Illinois [Mr. CRANE] has 24½ minutes remaining; the gentlewoman from California [Ms. PELOSI] has 22 minutes remaining; the gentleman from California [Mr. MATSUI] has 24 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 10½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

The Chair recognizes the gentleman from Illinois [Mr. CRANE].

Mr. CRANE. Mr. Speaker, I yield 2½ minutes to the gentleman from Texas [Mr. ARCHER], the distinguished chairman of the Committee on Ways and Means.

Mr. ARCHER. I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in strong opposition to House Joint Resolution 79 which would strip most-favored-nation trading status from China. At the outset, I want to make it clear, and I am sure it has been said before but it bears repeating, that the term most-favored-nation is a misnomer. It implies that we are somehow giving a country special treatment. Rather, when we provide MFN, we are only giving the same normal standard treatment that we give almost every country in the world; well over 100 countries. The only countries to whom we do not give MFN are Afghanistan, Cuba, Laos, North Korea, and Vietnam. We give better than MFN treatment to another very select group of countries, Canada, Israel, and Mexico. What we are considering today is whether we should continue giving China average treatment.

□ 1330

Now a move to the substance of the resolution. Quite apart from the benefits enjoyed by our companies by continuing to do business with China, our ability to win this vote affects whether United States values will continue to be of influence in China. Shutting down trade with China or making the terms of trade impossibly restrictive would put in place a policy of unilateral confrontation that would not change China's behavior. Maybe MFN for China is not a good policy until, as Churchill would have said about democracy, "You consider all of the other alternatives." And those who oppose MFN for China do not really consider the other less attractive, by far, alternatives. If we remove MFN from China, we would disengage our Government from a leadership role in the region and would remove the positive influence that our business community has in China.

At the same time, I hope that China will continue to pursue accession to the WTO and will be able to agree to take on the rights and obligations that make membership. At that point I believe that the United States should be in a position to provide China with full MFN treatment uncluttered by any conditions, a relationship identical to that which we have with almost all of the world. Once China becomes a WTO member we will be able to utilize the highly effective dispute settlement mechanism of the WTO to resolve our trade disputes with China.

As I understand it, China still has a long way to go in that accession bid. In the meantime, I urge my colleagues to vote a strong no on this disapproval resolution.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentleman from Maryland [Mr. HOYER], who in his capacity and his work on the Helsinki accords and Commission has been a champion of human rights throughout the world.

Mr. HOYER. Mr. Speaker, one cannot discuss this issue in 1 minute. Everybody on this floor knows this, and in fact perhaps in 5 or 50 minutes.

For over a decade and a half as chairman of the Helsinki Commission, I was not for most-favored-nation status for the Soviet Union. Why? Because they did not meet international norms. America has been, is now and hopefully always will be the beacon of freedom and justice for all the world. I am for constructively engaging on those premises, but I am also for principled engagement, for an engagement that says we will not do business as normal with those who do not treat their own people as international norms would demand. And not only do international norms demand that, but the peace and security and stability of all the world demands that.

My colleagues, let us stand up, let us lift that torch high of liberty and justice and say not business as usual.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from California [Mr. CAPPS].

Mr. CAPPS. Mr. Speaker, I rise in opposition to the resolution. I do so with profound respect for the gentlewoman from California [Ms. PELOSI], the gentleman from Georgia [Mr. LEWIS] and my good friends on the other side. I want to make two points briefly.

First, the very term "most favored nation" is inaccurate. MFN is not a privileged status according to close friends, but an ordinary tariff treatment extended to all but 11 countries. Today I will introduce a bill to replace

MFN in our trade law with a more suitable and accurate term, "normal trade relations."

Second point: I have a heart full of thoughts on this issue, Mr. Speaker. I had the privilege of being in China in December and lecturing at Peking University. While I would not call myself an expert on this subject, I do recognize that the underlying subject here is about culture, about cultural difference, cultural clash, cultural change. United States culture is not Chinese culture.

We talk about human rights. China, with a cultural tradition of more than 5,000 years, talks more about stability. We are dedicated to Judeo-Christian values. They for their part owe more to Confucius, to Lao Tzu, to the I Ching. We talk proudly of democracy. China has had centuries of feudalism, of emperors and empresses and are moving toward democracy. Consequently, it is difficult to translate across cultural lines. It is impossible to read their history according to our vectors.

But we must live together in the 21st century, and we must strive together to find ways to do this. This is not the time to isolate China, this is not the time to isolate ourselves against China. I plead a no vote on the pending resolution.

During my recent visit to China, I witnessed the promise of leadership among the emerging generation of active, intelligent, responsible young people. I am confident that they want to be active participants in the 21st century, not as enemies of the United States but as partners. I don't want to close the door on them right now. I want to encourage them as I have been encouraged by them. Democracy is a very delicate plant in China today. But we can help nurture and strengthen it.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. PITTS].

Mr. PITTS. Mr. Speaker, I rise today to call for an end to the many human rights abuses in the People's Republic of China, and I rise in support of renewing China's most-favored-nation trading status because, Mr. Speaker, these two goals are not mutually exclusive. In fact, renewing MFN for China will enable us to address the abuses we find so objectionable, first by keeping the lines of communication open with those leaders in China who have the power to change persecution and the climate there through private and tough diplomacy and, second, by allowing the many human rights, mission and Christian agencies in China to continue their work with the Chinese people.

Mr. Speaker, revoking China's MFN trade status and essentially declaring economic warfare on China is not the best way to achieve our goal of improving the human condition for the Chinese people. In fact, it would exacerbate the problem. Since this debate began I have spoken with many in the mission and Christian community who live and work in China, missionaries and Christian leaders whose whole lives are committed to the Chinese people. What they have told me is that if MFN status is revoked they feel that they would feel the effects of retribution on themselves and on Chinese Christians and on human rights activists. They told me that the hand of the hard liners would come down upon the people of China and especially anyone who is perceived as representing the West.

Rev. Daniel Su, a former member of the Chinese Red Guard who now works for China Outreach Mission Ministry, has said, quote:

The Chinese people are better off if MFN status is maintained. People suffer when China becomes isolated and hostile. Isolating China will do nothing for human rights in China particularly the rights of Chinese Christians. Like Rev. Daniel Su has said, Cutting off ties with China is like setting your car on fire when it stalls.

Dr. Samuel Ling, the Institute for Chinese Studies said this:

History has proven that as the United States engages China, a more pluralistic atmosphere develops, and both the standard of living and human rights and freedoms stand to improve.

Others have made other quotes, Mr. Speaker. I urge the Members to support MFN.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts [Mr. DELAHUNT], a member who has worked very hard on this issue.

Mr. DELAHUNT. Mr. Speaker, this vote is about American credibility.

Yesterday a bill was on the calendar which would have prohibited financial transactions with terrorist countries. It would have passed without debate. Yet China has sold chemical weapons to Iran and missile components to Syria, and what of human rights? Last year Congress enacted the Helms–Burton Act because of human rights abuses in Cuba. Yet when it comes to China we ignore our own State Department report that the human rights situation actually worsened in 1996.

Then of course there is trade. We criticize the unfair trade practices of the Japanese, yet according to the last Sunday's L.A. Times, China has developed barriers to United States goods and services that would make the Japanese blush.

This vote is fundamentally about American credibility. We cannot demand respect for our values from the rest of the world and set a different standard for China. Please vote yes on the resolution.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentlewoman from Missouri [Ms. MCCARTHY].

Ms. MCCARTHY of Missouri. Mr. Speaker, I rise in opposition to House Joint Resolution 79 and in support of the President's decision to extend normal trade relations with the People's Republic of China. Terminating our current trade relationship with China would undermine America's economic interests in those States such as my own. The American consumer would be burdened with dramatic price increases. Thousands of American trade and investment jobs would be lost.

Chinese retaliation would likely exclude companies from opportunities in one of the world's fastest grow economies. Last year Missouri companies alone exported over $80 million in goods to China, an increase of over 64 percent from the previous year. United States exports to China currently support over 200,000 American jobs. The jobs which have been created have been good, high paying jobs.

In my home State of Missouri employment by foreign subsidiaries has risen 165 percent since 1980. Manufacturing jobs created by foreign investment have risen 51 percent. In my district MFN for China means that agribusinesses, high technology, and avionics industries are able to export their goods to one of the world's largest markets. From national firms like Farmland Industries to regional companies like Hanna Rubber Co. and small family-owned businesses such as Sun Electronics in Raytown, MO, MFN for China means jobs, revenue and business.

I have grave concerns over China's human rights record, particularly the practice of female infanticide, which has no place in any society. I have a constituent, Mattie, who was born in China just 2 years ago. She was adopted by loving Missouri parents and is living the American dream of freedom unknown in her native land. I want to advance our values within China so that future Chinese baby girls like Mattie can live proud and free within China as well.

We cannot walk away from this or any other problem that China faces. We have a moral obligation to remain engaged with China so that they can learn our values of democracy. I urge this body to reject the resolution and extend normal trade relations to the People's Republic of China.

Revoking trade privileges will reverse the progress that the Chinese people have made in their struggle for basic political, religious, and economic freedoms.

The power of our democratic principles and ideals eventually led to the fall of communism in Eastern Europe. It is important that we continue to engage in debate with China until we achieve victory in Asia as well.

Mr. Speaker, for these reasons, I support extending normal trade relations to the People's Republic of China, and I urge my colleagues to reject House Joint Resolution 79.

Mr. BUNNING. Mr. Speaker, I reserve the balance of my time.

Mr. CRANE. Mr. Speaker, I yield 3 minutes to the gentlewoman from Washington [Ms. DUNN], our distinguished colleague on the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, for the past 7 years this body has gone through the annual ritual of debating MFN status for China because the minority of our membership thinks that China needs to be taught a lesson. This may make some of my colleagues feel good, but I believe it is a misguided response that hinders the development of human rights and democracy in China.

Before rushing headlong into the mistake of adding China to the list of nations denied MFN, there are two points to consider. First of all, who would be penalized by denying China MFN? Our compassion for the suffering in China is useless if the policy has no effect other than to put our own people out of work. Indeed, then the compassion is misplaced. We have made no difference in the life of those suffering overseas while only increasing the numbers of those suffering without jobs here at home. By terminating MFN to China, this is exactly what I believe will occur. The loss of MFN will not change China. It will, however, cost our Nation and Washington State billions of dollars in aircraft, lumber, software, and agricultural sales and tens of thousands of jobs to our European and our Asian competitors.

The second point to consider is will revoking MFN accomplish our goal of improved human rights and democracy. I do not believe it will. United States trade and investment teach the skills of free enterprise that are fundamental to any free society.

For instance, in my home State of Washington we export a number of United States products from aircraft to software, and every single airplane and every single CD carries with it the seeds of change.

It has already been noted that the Reverend Billy Graham recently observed that Christian love and integrity are now being delivered to millions of people in China who were denied this opportunity during the darkest days of China. This sentiment is shared not only by the Reverend Billy Graham, but by his son who is my constituent, Ned Graham. His organization, East Gate Ministries, is based in Sumner, WA, and it has shipped 1½ million Mandarin language Bibles to China and 4 million more will be delivered before the end of the century under an agreement with the Chinese Government.

Just last weekend I had the opportunity to meet with the younger Graham to discuss his organization's work in China and the current debate here in the United States Congress. He expressed concern about this debate and that the crusade against MFN may harm the ability of his ministry to get Bibles into the hands of the Chinese people.

□ 1345

The message was clear, Mr. Speaker. Revocation of China MFN is in the interests of no one, particularly the Chinese people themselves. If we want to affect Chinese behavior and trade policy in civil liberty areas we all care about, we should increase our mutual contact.

I urge my colleagues to oppose the resolution of disapproval.

Mr. Speaker, for the past seven summers, this body has gone through the annual ritual of debating MFN status for China because a minority of our membership thinks that China needs to be taught a lesson.

This may make some of my colleagues feel good, but I believe it is a misguided response that hinders the development of human rights and democracy in China. Before rushing headlong into the mistake of adding China to the list of nations denied MFN, there are two points to consider.

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Just last weekend, I had the opportunity to meet with the younger Graham to discuss his organization's work in China and the current debate here in the Congress. He expressed concern about this debate and that the crusade against MFN may harm the ability of his ministry to get Bibles into the hands of the Chinese people. The message was clear, Mr. Chairman—revocation of China MFN is of interest to no one, particularly the Chinese people themselves.

If we want to affect Chinese behavior in the trade policy and civil liberties areas we care about, we should increase our mutual contact, make MFN status permanent, and eventually, bring China within the disciplines of the World Trade Organization.

I urge my colleagues to oppose the resolution of disapproval.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. MILLER].

Mr. MILLER of California. Mr. Speaker, I thank the gentleman for yielding. I rise today in opposition of extending MFN to China because I believe the United States policy of constructive engagement has failed.

Mr. Speaker, selling goods into the United States market is not a right, it is a privilege, and it is a privilege that should be restricted to dictatorships like China. Despite the promises of the White House, big business, and the MFN supporters, the United States trade relationship with China has failed to move that nation toward democratic reform in order to reduce the threat China poses to world security.

China's Government continues to brutally repress all dissent in that country and violate religious freedoms. Meanwhile it exports to rogue nations like Iran, Iraq, Libya, and Burma the technology to make weapons of mass destruction. China continues to close its market to United States goods and services and allows American products to be pirated, costing us billions of dollars. Faced with the evidence that our current policy of engagement toward China has failed, supporters of MFN then argue that we should ignore all those problems and extend this privilege to save American jobs.

Mr. Speaker, I oppose the extension of most-favored-nation status for China.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Guam [Mr. UNDERWOOD].

Mr. UNDERWOOD. Mr. Speaker, I stand for human rights progress and a secure Asian-Pacific region and against House Joint Resolution 79. This is fundamentally an issue which asks whether we want to engage in as normal relations as possible with an emerging world power in order to shape their future direction, in order to shape a safer and more secure Asian-Pacific world.

This is not a one-shot process, and there is no one-shot solution. Engaging, shaping, relating to China requires difficult decisions and fully understanding what is at stake, a secure Asian-Pacific world in which the forces of democracy arise from local experiences under our encouragement, and is not forced by well-intentioned but misguided foreign policies.

The issue is not human rights today but making it possible to have progress in human rights over the long haul. The issue is not Chinese hostility today, but whether we want to allow hostility to shape our and their policy. Some would have us believe that putting China on notice today through denial of MFN somehow brings their abuses to a halt.

I urge my colleagues to reject House Joint Resolution 79.

Mr. Speaker, many arguments have been offered from both sides of the issue: Supporters of House Joint Resolution 79 believe that withholding most-favored-nation status from China will send a strong, clear message that the United States will no longer kowtow to Chinese interests. Many cite purported Chinese meddling in America's election campaigns as further proof of just how far the Chinese lobby has extended its reach into our domestic affairs. There are also arguments relating to China's nuclear capabilities and its sales of equipment to Iran. The strongest contention so far in this debate over MFN status has been the human rights issue. China's curtailing of political and religious freedoms, sterilization, laogai institutions, and list goes on and on.

Despite these points, I adhere to the belief that extending MFN to China will be a wise policy decision for the United States. As we all know, MFN is not a special status, it is one conferred to our regular economic partners throughout the world. According China MFN status will be the avenue through which we can influence China's discriminatory practices against some segments of its society. Political and religious freedom will follow greater economic freedom.

As part of the Congressional Human Rights Caucus, I am knowledgeable of the various human rights abuses committed against political dissidents and jailed inmates in China. It is a deplorable situation, but I do not believe revoking MFN will be the solution. Increasing diplomatic contact and applying pressure through international organizations is a wiser decision that unilaterally isolating one quarter of the world's population. Democratic principles are transmitted through the free flow of ideas between nations in close interaction with one another. Isolating China is not the answer to curbing human rights abuse.

Those who support House Joint Resolution 79 have mainly focused on the human rights question, but I believe that MFN is an economic issue. Using trade as a tool of engagement is a mutually constructive way for us to improve relations with China. In 1996, United States exports to China totaled $14 billion, and exports to China generated some 200,000 American jobs.

I wish to emphasize that the MFN debate is ostensibly about trade and should be limited to a discussion about whether we want to engage in normal trade relations with the fastest growing economy in the world. This seems to be a no-brainer and the answer is yes. This is fundamentally an issue which asks whether we want to engage in as normal relations as possible with an emerging world power, in order to help shape their future direction; in order to help shape safer and more secure relations in the Asia-Pacific world. this is not a one-shot process and there is no one-shot solution. Engaging, shaping, relating to China requires difficult decisions and fully understanding what is at stake—a safer, more secure Asia-Pacific world in which the forces of democracy arise from local experiences under our encouragement and not forced by well-intentioned, but misguided foreign policies.

But many have added other issues to this debate to alleviate its focus as a trade issue, rather, they have converted it into a form of political theatre designed less to influence the eventual outcome which is well-known to everyone, but designed to assuage various constituencies in this country.

Contrast this with the reaction in the Asia-Pacific region. Nearly everyone in the region who is directly affected by China does not see the extension of MFN as weakness or a toleration of abuses inside China; but as a way to constructively engage China.

The issue is not human rights today, but making it possible to progress in human rights over the long haul; the issue is not Chinese hostility today, but whether we want to inadvertently allow hostility to shape our and their policy. There is implicit in the debate today the sentiment that failure to put China on notice today through denial of MFN somehow will bring their human rights abuses to a halt and stem their growth towards being a competitive and hostile world power.

It seems to me that the denial of MFN will bring help facilitate the very thing the opponents of MFN decry—moving China to rogue status as a state. Let us bring a little common sense and not emotion to this discussion and let us engage China within a system of trade and security in which we have primary influence rather than make China an outcast state intent on destabilizing the Asia-Pacific region.

As we approach the new millennium, we find that tools such as the Internet and monetary policies are helping draw the nations of the world in an ever tighter web. Events such as American normalization of ties with Vietnam, Burma and Laos's guaranteed admittance into ASEAN, NATO extension, and the future establishment of the Euro relate just how tight this version of the World Wide Web is contracting. The United States will take a great leap backward if it chooses to revoke MFN for China. At a time when competition is steep for the Chinese market, at a time when China's human rights situation is still problematic, the United States should be at the forefront of engaging China's political and economic policies.

Mr. BUNNING. Mr. Speaker, I reserve the balance of my time.

Mr. DREIER. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. WELDON].

Mr. WELDON of Pennsylvania. Mr. Speaker, my comments today are aimed at our newer Members.

I am unusual in this debate, because I have opposed MFN in the past. In fact I voted against NAFTA because I was not happy with the side agreements. In fact, I am concerned about China's human rights record. I am a member of the Human Rights Caucus and take great pride in my involvement there. And on missile proliferation, I probably spend as much time on that issue as any Member in this body as the chairman of the Subcommittee on Military Research and Development of the Committee on National Security. As a matter of fact, I wish I had as much interest as demonstrated today by Members on both sides on missile proliferation on the debate on our defense bill as I have heard today in this debate.

Mr. Speaker, I would remind our colleagues when we heard about the attack on the *Stark*, the U.S.S. *Stark*, it was not a Chinese missile, it was a French-made Exocet missile. In fact, we have our own allies exporting missiles that are being used against our troops by rogue nations around the world.

Now, I am not happy with China's actions in many areas, but I do not want to isolate China; I think that is the worst thing we can do now. I fault this administration for a lack of enforcement of existing arms control agreements. The MCTR violations, the Garrett rocket engines that were sent to China, the M–11 missile transfers, the ring magnet transfers, the chem-bio transfers, they are all wrong; but we do not just talk about those on the MFN debate alone. We deal with those issues all year long, and I do that all year long, and all of us should do that all year long.

I am appalled by the statement that has been said numerous times here of Gen. Xian Guang-Kai, but I say to my colleagues, I confronted him personally. I went to Beijing and sat across the table from him, and I said, General, those statements are unacceptable. That is what we need to do, Mr. Speaker, is aggressively engage the Chinese leadership.

I spoke this past year twice at the National Defense University in Beijing, and I told Chinese military leaders what I am telling our Members today. We are not happy with China's policies in many areas, we are not happy with human rights improvements in China, and we are not happy with arms control violations; but we have to do that in an effective way and not isolate China and make it a demon. That is the wrong signal to be sending.

Oppose this resolution and support the status of trade relations normally with China.

Mr. STARK. Mr. Speaker, I yield 1 minute to the distinguished gentlewoman from California [Ms. SANCHEZ].

Ms. SANCHEZ. Mr. Speaker, we have a very important choice to make here today, but that choice is not between engagement or isolation. Certainly we will continue engagement with China, but that engagement must be constructive.

The debate over China MFN is an important one for Americans. Nothing less is at stake than our economic future, our national security, and our democratic principles.

Proponents of continuing MFN status for China say it merely normalizes trade in the same way that we have done so with many other countries. But trade relationships between the two countries is anything but normal. China does not play by the rules. China should not receive most-favored-nation status because it does not reciprocate the trade benefits that we grant them with MFN.

Besides not following trade rules, China violates international arms control treaties and protocols, but the most disturbing violations in China are the gross negligence of human rights in that nation. China persecutes millions of religious believers of the Christian, Muslim, Buddhist and Jewish faith. These appalling human rights must stop. I urge my colleagues to vote "yes" on the resolution.

Mr. Speaker, we have a very important choice to make here today. But that choice is not between engagement or isolation. Certainly we will continue engagement with China. But that engagement must be constructive.

The debate over China MFN is an important one for the American people. Nothing less is at stake than our economic future, our national security and our democratic principles.

Proponents of continuing MFN status for China say it merely normalizes trade in the same way that is done with many other countries. But trade relations between the two countries is anything but normal.

China does not play by the rules. China should not receive most favored nation status because it does not reciprocate the trade benefits that we grant them with MFN.

But the most disturbing violations in China are the gross negligence of human rights in that nation. China persecutes millions of religious believers of the Christian, Muslim, Buddist and Jewish faiths. The severity of this religious persecution has been well-documented by the international human rights community.

Chinese Christian women are hung by their thumbs from wires and beaten with heavy rods. They are denied food and water, and shocked with electric probes for simply seeking to openly practice Christianity.

Freedom House reports that there are more Christians imprisoned for religious activity in China than in any other nation in the world. Four Roman Catholic bishops have been imprisoned by the Chinese Government for celebrating mass without official authorization.

Evangelical Protestants are arrested and tortured for holding prayer meetings, preaching and distributing Bibles without state approval. Churches of all faiths have been officially banned and replaced by "patriotic associations" created by the Communist government.

These appalling human rights violations in combination with their arms control violations and high tariff barriers are very powerful reasons to deny MFN for China. I urge my colleagues to vote "Yes" on this resolution.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Arkansas [Mr. BERRY].

Mr. BERRY. Mr. Speaker, I rise today in support of most-favored-nation status for China. Only last year, the U.S. Congress told the American farmer, we want you to compete in a free market situation. In the 1970's the American farmer was successfully doing that and the U.S. Government unilaterally embargoed its markets to the point that they destroyed those markets and precipitated the agriculture crisis of the 1980's.

I beg my colleagues not to allow this to happen again. China has 25 percent of the world's population and 7 percent of the arable lands. We sell them 4 billion dollars' worth of agricultural products each year. Even Rev. Billy Graham says, this is a good idea to trade with China and it will improve their country and ours. We must have access to the international marketplace if we expect our farmers to succeed. I urge my colleagues to vote for MFN for China and against the resolution.

Mr. DREIER. Mr. Speaker, I yield 1 minute to the gentleman from Michigan [Mr. KNOLLENBERG], my very good friend and one of the hardest workers in the cause for MFN.

Mr. KNOLLENBERG. Mr. Speaker, I rise today to support normal trade relations for China. American workers benefit most from the trading status with China.

The facts I think are very clear. If we reject MFN, we do not improve the trade deficit, but we do lower or approve the loss of exports to China. In my State of Michigan alone, there is some $215 million in exports and over 5,000 jobs. If we translate that into the USA entirely, it is 228,000 jobs. China has been reported as the world's third largest economy, after the United States and Japan. It has, by far, the world's highest annual growth rate of 9 percent. We cannot exclude American companies, farmers, workers, goods, and services from this large market.

For the sake of our businesses, our jobs, and our workers, we must reject this resolution. We must not slam the door on one-fourth of the world's population. If we really want to promote human rights and civil rights, and I do, and we want to plant the seeds of mutual understanding, then continue normal trade relations. I urge opposition of this resolution.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. ENGEL].

Mr. ENGEL. Mr. Speaker, I thank my colleague for yielding me this time. I rise in strong support of the resolution denying MFN for China.

Those who argue against it say this is not the right vehicle. I would say to my colleagues, what is the right vehicle? If I had another vehicle, I would try it, but the Chinese Government has thumbed its nose. They do not even give us a hook to hang our hat on.

We talk to them about human rights. A recent report said that there is no dissident activity in China anymore. They have suppressed all of it. We know what they are doing with Hong Kong now. We know what they are doing with the trade deficit in selling weapons to Iran; what they did in Taiwan, what they have done in Tibet. The list goes on and on and on.

When does it end? When does our Government stand for something? When is the almighty dollar not the most important thing?

I think that we in this country say that we stand for human rights and democracy and self-determination. There are more than 1 billion Chinese people who are looking toward us, they are looking toward us, they are looking for us to stand for something. They are looking for us to help them throw off oppression of their Government. When does this end? No dissident activity? We cannot tolerate this. Support the resolution. Reject MFN for China.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Tennessee [Mr. FORD].

Mr. FORD. Mr. Speaker, today I rise to oppose this resolution. In my estimation, this debate boils down to a simple question. Will we choose to isolate China, or will we remain actively engaged?

I believe that a policy of engagement and not isolation is a powerful tool for change and will enhance our ability to positively influence China's policy. China is the world's most populous nation and has the potential to be the world's most dynamic economic power in the 21st century. Continuing MFN will further our national interests of helping China into the community of nations as a stable partner which respects human rights and contributes to our global economic trading system.

My colleagues on both sides of the aisle have raised valid and legitimate concerns about the unfair trade practices, but revoking MFN status is not the way to go about it. Enforcing existing international trade laws and targeting sanctions might be a more prudent course.

Mr. Speaker, the 20th century will be recorded as America's century. As we move into this next century to maintain our position of economic preeminence and economic dominance, it would be unwise and imprudent at this point for us to revoke MFN.

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Mr. BUNNING. Mr. Speaker, I reserve the balance of my time.

Mr. DREIER. Mr. Speaker, I yield 2 minutes to the gentleman from Nebraska [Mr. CHRISTENSEN], a very valued member of the Committee on Ways and Means.

Mr. CHRISTENSEN. Mr. Speaker, I have thought a lot about this issue. There are people on both sides of this issue who have struggled over it, people of faith, people that I respect immensely. There is not a right or wrong answer on this decision. Nobody knows what the right answer is, but I support MFN this year and I supported it last year because I believe that taking MFN status away is going to do more to harm than help for Christians in China.

This past week we had an opportunity to talk to some Wycliffe Bible translators. They said:

Taking MFN away is going to cause every one of our Bible translators to be viewed as a suspect of the government, an agent of the State. You take MFN status away from China, you are going to cause real persecution upon all the Bible translators and missionaries in China.

So people of faith are in disagreement over this issue. Yes, everything that has been said is true about the persecution, about the human rights abuses. But the correct answer has not been resolved yet. Taking it away, taking MFN status away, is not clear and conclusive evidence that it is going to improve things over there. I believe what Billy Graham has said and other missionary organizations have said is, "Stay engaged, keep the process going, stay involved, keep the dialogue open. We can bring them around to our way of thinking."

When I was over in Hong Kong I talked to a man who said, JON, we are moving in the right direction. Yes, we are not moving as quickly as we want to move. But your culture is not any better. You have allowed abortions out of convenience. Yes, we have had them also, but you have allowed abortions out of convenience. You are the largest exporters of pornography. You have the largest murder rate, the highest percentage of murder rate and rate of teenage dropout in high school. Your culture is not any better than in China.

When we get over this debate and people of faith disagree on this issue, let us turn our focus back on America and start cleaning up our own backyard before we continue to look at China. Renewing MFN is the best way of solving the persecution over there; staying engaged, staying involved, and moving the ball forward. Vote for MFN.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Hawaii [Mr. ABERCROMBIE].

Mr. ABERCROMBIE. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I am speaking today near the end of this debate as a member of the Committee on National Security. I think that before we cast any vote we should think about the national security implications.

In today's Washington Post, to go no further than the most contemporary moment, Mr. Speaker, "U.S. is big market for firms owned by the Chinese military." The People's Liberation Army is now being called in some quarters the People's Liberation Army, Incorporated. We find ourselves in circumstances where military-related firms now are working in our seaports, they are involved in shipping.

The military is pervasive throughout China. It is against our national security interests to go forward with most-favored-nation status for China at this point. It reminds me of the 1960's. We find ourselves walking down a path toward confrontation with China which need not occur if we are able to see today that we should not grant most-favored-nation status.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Texas [Mr. BENTSEN].

Mr. BENTSEN. Mr. Speaker, I rise today in support of extending MFN trading status with China and against the resolution. All of us are concerned about China and their actions, whether it be religious persecution, treatment of Taiwan, weapons proliferation, their human rights violations, or their questionable trade and copyright practices.

The fact is, do we really believe, if we pull out of normal trading relations with China, that our industrial allies and other trading allies that we just met with in Denver are going to follow our action and pull out as well? Of course not. What they are going to do is fill the void and turn a blind eye to the concerns we have as a Nation. What we will do is to cut off our nose to spite our face, and walk away from one of the largest markets at the expense of American jobs.

We have heard a lot about security concerns, and there are some things we should be concerned about. There is no question about that. But we also should consider some facts: that China has adhered to the Nonproliferation Treaty of 1992, and it supported the indefinite nonconditional extension in 1995. It ratified the Chemical Weapons Convention. It has signed the Comprehensive Test Ban Treaty.

Yes, there are problems with that, but we have other ways we deal with that. Time and again, the administration has taken actions to impose sanctions against the Chinese for proliferation activities. We have put the laws on the books to do that. We have the laws to deal with copyright and other trade violations. What this says is that we will have normal trading practices to open the doors to deal with the Chinese, and on individual cases we can impose laws to deal with them. Let us not shut the door. It will do nobody any good.

Mr. DREIER. Mr. Speaker, I am happy to yield 2 minutes to the gentleman from Arizona [Mr. SALMON], one of our greatest and hardest working champions and one of the initiators of the whole plan to deal with democracy and human rights in China.

Mr. SALMON. Mr. Speaker, this has been a very tumultuous year, especially for our relations with China. As we go forward and have this debate yet one more time on whether or not we should extend most-favored-nation status with China, Members, look deep inside.

I have to say that those who are opposing the most-favored-nation status, people like the gentleman from New Jersey, Mr. CHRIS SMITH and the gentleman from Virginia, Mr. FRANK WOLF, to me are heroes by every stretch of the imagination. I have watched them before I came to Congress and since I have been here, and I have been amazed at their ability to articulate passionate beliefs which they care deeply about.

There are some, however, not necessarily just within this body but without, as well, who would like to have us believe that this issue is simply cut and dried, that those who support most-favored-nation trading status are profiteers, that they are out there working for the interests of corporate America, and that those who are against it care deeply about human rights and that is the end of the story. In fact, I have heard slogans that say something like profit over substance, or profit over principle.

The fact of the matter is, nothing could be further from the truth. When I served a mission for my church in that region of the world in the 1970's, I grew to love the Chinese people. I grew to love them deeply. When I saw the massacre at Tiananmen Square, part of me died that day, because people who cared deeply about freedom, people who cared deeply about their convictions, were wasted away. We want to do something. We want to thump China in the nose. We want to do the right thing.

But the answer is not to walk away from this relationship, because if we do nobody will be at the table articulating the things we care about so deeply. It will not be France, Germany, Japan. They will not be there. There will be a big silent spot. Does that mean we have been 100 percent accurate and good in everything we have done in our dealings with China? No. We have not. We should speak up. We should do some things. We crafted a bill which will do that. But the answer is not to throw the baby out with the bath water. The answer is not to walk away from this relationship.

Ms. PELOSI. Mr. Speaker, I am pleased to yield 1 minute to the gentleman from California [Mr. LANTOS], a cochair of the Human Rights Caucus of the Congress of the United States.

Mr. LANTOS. Mr. Speaker, there are a dozen good reasons to deny most-favored-nation treatment for China, ranging from the persecution of Christians to the selling of weapons of high-technology to despicable countries, to the theft of our intellectual property, to discrimination against American exports. But we all know what is going to happen here. They will get MFN because even if this body should approve this resolution, the administration will veto it, and we do not have the votes to override it.

So my plea is to my undecided colleagues, the only thing we are dealing with is the sending of a message to the Communist totalitarian regime in Beijing. Let us send a strong message. Let us tell them that we can stand on principle.

When a year ago this body unanimously approved my resolution giving the right to the President of Taiwan to visit his alma mater in Cornell, we stood on principle. When we voted not to move the Olympics to Beijing, we stood on principle. Today at least we should stand on principle.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair announces that when we get close to closing, we will go in this order of closing: The gentleman from New York [Mr. SOLOMON] will go first; the gentleman from Kentucky [Mr. BUNNING] will go second; the gentleman from California [Mr. MATSUI] will go third; the gentleman from California [Mr. STARK] will go fourth; and the gentleman from Illinois [Mr. CRANE] will close the debate.

The Chair recognizes the gentleman from California [Mr. MATSUI].

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Florida [Mr. DAVIS].

Mr. DAVIS of Florida. Mr. Speaker, today I rise in strong opposition to the motion of disapproval, and in support of continuing our normal trade status with China. Opponents of most-favored-nation status say we must send a statement to China, a message.

In some respects I agree with that. China must know as a nation we will be vigilant in our efforts to fight human rights abuses, and we will watch closely the transition of power with respect to Hong Kong, that we will not tolerate acts of aggression toward their neighbors, and most importantly, we will continue to work to open their market to exporters.

But the real question today is whether MFN is the proper vehicle to send this message, and whether revoking MFN advances our interests on these issues. The answer to both these questions is no. MFN is not a referendum on China's policies. It is not a sense-of-the-Congress resolution that we have serious differences with China. It is not just a symbolic vote, allowing us to send a message to the Chinese that we are unhappy with their leadership. It is a real vote with real implications, both at home and abroad.

If we are concerned about Hong Kong, we must not undermine their economic stability at a point when that leverage is vital to protecting their freedoms. If we are concerned about religious persecution in China, let us listen to the missionaries who fear serious repercussions if we revoke MFN. If we are concerned about market access to our exports, we should not set off a trade war which could raise tariffs up to 70 percent and effectively cut off our economic relationship, estimated to cost consumers nearly $30 billion.

Indeed, if we want China to act in accordance with established international principles, let us not isolate them from commercial, cultural, and religious exchanges.

Mr. Speaker, I urge my colleagues to vote against the motion for disapproval, and to support continued MFN status for China.

Mr. BUNNING. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan [Mr. UPTON].

Mr. UPTON. Mr. Speaker, I rise in support of the motion to deny most-favored-nation trading status.

Mr. Speaker, I rise today in opposition to renewal of most-favored-nation trading status for China. I supported MFN renewal last year believing that I should try the theory of engagement for 12 months and see what happens.

Well, it's now 12 months later and what actions has the Chinese leadership undertaken. Allow me to read some headlines for some of our Nation's papers this year:

"U.S. Confirms China Missile Sale to Iran",

"China called Obstinate over talks about Tibet",

"China Buys U.S. Computers, Raising Arms Fears",

"China joins forces with Iran on short-range missile".

The United States has given the Chinese 8 years of warnings and demands for improved human rights and to stop selling weapons and advanced missile and nuclear weapons technology to rogue nations like Iran or Pakistan. It's time to act now and take decisive action. No more carrot and stick approach. Just as the United States brought pressure on the Soviet Union to allow Jews to emigrate and on South Africa to end apartheid, and on South Korea to become more democratic, we must keep up our pressure on China.

Conditioning MFN for China provides the United States with the best leverage to improve human rights and send a strong signal about its weapons sales because preferential access to the United States market is critical to China's authoritative regime. Societies based on democratic principles and respect for basic human rights and freedoms make the best neighbors and the best trading partners.

I'm aware that United States business exports to China in 1993 totalled $8.8 billion. In the meantime, China's trade surplus with the United States has grown from $6 billion in 1989 to $45 billion last year with many of the Chinese products being produced by forced labor.

While I recognize the importance of MFN renewal to my home State of Michigan and its businesses, this must be weighed with the overriding goal of trying to foster a more humane way of life for the Chinese people, particularly as it impacts the rest of the world.

Last week the Spence amendment restricting supercomputers to those countries that violate nonproliferation agreements passed by a 332 to 88 vote.

Last night, this House passed the Rohrabacher amendment restricting funds to Russia if they transfer certain missile systems.

Mr. Speaker, this is the people's House. We need to send a message to the people around this globe that human rights violations and the transfer of horrific technology-chemical and nuclear proliferation must end today.

China MFN will continue. The President has the votes, but we can send a message that this practice of so many bad things must end.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina [Mr. WATT].

Mr. WATT of North Carolina. Mr. Speaker, the last time this issue came before Congress I voted to extend MFN trading status to China. I felt that engagement was our best hope for getting China to act more responsibly on issues of human rights, international affairs, and international trade.

Since that vote, however, China has shown no progress on any of these issues. On human rights the State Department's 1996 report confirms that China continues to commit widespread human rights abuses, and in 1996 China actually stepped up efforts to cut off protest and criticism.

On international affairs, China is transferring dangerous weapons and technology to Iran, Iraq, Libya, Syria, Pakistan, and Burma. On international trade, Chinese tariffs on our exports average 35 percent, while our tariffs on Chinese imports average 2 percent, and our 1996 trade deficit with China was $40 billion. In the face of this, Mr. Speaker, I simply cannot be in support of extending MFN status, and I urge a vote in support of that proposition.

□ 1415

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentlewoman from New York [Mrs. MALONEY].

Mrs. MALONEY of New York. Mr. Speaker, often in this Congress we are faced, as we are today, with two imperfect choices. As a delegate to the U.N. conference in Beijing, China, I spoke out against China's human rights abuses, and I will continue to do so. I also know that, since beginning negotiations, changes have taken place. Normal trade relations are importing and exporting more products. They are exporting an understanding of our democratic standards.

In 1994, the state compensation law was passed allowing Chinese citizens to sue Government officials and collect damages. Similar laws have passed but they would not have occurred without U.S. influence. Denying normal trade status to China would do nothing more than transfer trade to our international competitors and give ammunition to anti-American hard liners within China who will use our denial as an excuse to reverse advances that have already been made. I urge a vote against the resolution.

Mr. BUNNING. Mr. Speaker, I reserve the balance of my time.

Mr. CRANE. Mr. Speaker, I yield 3 minutes to the gentleman from Texas [Mr. DELAY], our distinguished whip.

Mr. DELAY. Mr. Speaker, I understand the deep feelings of the opponents of MFN and I have deep sympathy with those feelings. But the question before us is very simple. Will revoking MFN lead to more freedom in China? In my view, the answer is a resounding no. I want to send the Communist Chinese Government a message

regarding human rights and religious freedom. But I believe that cutting off MFN is a very ineffective way to send that message, and in sending that message, we are taking freedom away from Americans.

Mr. Speaker, free trade leads to freedom, and capitalism is a synonym for freedom.

Will revoking MFN help those Chinese who are being persecuted by their Government? Will revoking MFN stop the Chinese Government from selling dangerous weapons to unstable countries? Will revoking MFN end barbaric social practices within China? I fear that the answer to all those questions is a big no. Instead of closing the door on China, we should be forcing that door open to open even wider. Instead of taking away freedom from Americans, we should empower our citizens to fully engage China.

We should have congressional delegations going to China demanding that the Chinese Government free political and religious prisoners. We should disallow visas for any member of the Chinese Government who is a known human rights violator, and we should press on many different fronts to make our views known to the Chinese Government that we care how they treat their citizens. But we should not cut the strongest link we have with the people of China especially now that Hong Kong is falling under the control of the Beijing regime.

That link is trade. And the trade link is the lifeline for many Chinese who see America not as an adversary but as a friend. And this is not just my view. In a statement supporting MFN for China, Dr. Samuel Ling, who happens to be program director of the Institute for Chinese Studies at Wheaton College's Billy Graham Center, said: History since 1979 has proved that as the United States engages China, a more open, pluralistic atmosphere develops, and both the standard of living and human rights and freedoms, including religious freedom, tend to improve. Washing our hands of China is simply irresponsible. Let us not impose a false isolation of China that diminishes our influence, hurts the very people we want to help and takes freedom away from American citizens.

I urge my colleagues to vote down this disapproval motion, and let us give a helping hand to those who are now being persecuted in China.

Mr. STARK. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. BONIOR], distinguished minority whip.

Mr. BONIOR. Mr. Speaker, brutal efficiency, prison, torture, executions, these are the tools of the Chinese leaders. These are the tools they use to muffle the voice of anybody who dares speak out against basic liberties. Tariffs, regulations, piracy, these are the tools Chinese leaders use to keep American goods out of China. They are effective tools, tools that have been sharpened into economic and political weapons, weapons that cut at the very heart of our belief in fairness, freedom, and democracy.

As we speak today, every Chinese activist, every voice of dissent, every advocate of freedom and democracy in a country of 1 billion people is either in jail or in exile. According to the State Department, not a single dissident is free in all of China.

I want to talk briefly about one brave voice who languishes in Chinese prison. His name is Wei Jing Sheng. Because he spoke out for democracy, he has been forced to endure two decades of prison, labor camps, and solitary confinement. Mr. Wei's message, that China needs democracy, frightens the Government so much that his guards will not allow him to even have a pen and paper. To dictators who fear the truth, this humble electrician is a dangerous man. But Mr. Wei is not the first electrician to stand up to cruel corrupt regimes. In the early 1980's, Lech Walesa said enough is enough and launched a fight for freedom that spread across eastern Europe and eventually the Soviet Union itself.

Like Lech Walesa, Mr. Wei is a simple, direct man. He stands firm in his belief in democracy. But, for now, his voice has been silenced. So we must speak for him and for all the people in prison who have been speaking their conscience, just as we spoke for Lech Walesa a decade ago.

For 8 years we followed a policy of engagement with China, and the human rights situation has only gotten worst. The same is true for our trade deficit with China, which continues to soar out of control. In the past 5 years it has more than doubled. This year it is expected to hit about $53 billion.

Supporters of the status quo claim that revoking most-favored-nation status will hurt our exports to China. Let us take a look at the numbers. China exports about a third of their goods here, a third of what they produce comes here. What percentage of American exports make it to China? Less than 2 percent, 1.7 percent. We export more to Belgium.

What kind of things are we exporting to China? A lot of high technology equipment and machinery that China is using for questionable ends, ends like stealing intellectual property, building up their military and spreading weapons of mass destruction.

Is this the behavior we are supposed to reward with most-favored-nation status? Is this the behavior we take as evidence of a growing respect for human rights? Is this what we call engagement?

If America grants most-favored-nation status to China, we should call it what it is: It is looking the other way. Revoking most-favored-nation status will not signal disengagement from China or that China is the enemy, but revoking that status will send a strong message to China's leaders. If they want the best possible access to these markets which they have a third of their exports going to now, they have to uphold their end of the deal.

Looking the other way does not make the problem go away. Looking the other way only makes the problem worse, and looking the other way at injustice wherever it is undermines our credibility, our leadership and our moral authority in a world that needs it more than ever.

This is a vote about what our future is going to look like. If we do not stand up for the principles of democracy and human rights in China, we risk losing those principles here at home. If we do not stand up for decent wages and safe working conditions and environmental protections in China, we risk losing the quality of life we have worked so hard for here at home. We cannot designate China as one of our most favored nations without debasing our standards, damaging our credibility, and betraying the ideals on which America stands.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentleman from Florida [Mr. DEUTSCH].

Mr. DEUTSCH. Mr. Speaker, there is a fundamental choice that we are making today. That is a choice of engagement versus nonengagement with China. It is unfortunate that most-favored-nation status is called most-favored-nation status. It would much more appropriately be called trading status. Among the countries today in the world that have most-favored-nation status with the United States of America are Syria, Iran, and Iraq. It is a choice that we are making to isolate ourselves. Into the next century there is no question that China will be, and is today, but will only continue in its status as a world power. And in that economy we will have a choice in terms of whether we want to be part of that growth and part of that synergy of the world economy or not.

I urge my colleagues to reject this resolution in terms of the opportunity to continue just the normal trading status, not really a most favored status at all.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair would advise all Members that the gentleman from Illinois [Mr. CRANE] has 7 minutes remaining; the gentleman from California [Mr. STARK] has 9 minutes remaining; the gentleman from California [Mr. MATSUI] has 12 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 10½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

The Chair recognizes the gentleman from Kentucky [Mr. BUNNING].

Mr. BUNNING. Mr. Speaker, I reserve the balance of my time.

Mr. CRANE. Mr. Speaker, I yield such time as he may consume to the gentleman from Iowa [Mr. LEACH].

Mr. LEACH. Mr. Speaker, there is probably no bilateral relationship more important than that between China and the United States. The evolution of Sino-American relations over the next decade will be of profound import not only for stability in the Asia-Pacific region, but for the world.

In this regard it must be understood that most favored nation [MFN] trade status—that is, normal trade relations—is the linchpin of Sino-American economic relations. it is also a natural extension of the open door policy that hallmarked American involvement in China at the end of the 19th century. By contrast, revocation of MFN would effectively drive a stake through the heart of our economic ties with China and place in grave jeopardy our future relationship with one-fifth of the world's population.

Hence it is crucial that the issue of extending MFN be delinked from the aberrational issue of the moment, in this case ongoing campaign finance investigations.

These issues—MFN which is fundamentally about relations between two peoples, and campaign finance abuses which likely involve the foolish actions of a few—are distinct. While Congress has a profound obligation to review the allegations of illegal involvement by foreigners and perhaps their governments in the American political process, perspective must be maintained. Campaign indiscretions are about deal-making conflicts of interest; MFN is about the future of the planet.

In the context of the recent Presidential campaign, it must be understood that the most appropriate antidote to campaign finance violations is for the Justice Department to uphold vigorously current law and the Congress to work forthrightly on campaign finance reform.

As for the Chinese, Beijing would be well advised to conduct its own inquiry into this affair, encourage openness and full disclosure and not shield any potential witnesses from the accountability required by United States law enforcement and congressional oversight.

By way of background, this Member has long believed that when confronted with the choice of high walls versus open doors in Sino-American relations, open doors are preferable. Hence my historically strong support for maintaining MFN. Though I favor unconditional MFN for China at this time, I do not favor MFN unconditionally for all countries at all times. MFN is all about reciprocity. The best way for countries to have good sustainable economic relations is to have reciprocal open markets, and the best way to achieve reciprocity in trade is to get politics out of economics into the market.

With this in mind, Congress should not hesitate to renew China's MFN status, preferably on a multiyear basis in conjunction with China's entrance into the World Trade Organization [WTO] on commercially acceptable terms. In this regard, it is my view that in the next century relations between states will relate more to the capacity of the business community to advance mutuality of interest than to the efforts of public officials to advance a civil dialog. Public policy is nonetheless crucial, for what is at stake is the advancement of the rule of law—whether it relates to U.N. Charter ideals, arms control, or rules of trade.

With regard to the latter issue, the obvious deserves repetition: Common rules of trade are in the vested interest of all countries which want to be part of the modern world. Those nations which want privileged status to protect their own industries, usually on grounds of the old infant industries argumentation, generally hurt themselves. As recently pointed out by perhaps the most erudite 20th century head of state, Vaclav Havel, there is little more counterproductive for developing economies than protectionism. Financial services is a classic example. While China has become dramatically more integrated into the international financial system over the last decade and a half, it has only taken modest steps to open up its banking, insurance, and financial service industries to foreign competition. Yet in my view China and its economy would be far better off to welcome United States and other foreign financial institutions and their panoply of low-cost commercial and investment banking products.

As for Hong Kong's return to China, this is clearly one of the seminal events of our time. For the West, it marks the end of a transition from colonial rule that began at the end of the Second World War and the end of an imperial presence in Asia. For China, in conjunction with the return of the Portuguese colony in Macao in 1999, Hong Kong's transfer marks the end of its traumatic colonial experience. In the short run, China has made its intentions clear. It intends to hold the reigns of freedom in Hong Kong rather more tightly than Gov. Chris Patten. In the long run, one's confidence in the future of Hong Kong depends on one's confidence in China and its ability to learn both from its own experience and the experience of others. Clearly, it's in China's interest to see the one country, two systems, concept successfully implemented. After all, Hong Kong's financial and managerial expertise is crucial to China's modernization drive and Hong Kong companies have accounted for over half of all outside investment in China, while Chinese concerns have invested over $60 billion in Hong Kong.

Will China honor its agreements with the British and allow a two-systems approach to internal government? We cannot know the answer to this question. But this Congress can certainly point out to Beijing the enormously destabilizing consequences of any substantial mishandling of the Hong Kong transition.

Clearly, the United States has important and financial as well as philosophical interests at stake in Hong Kong's smooth and successful transition to Chinese sovereignty on July 1. It is certainly the hope and expectation of the Congress that Hong Kong will remain one of the world's most vibrant and productive societies, that it will enjoy the substantial autonomy promised to it by the People's Republic of China, and that fundamental freedoms of its people will be fully protected and respected after 1997. In addition, it is self-evident that China's handling of the Hong Kong transition will powerfully affect attitudes toward the mainland in Taiwan.

In this regard, it is interesting to note that perhaps the only revolutionary leader held in high esteem by China, as well as Hong Kong and Taiwan, is Sun Yat-sen, whose principal contribution to Chinese political theory, beyond nationalism, is the precept of a three stage, guided evaluation to political democracy. Perhaps because it has a manageable population base, perhaps because it is located in the currents of trade and sits as a cultural and commercial island-bridge between China, Japan, and the Americas, Taiwan has led the way with political and economic democracy and the least divisions of wealth of any industrializing society. A generation ago its leading party, the Kuomintang, while rightist, resembled in organization the Communist Party of China. Today it looks more like Margaret Thatcher's Conservative Party. Tomorrow, who knows? The only thing that is certain is that the future of Hong Kong will have a bearing.

Deng Xiaoping underscored the new Chinese pragmatism with his cat and mice metaphor, and by promoting "socialism with Chinese characteristics." That pragmatism has led to unprecedented social and economic change in China. Indeed, despite continued political repression, China may be changing more rapidly that any other country in the world. Not only is it looking outward to trade and establishing a market-oriented internal economy, but in terms of private discussion there is much more freedom of expression than existed two decades ago. Privately, one can criticize the Government without repercussion; it is public criticism that remains shackled. This latter circumstance is indefensible, but the looseness of controls on the farmer is not without significance. Nonetheless, China's social and economic transformation can't proceed in the long run without effecting political change. At some point Beijing's new leaders must recognize the incompatibility of free enterprise and an authoritarian political system, and must recognize as well that instability can be unleashed in society when governments fail to provide safeguards for individual rights and fail to erect political institutions adaptable to change and accountable to the people.

Whether the 21st century is peaceful and whether it is prosperous will most of all depend on whether the world's most populous country can live with itself and become open to the world in a fair and respectful manner. How the United States, its allies, and the international system responds to the complexities and challenges of modern China is also one of the central foreign policy challenges of our time.

Revocation of MFN would not be responsive to that challenge. It would not effectively address our legitimate concerns on human rights, nonproliferation, Taiwan, or trade. On the contrary, it would constitute a supremely self-destructive act.

The United States would be far better to develop a bipartisan and biinstitutional approach that maintains the open door to China and with it a relationship that could be key to peace, stability, and prosperity in the 21st century than to annually threaten this political brinksmanship on the House floor. I urge the defeat of this self-defeating legislation.

Mr. CRANE. Mr. Speaker, I yield 1 minute to the gentleman from Illinois [Mr. MANZULLO].

Mr. MANZULLO. Mr. Speaker, this is not a vote about who is more against

religious persecution in China. We all deplore violations of human rights not just in China but in the entire world. Defeating MFN will not stop human rights abuses in China. Many Christian ministries with an outreach to China believe that religious persecution will get worse in China if MFN is defeated. For these Christian missionaries it is their life's work. They are the experts on religious freedom. The Rev. Billy Graham, his son Ned, the president of the National Association of Evangelicals, the President of Moody Bible Institute, Fr. Robert Sirico, president of the Acton Institute, and Bob Grant of Christian Voice, they all encourage us to remain engaged with China.

MFN is at the heart of America's engagement policy with China. MFN, if it is revoked, is the wrong vehicle to protest China's behavior. If Chinese goods are being illegally dumped here, we have laws against that and the same with goods that may be made in slave labor camps. We can stop that here with existing laws.

□ 1430

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Maryland [Mr. WYNN].

Mr. WYNN. Mr. Speaker, I rise in opposition to renewal of most-favored-nation status for the People's Republic of China. This is, basically, a question of fairness and of common sense. The fact of the matter is that we have a tremendous trade deficit with China. China does not allow U.S. products in. China imposes tremendously high and unfair tariffs.

Mr. Speaker, this is simply a question of common sense. Our choice is not either isolate or engage. We also have the choice to negotiate, to say to China, "We want to trade but on fair terms. You should not have such a trade imbalance. You should not block our products. You should not pirate our intellectual property. You should not trade arms to our enemies." These are things that we can negotiate while maintaining a relationship.

People say, well, MFN will give us a better situation in all these areas. The fact of the matter is, we granted MFN last year and the situation got worse. In fact, our trade deficit this year is 41 percent worse than it was last year. So there is no empirical evidence that MFN has yielded results. We need trade, but we need fair trade and a measure of common sense.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentleman from America Samoa [Mr. FALEOMAVAEGA].

Mr. FALEOMAVAEGA. Mr. Speaker, I have been a member of the House Committee on International Relations now for about 9 years, and I have long been a strong supporter of maintaining broad, comprehensive ties with the People's Republic of China.

This policy of engagement has been upheld in a bipartisan fashion by five previous administrations, and I support President Clinton in his efforts now for continued engagement with China. We cannot allow America's broad range, multi-faceted relationship with China to be held hostage to any particular interest or issue.

Mr. Speaker, I do not know if my colleagues realize that when the People's Republic of China was founded in 1949, this government had to provide for some 400 million people living in China in 1949. Now we have got enough problems already on our own. Two hundred years it has taken us to provide for the needs of 264 million Americans. I think we need to leave a little slack here in realizing that this is not whether it is a dogma, it is a Communist, or what, but to provide for the needs of 1.2 billion people.

Mr. Speaker, we need engagement. We need MFN with China.

Mr. BUNNING. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from New Jersey [Mr. SMITH].

Mr. SMITH of New Jersey. Mr. Speaker, I thank my good friend, the gentleman from Kentucky [Mr. BUNNING], for yielding me the time.

Mr. Speaker, whatever decision we make today, the American people will see it as a decision about the role of morality in U.S. foreign policy, and they will be right. Mr. Speaker, this is a vote about whether a government which practices forced abortion and forced sterilization on a massive scale should be rewarded or punished. It is a vote about how a government treats its own people, especially people of faith, Catholic bishops, priests and Protestant ministers and Tibetan monks and nuns. This is a vote about a government that routinely uses slave labor and does so with impunity.

I have held six hearings in my Subcommittee on International Relations and Human Rights on various aspects of human rights in China. We heard from people who survived the Laogai, the gulag system, people like Harry Wu. And I can tell my colleagues, the victims are not in favor of continuing most-favored-nation status with China because they know a butcher when they see one.

Today's vote is about dying rooms and inhumane orphanages, where baby girls and handicapped children are left to die simply because they are unwanted by the dictatorship. Today's vote is about what happened in Tiananmen Square—because what was overt in 1989—the silence of dissent—is more covert and sophisticated today. But the repression remains pervasive and brutal.

Last December, Mr. Speaker, the President coddled the dictatorship's hit man General Chi Haotian, the Defense Minister for the People's Republic of China, and gave him the red carpet treatment. The man who ordered the massacre at Tiananmen Square was the President's honored guest and during his visit to the U.S. said "nobody died" at Tiananmen Square. Does anybody in this room believe that? Of course not. It is utter nonsense, an unmitigated lie; but that is what the Beijing dictatorship is all about—lies.

Let me just ask my friends and colleagues, how long are we going to continue this misguided strategy of constructive engagement? As the previous speaker pointed out, things have gone from bad to worse. During the China human rights period of time when President Clinton had his executive order in place, we saw a significant regression, not progress but regression in every category of human rights.

As a matter of fact, one of three human rights missions to the PRC, I was there at the halfway point during the life of the executive order. During the trip I met with Wei Jingsheng, the father of the democracy movement in the People's Republic of China. A couple of weeks later, he met with John Shattuck, Assistant Secretary of Democrat and Human Rights—Bill Clinton's point man on human rights. How did the Chinese Government respond to those meetings, especially to the one with Secretary Shattuck? They arrested Wei, the dictatorship put him in prison where he is today—another victim of this brutal dictatorship.

Let me also remind my colleagues that if they think trade will trigger democracy and respect for human rights—they are sadly mistaken. The government of China has gone from communism to fascism. And respect for human rights have deteriorated. Who is making big profits in the PRC? The generals and officers affiliated with the People's Liberation Army and those who are connected to the power structure of the dictatorship. And again, we have seen significant regression in the area of human rights.

On religious freedom, I beg to differ vehemently with Billy Graham and others and especially with his son Ned Graham, who have suggested we should continue most-favored-nation status as a way of assisting religious liberty. Nothing could be further from the truth. The only people that can practice their religion in the PRC today are those who are part of the official Communist controlled church, and that is it. Step outside the boundaries of the government church and the full weight of the totalitarian state is visited upon you.

If you're a pastor in the underground church—you go to prison. If you meet for Bible study in a setting not approved by Beijing, you are harassed—and you may go to a concentration camp. I met with Bishop Su of the Baoding Province. Bishop Su—who is part of the "illegal" Roman Catholic Church aligned with Pope John Paul

II—celebrated mass for our delegation. What happened to him? He was arrested by the secret police and is now back in prison for meetings with us. Bishop Su is no stranger to persecution, having suffered more than 12 years for his faith. Now the bully boys have sent this good man back to the gulag. There is no religious freedom in the PRC. Let us stop kidding ourselves.

To those who think trade equals progress in human rights, can you at least provide some evidence of that? Let me remind members that there were business men during the Nazi years, in the 1930's, who went and traded with the Nazis. But at least they did not have the temerity to stand up and say somehow that human rights were going to break out because the trains were running on time.

MFN is empowering a brutal dictatorship. The oppressor is getting bolder and stronger. And meaner. The dictator will soon begin to project its power to its neighbors—the signs are all there. The dictatorship will soon leave a bristling blue water navy to project power and influence and to intimidate.

Let me just note at this point that my business friends are not adverse to using sanctions when intellectual property rights are involved. Hollywood will go to war to protect pirated movies and CD's. But they shrink like violets when people's lives are on the line. When people, when torture, when forced abortion and religious freedom are the issue—they walk away and spout "constructive engagement." Vote for the Solomon resolution and against MFN for this dictatorship.

Mr. CRANE. Mr. Speaker, I reserve the balance of my time.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentlewoman from California [Ms. MILLENDER-MCDONALD].

Ms. MILLENDER-MCDONALD. Mr. Speaker, this MFN status, as it is called, is nothing more than according normal trading status to China to facilitate commerce between the two nations. It is in no way preferential to China. MFN keeps tariffs from skyrocketing, and it retains a working relationship between our two countries.

However, some Members of Congress want to take MFN status away from China, citing human rights violations as an excuse to deny them the equal trading status that we provide most countries in the world. I understand these Members' concerns and want to see improvements in China's human rights record myself. However, only through continuous engagement in dialogue will we have an opportunity to effect change.

It is important to note, however, that from 1990 to 1996, United States exports to China rose by 90 percent, the fastest growing rate of any major export market. This has been a direct benefit to southern California, given its recovery from a recession. One quarter of all cargo entering the United States comes from China.

I urge my colleagues to support MFN and to reject this resolution.

Mr. MATSUI. Mr. Speaker, I yield myself 2 minutes.

Mr. Speaker, I would like to point out to the Members of this body that three of the four former Presidents have endorsed most-favored-nation status for China: George Bush, Jimmy Carter, and Gerald Ford. All three of them have for this vote today.

In addition, every former Secretary of Defense, Democrat and Republican, over the last 12 years has supported MFN for China. We have every Secretary of the Treasury over the last 16 years supporting most-favored-nation status for China. We have every Secretary of Agriculture and every Secretary of Commerce also supporting MFN for China, as well as every Secretary of State and every USTR, United States Trade Representative, that currently is alive.

I might also mention, in terms of the issue of the trade deficit, many are making much out of the $40 billion trade deficit. One needs to look at the entire region, however. Because if we look at Taiwan, Singapore, Hong Kong, and South Korea, what we have seen is a commensurate reduction in their trade surplus with the United States as the trade deficit with China has gone up. So it is not a loss of United States jobs, it is a transfer of jobs from these four countries to China. That is exactly what is happening in that particular area.

In addition, I might say that this really is not any longer an issue of trade, this is an issue of diplomacy. If we cut off most-favored-nation status with the Chinese, we will, in essence, cut off diplomatic relationship with the Chinese. What we are really talking about is what the United States-China relationship will be 10, 15, 20 years from now. I think that is what we should be focusing on.

China has 21 percent of the world's population. As a result of that, that relationship will be the most critical relationship the United States will have. I urge a rejection of the resolution by the gentleman from New York [Mr. SOLOMON].

Mr. BUNNING. Mr. Speaker, I yield 1 minute to our distinguished colleague, the gentlewoman from Connecticut [Mrs. JOHNSON].

Mrs. JOHNSON of Connecticut. Mr. Speaker, I rise in strong opposition to this resolution. Our goal must be to strengthen our engagement with China to bring her into the international trading system, whose rules seek to assure mutual benefit for all trading nations, to bring her into the international web of agreements, whose goal it is to prevent the proliferation of nuclear weapons and create the maximum opportunity to resolve conflicts without war.

As to the important issue of human rights, we know more about today's problems in China then we did during the terror of the cultural revolution precisely because China is far more open and allows far more personal freedoms than in the past. Greater individual economic opportunity has always fostered over time greater individual freedom and respect for human rights.

We should continue to press China toward international human rights standards. But engagement, not disengagement, will achieve these goals.

The SPEAKER pro tempore. The gentleman from Illinois [Mr. CRANE] has 5 minutes remaining; the gentleman from California [Mr. STARK] has 8 minutes remaining; the gentleman from California [Mr. MATSUI] has 8 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 6½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

Mr. BUNNING. Mr. Speaker, I reserve the balance of my time.

Mr. MATSUI. Mr. Speaker, I yield 3 minutes to the gentleman from Texas [Mr. STENHOLM].

Mr. STENHOLM. Mr. Speaker, today we will decide whether to maintain the normal trading relations we have had with China since 1980. This vote is critical to agriculture in the rural areas of our country that have made us the No. 1 exporter of agricultural products in the world.

In 1996 alone, we exported over $60 billion in agricultural products. Last year we had a $1.4 billion trade surplus with China in agricultural trade. We sold over $2 billion of agricultural products to China. Ending normal trading relations will jeopardize this trade.

As China reaches out to the rest of the world to meet more of its food needs, the last thing we should do is pull out of the market. While we clearly lead the world in agricultural exports today, many of our friends in Europe and Central and South America would relish the opportunity to supply the Chinese market. Agriculture is one of those things we Americans do best. And the jobs that it provides in rural areas are good jobs that are performed with pride by the American farmer and the workers who supply them; and that is why it is so critical that we maintain the markets that we have worked so hard to create.

China has opened its markets to live cattle, cherries and apples from Washington and grapes from California. Because we remain engaged in trade with China, we are closer to gaining access for other important commodities. If we vote to end normal trading relations today, China will see us as an unreliable supplier of a very important commodity, the food it needs to feed its people.

And finally, if we vote against normal trading relations with China today, we can forget about China's accession to the World Trading Organization. We have only begun to gain marketing access to China's agricultural markets.

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With accession to the WTO based on a commercially viable package, China's state trading enterprises which control imports of agricultural commodities will fall.

In the brief time allotted to me, I cannot address all of the reasons we should continue normalized trade relations with China. There are certainly legitimate concerns about human rights, religious freedom, international cooperation, U.S. jobs, Hong Kong and Taiwan. I believe, however, that progress in all of these areas will best be made, particularly in the area of human rights and religious freedom, by pursuing ever-increasing dialog and constructive engagement rather than reverting to isolationism.

The choices are clear. We can do what America does best or we can revert to those things that have been tried and proven to be wrong for America and wrong for those that we perceive to be helping.

I ask that we vote to continue normal trading relations. Vote against this resolution before us today.

Mr. STARK. Mr. Speaker, I yield myself 3 minutes.

Mr. Speaker, I suggest for those of us who live in such grandeur and have the most productive Nation in the world, why not risk? Why not risk ending slave labor?

Why not? Because the other side will say that we cannot offend Boeing who wants to sell jets to China, and Motorola their cell phones. Why do we not risk stopping the murder of female babies? No way. Wal-Mart needs those cheap T-shirts and sneakers. Or why not encourage religious freedom? Forget it. Agriculture needs to sell grain and cotton to China, those small family farmers like Archer and Daniels and Midland.

Why did it work in South Africa? They tell us we were not alone in South Africa. We were all alone when we voted the Helms-Burton bill, were we not? And why is it that Cuba is treated real tough and China is not? Maybe it is because Cuba did not make big political contributions to Clinton-Gore and other campaigns. Maybe that is why. And maybe that, Mr. Speaker, is why we are seeing human decency sell out to big money.

If Members believe that they can stand up for human decency, and if Members believe that this country is strong enough to compete with anyone based on its human values, then they will vote for this resolution and send a message to China that may get them to change.

Ms. PELOSI. Mr. Speaker, will the gentleman yield?

Mr. STARK. I yield to the gentlewoman from California.

Ms. PELOSI. Mr. Speaker, it has been 8 years since the Tiananmen Square massacre. Every year at this time the President gives the regime an anniversary present requesting a special waiver to grant most-favored-nation status to China. No wonder the former Presidents and Secretaries of State support renewing MFN. They are the ones who brought us this failed policy in the first place.

What do we have to show for it? Lost jobs, lost freedom, and a more dangerous world. The American people know it. That is why in a poll yesterday, a Business Week poll, the American people support, 67 to 18 percent, revoking MFN for China.

The President and the regime in Beijing should take no comfort from this vote on the floor today. The American people want a change in policy. Our colleagues have thoughtfully spoken out to say that if they vote for MFN, they still want to see stronger actions taken by the Clinton administration. But in order for the administration to do that, we need a strong vote in support of the Solomon resolution today.

I urge my colleagues to oppose most-favored-nation status for China by supporting the Solomon resolution.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from California [Mr. FAZIO].

Mr. FAZIO of California. Mr. Speaker, I rise today in opposition to the resolution to disapprove most-favored-nation status and in support of normalized trade relations with China.

Like many of my colleagues, I am concerned and often as outraged as many here on the floor have been about China's continued unfair trade practices, proliferation of nuclear and chemical arms, and human rights abuses. But unlike my colleagues who support this resolution, I believe that cutting normal trade relations will not change China for the better, but will, in fact, slow the pace of democratic and economic reforms in that country while penalizing the United States in the process.

Rather than restricting trade, we should be concentrated on opening China's markets. We can do this by using targeted trade sanctions to persuade China to lower import barriers and end unfair trade practices. Last June, the United States and China reached an agreement that has shown how we can shut down illegal factories; 39 of them were done so. They were producing pirated software and computer disks. We need to take more of this kind of tough action.

Since we have begun our policy of engagement, China has made progress toward halting the proliferation of nuclear, chemical and biological weapons technology, and China just recently ratified the chemical weapons treaty. In addition, China has agreed to a moratorium on nuclear testing and signed the comprehensive test ban treaty.

Progress will continue to be made if we use diplomatic pressure and the prospect of economic sanctions to secure commitments by China. Revoking normalized trade relations will not achieve our human rights goals.

Two nations in the region that once had authoritarian regimes, South Korea and Taiwan, now are among our strongest allies. Why? Because we built our relationships on trade and thereby had direct influence in improving human rights.

Let us build on our relationships, let us not tear them apart. Keeping China as a strong trading partner is the most effective way of preserving our interest in a nation that has undergone massive change during the last 25 years. Please support the position the gentleman from California [Mr. MATSUI] has advocated so effectively today.

Mr. CRANE. Mr. Speaker, I yield such time as he may consume to the gentleman from Alabama [Mr. CALLAHAN].

Mr. CALLAHAN. Mr. Speaker, being the foremost authority on foreign aid in the entire House, I rise in opposition to the proposal today.

Mr. Speaker, I want to thank my colleague for allowing me this opportunity to address the House.

I rise today in opposition to the resolution under consideration and in favor of normal trade relations with the People's Republic of China.

Let me begin by stating that I have many problems with the recent conduct of the People's Republic of China.

From their abysmal human rights record, to nonadherence on nuclear nonproliferation, to its engagement in discriminatory and unfair trading practices, and China has a long way to go before this conduct earns the respect of the United States.

That said, however, I am also concerned that disapproving a trade agreement which simply extends to China the same privileges granted to all other nations with the exception of only seven rogue terrorist nations is not the most effective way for the United States to influence policy in China.

While I understand and share the concerns of conservative Christians regarding religious persecution in China, I believe a policy of disengagement could potentially worsen the situation for religious minorities there, resulting in more, rather than less, persecution, and human rights violations.

Passage of this resolution will have a seriously damaging effect on American business interests both here and abroad. Enacting a policy of trade isolationism with China would roll back the progress which has been made to this point, and would further undermine our diplomatic and economic influence in the region.

By engaging China to open markets and supporting progressive democratic reforms,

the United States foreign policy regarding China has had an impact.

The people of China will only realize full democratization and liberalization of rights with the long-term, consistent involvement and encouragement of the United States.

I urge my colleagues to vote no on this resolution and support our continued engagement with China.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Illinois [Mr. PORTER].

Mr. PORTER. Mr. Speaker, China is one of the world's major human rights abusers. It ranks right up there with Nigeria, Burma, Turkey, and the Sudan. There is no doubt whatsoever about this. Each year we debate MFN, we vent our anger and frustration with China and we send messages. I have consistently, Mr. Speaker, voted to cut off MFN. But nothing ever happens. And nothing will happen this year. The MFN approach is a legislative and policy dead end. If MFN were eliminated, surely it would cut off American influence in China. It might well slow the pace of economic freedom in China that ultimately, I believe, will lead to political freedom. And clearly it would hurt the common people of Hong Kong who have lived in freedom and under the rule of law and face an uncertain future under Chinese sovereignty.

Mr. Speaker, we must move beyond the MFN exercise to a positive agenda for the values we believe in for all people. The gentleman from California [Mr. DREIER] and I have joined together with a number of our colleagues and will introduce later this week the China Human Rights and Democracy Act of 1997. It will focus on increasing our broadcasts through Voice of America and Radio Free Asia to China to 24 hours a day. It will bring the truth to the Chinese people about their own country and about ours and about the world. It will build democracy in China through the National Endowment for Democracy. It will provide a voluntary code of conduct for U.S. businesses. It will cut off visas for human rights abusers and proliferators. It will provide new reports on human rights; a prisoner information registry; more human rights officers in our embassy in Beijing; a report on Chinese intelligence activities; and a disclosure regarding the People's Liberation Army and its commercial activities.

Mr. Speaker, I commend my colleagues who are so passionately for the rights of the Chinese people. I am still very much with them. I believe this exercise, however, leads nowhere and hope they will join us all in an effort that will really impact Chinese society and advance the cause of democracy, human rights, and the rule of law.

Human rights, democracy, freedom and equality of opportunity are the values that define us as Americans and they should be reflected in our foreign policy.

Unfortunately, the MFN debate, as well as the administration's policy, pits these principles against one another, dividing Congress and the American people, and sending a mixed message to the Chinese.

As cochairman of the Congressional Human Rights Caucus, I have been a consistent and outspoken critic of the Chinese Government and its horrendous human rights record.

I have always used my MFN vote to protest China's treatment of its citizens and its renegade foreign policy of market exploitation and weapons proliferation.

Since 1994 when President Clinton formally de-linked human rights and MFN, the MFN debate has been an empty threat and has ceased to be an effective means of advancing our values within China.

Today, we have again engaged in a heated debate that allows Members to vent their anger at Beijing, but does little to change Chinese society for the better.

I believe that we must move beyond this annual exercise in futility toward a real policy which more accurately reflects and more vigorously promotes American ideals within China.

For this reason, my colleague DAVID DREIER and I have sought out positive and pro-active ideas from many of the leading voices on all sides of this issue on how we can move our China policy in a more productive direction.

The legislation that has resulted from this consultation—the China Human Rights and Democracy Act of 1997—includes funding for 24-hour broadcasts into China by Radio Free Asia and the Voice of America in multiple languages.

It would promote democracy-building activities in China, such as legal and judicial training, and expand reporting on human rights by the administration. Our legislation prohibits visas for human rights abusers and those who carry out China's irresponsible policies of weapons proliferation. The bill also includes a voluntary code of conduct for United States businesses operating in China. We would require expanded reporting on human rights and other important concerns that Members of this body have enunciated today, and increase public and private exchanges between the United States and China. Finally, we would begin the process of creating a Commission on Security and Cooperation in Asia—based on the successful model of the Helsinki Commission.

The premise behind all these initiatives is that we can best promote our values by increasing our contact with the Chinese people, and concerns about human rights and democracy should be dealt with in a way that responds directly to those issues.

The China Human Rights and Democracy Act attacks China's abusive policies at their roots by giving the Chinese people the tools to build a civil society and decrease their dependence on the Chinese Government.

Economic freedom and opportunity can provide a catalyst to increased political freedoms, but we must not just sit around waiting for this to happen. We must take positive steps to bring these changes along, such as the China Human Rights and Democracy Act.

Revoking MFN, however, would do nothing to accomplish this goal, and would make it difficult to take the kinds of actions which will bring China into the community of nations as a responsible member.

Moreover, MFN revocation would devastate one of our best chances at changing China from within—Hong Kong, which will come under Chinese control this time next week. I firmly believe that Hong Kong—a place of freedom, the rule of law and a nascent democracy—has the potential to change China far more than China will change Hong Kong. If we take away MFN, Hong Kong will be the first casualty.

If we want to improve the lives of the Chinese people and improve the human rights situation in China, we cannot promote our values selectively.

Members of Congress have spoken forcefully against MFN today from their hearts—I respect no one in this Congress more than my colleagues from California, Virginia, New York, and New Jersey who have passionately addressed this issue today, and we have worked on these issues together for many years.

I know that I will not change their minds today, but I ask that after this vote ends today, that we work together to end this annual debate and promote a more realistic approach.

MFN revocation is a dead-end for Congress, and we have to move beyond sending messages to move China in the right direction. I will support MFN today and continue to work with all my colleagues to build a better approach to China. I hope that I can count on their support.

Mr. Speaker, I include the following op-ed from the Wall Street Journal for the RECORD:

[From the Wall Street Journal, June 24, 1997]

WHY I CHANGED MY MIND ON MFN

(By John Edward Porter)

Human rights, freedom, democracy, free-market economics and the rule of law are the values that define America and that must be reflected in our foreign policy. Unfortunately, the current MFN debate pits these principles against one another, dividing Congress and the American people and sending a mixed message to the Chinese leadership.

I have been a consistent and outspoken critic of the Chinese government and its deplorable human rights record. China's egregious behavior is clear, and I have voted repeatedly to revoke most-favored-nation trade status for China to convey America's outrage over Beijing's abuses and to pressure China to mend its ways. What's also become clear to me, however, is that the threat of MFN withdrawal is not the most effective way to advance our values within China.

With support from successive U.S. presidents for MFN renewal, the Chinese have concluded that our trade threat is an empty one. Nonetheless, we continue to pursue an annual debate that allows Congress to vent its anger against Beijing but that does nothing to change Chinese society and move it toward basic freedoms.

Yes, a vote for MFN withdrawal sends a message. But with a president committed to vetoing such a resolution, it is a pointless exercise that cannot affect China's conduct. Clearly, we need a new, active policy toward China and should drop this annual debate.

With this in mind, I began working six months ago to develop a list of policy initiatives that could make a difference within China, primarily expanded broadcasts through the Voice of America and Radio Free Asia, a new radio service that brings uncensored news directly to the Chinese people. For the past 10 years, I've also worked

closely with Martin Lee and other domestic leaders in Hong Kong to ensure that basic rights are protected there after June 30. I've voted for legislation to establish direct U.S. ties with Hong Kong in those areas where it maintains autonomy and have introduced a bill to help protect Hong Kong journalists, who are the first line of defense against erosion of the freedoms enumerated in the Sino-British Joint Declaration.

When Speaker Newt Gingrich returned from his recent trip to China, he addressed the Congressional Human Rights Caucus and emphasized his support for this kind of initiative. My discussions with the speaker led to formation of an MFN Working Group, which has brought together a group of House members who share a strong commitment to human rights but who have divergent views on MFN. Our goal was to come up with legislative proposals that would help define an effective U.S. policy toward China.

The group is planning to introduce legislation—the China Human Rights and Democracy Act—that we believe will be more effective than the annual MFN debate in moving China toward democracy. Passing this measure would make Congress a more forceful player in the U.S.-China policy debate and encourage the administration to integrate concerns about human rights and democratic development into all our dealings with China.

Our bill would increase funding for broadcasting by Radio Free Asia and Voice of America, with a goal of 24-hour broadcasts into China in Mandarin, Cantonese, Tibetan and other Chinese dialects; increase funding for democracy-building activities, such as legal and judicial training, in China through the National Endowment for Democracy; expand State Department reporting on human rights violations and political prisoners; and require disclosure of Chinese companies' ties to the People's Liberation Army. Our initiative also suggests the formation of a congressional commission on human rights abuses in China and in other repressive societies, including Vietnam, Laos, Burma and North Korea.

Furthermore, our legislation would increase both public and private exchanges between the American and Chinese peoples, but it would deny visas for U.S. travel to those whom the State Department determines to have committed human rights violations or who are involved in proliferation of weapons or other sensitive technologies. Also, U.S. companies would be encouraged to adopt a voluntary code of conduct, to show how they treat Chinese workers and foster our values.

The premise of these initiatives is that we can best advance our values through continued contact with China. This is especially true as China is about to regain sovereignty over Hong Kong, a center of robust economic freedom that would be devasted by MFN revocation. As we have seen in Taiwan and South Korea, economic freedom ultimately leads to political freedom. I believe that Hong Kong, a place of freedom and the rule of law and, more recently, a place of democracy, will ultimately change China much more than China will change Hong Kong.

If we want to bring China into the community of nations, we cannot promote our values selectively. It is time to recognize that revoking MFN is a dead-end policy that cannot succeed in bringing us closer to our hopes for China. Members of Congress have in past years spoken forcefully from their hearts in voting to deny MFN for China. But now our minds tell us that we must go beyond sending messages to move China in the right direction.

Mr. CRANE. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from California [Mr. DREIER].

Mr. DREIER. Mr. Speaker, there has been an awful lot of talk throughout this debate over the issue of sending a signal. "Let's send a signal." They are absolutely right. There are several very important signals that we should be sending. For starters, in just a few days, we are going to see Hong Kong revert to China. We need to send a signal to the freedom-loving people in China that we want to maintain United States-China relations. In fact, the greatest apostle for freedom there, Martin Lee, has made it very clear in his statement that the nonrenewal of MFN would hurt us badly. We also need to send a signal to the international community, especially our closest allies in Asia.

Bob Dole made it very clear in a piece that he wrote today in the Washington Times:

> Revoking MFN would engender grave doubts in all Asian capitals about the wisdom of American policymakers and undermine their respect for us as the guarantor of Asian stability.

We also, Mr. Speaker, need to send a very important signal to American citizens, American private citizens who are in China, American citizens there who are spreading the gospel, American business men and women who are on the front line pursuing capitalism and pushing our western values into China, and also to democratic activists, like our International Republican Institute, out there encouraging democratization at the village level. It is very important that these signals be sent, and the most important signal is to the people of China, the 1.2 billion people of China who should know that we stand with them. The single most powerful force in the 5,000-year history of China has been the economic reforms. We need to stand for MFN and in opposition to this resolution.

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from Illinois [Mr. CRANE] has 1½ minutes remaining; the gentleman from California [Mr. STARK] has 5 minutes remaining; the gentleman from California [Mr. MATSUI] has 3 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 6½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

The first Member to close will be the gentleman from New York [Mr. SOLOMON], followed by the gentleman from Kentucky [Mr. BUNNING], followed by the gentleman from California [Mr. MATSUI], followed by the gentleman from California [Mr. STARK]. The gentleman from Illinois [Mr. CRANE] will close the debate.

The Chair recognizes the gentleman from New York [Mr. SOLOMON].

Mr. SOLOMON. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, we need to send signals all right, but we do not need to send do-gooder signals and we do not need to send feel-good signals. We need to send signals that the Chinese Government understands.

Let us get one thing straight. It is important to note right now that nobody is talking about severing relations with China. Nobody. Nobody is talking about severing trade relations with China. Nobody. In fact, we are not even advocating permanent revocation of MFN. If we pass this resolution into law, there is nothing whatsoever to stop this Congress from renewing MFN, and I would be one of the first to help do it at a later date, maybe 3 months from now, 6 months from now, 7 months from now. That is why there is really no good reason for us to oppose this resolution.

Mr. Speaker, the status quo is simply unacceptable. As I think our side has outlined very forcefully here today, China's behavior remains repugnant, it remains dangerous to this country, and it is certainly unacceptable. Our current policies simply are not working.

To recap, even the State Department says that human rights abuses are getting worse in China, not better. Let us not fool ourselves. A new round of religious persecutions is under way. That is unforgivable.

China itself announced that its military spending will increase 15 percent this year, and that is 50 percent over the last 4 or 5 years. It was just 6 months ago that China concluded a deal with Russia to purchase a missile which is specifically designed to kill American sailors.

Mr. Speaker, would it not be worth it to delay renewing MFN for China for 3 months if China decided to stop buying deadly missiles from Russia? Would it not be worth it if China stopped religious persecution, even made a step in that direction? Would it not be worth it if a 3-month delay saved a few hundred lives? Would it not be worth it? Lives are precious.

I would ask my colleagues to come over here and vote, not to cut off MFN for China but to delay it, so that we can sit down. The Chinese are the smartest people in the world. Let me tell my colleagues, we send this temporary measure to them, and they will sit down and we will see a difference. My God, would we not have a great feeling in our conscience if that happened?

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Please come over and vote for this resolution.

Mr. BUNNING. Mr. Speaker, to close the debate I yield 6½ minutes to the gentleman from Virginia [Mr. WOLF].

Mr. WOLF. Mr. Speaker, I feel more strongly about this issue than any vote I have cast since I have been in this body. I want to thank all of the groups.

I wish I can mention all of the names, but I want to thank the Family Research Council, I want to thank the Catholic bishops and the Catholic conference, I want to thank the Christian Coalition, and I want to thank the AFL-CIO for coming together and making this point. I will tell them we have won this debate, we have won it outside of this Chamber, and next year we will win it inside of this Chamber. The American people are with us. The Congress may not be with us, but the people are with us.

Why should we support the Solomon resolution? The administration's policy is fundamentally failed. It is not true to American values. I will tell my colleagues it is amoral, and I personally believe that it is immoral.

Why? The Catholic priests and bishops that are in jail, some for saying holy communion. The next time my colleagues approach the rail and when the pastor or the priest says we break the bread of the body of Christ, he remembers us and the wine for the blood of the Christ, think of the bishops and the priests that are in jail for doing this, for this very, very thing. There are Protestant pastors that are in jail. None of my colleagues go to house churches when they go there, none of my colleagues visit the prisons. The gentleman from New Jersey [Mr. SMITH] and I were in Beijing Prison No. 1. We met with the underground church. If we can be with a church, my colleagues can be with a church, too.

And what about the Buddhists, the Buddhists who have been raped, the nuns? Raped with a cattle prod and tortured? And what about the Moslems? We are a diverse country. There are 80 million Moslems in that country that are being persecuted, and they have more slave labor camps in China then thay had in the Soviet Union when Gulag Archipelago was written by Solzhenitsyn.

And they have programs where they shoot prisoners and when they drop they cut their kidneys out and they sell them for 35 to $50,000.

They have forced abortions. The gentleman from New Jersey [Mr. SMITH] and I can tell our colleagues we talked to the people where they were told that they were tracked down and women were forced to have abortions.

So why is this an immoral policy or at least an amoral policy? Because of those things.

Second, the long arm of the Chinese Government has reached into our Government. Charlie Trie, a friend of the President has influenced this policy. Charlie Trie is in Beijing, probably watching this debate as the foreign ministry is watching this debate in Beijing. Where are the Riady family? They have had an influence on this policy. They have with money attempted and have been successful, successful in influencing this Government and, indirectly, this body.

And where is John Huang? He will not come forward, and he will not come forward, but after my colleagues cast their vote 6 or 7 months from now the story will come out with regard to the influence of John Huang when he worked for the Government and then when he raised money for the Democratic National Committee.

And major companies, read today's Wall Street Journal. Major companies, and I am not going to mention them, I do not want to embarrass anybody or mention any names, have been pressured, pressured with fear of losing business.

So this Government has been directly influenced and this Congress has been indirectly influenced by the Chinese Government.

I fear what would have happened if the same thing had been done during the 1970's and the 1980's with regard to the Soviet Union. What? Are we giving the Soviet Union MFN?

Third, third, in the light of the military buildup the administration's policy is one of appeasement. It is a policy of appeasement that I believe with every fiber of my body. Now the Secretary of State will not like that because she knows better because she lived in Eastern Europe, she saw what communism can do. But let there be no mistake. This Clinton policy is a policy of appeasement.

Now do my colleagues remember the debates in the House of Commons when Winston Churchill got up in the 1930's and talked about what was taking place in Nazi Germany. Chamberlain never listened to him, and the House of Commons never listened to him, and finally it was too late and millions of Americans and millions of British died. The same thing is happening with regard to this. We are going through the same policies that Winston Churchill went through.

I had a briefing, and not many of my colleagues have had it. I had the briefing from the CIA, I have had the briefing from the DIA, and I have had the briefing from the Office of Naval Intelligence, and I will not say what one, but I said, "Sir, can you tell me how many Members have had this briefing?" I wanted him to tell me 25 or 40.

He said, "There were three, and you are the third." One is sitting in this Chamber now, and the other one is in the other body.

If my colleagues have not had the DIA briefing and the CIA briefing and Office of Naval Intelligence, frankly those colleagues are voting in ignorance because all the material that they told me, and much of what was said on the floor, that I cannot say, really is true with regard to sales, the missiles, with regard to Iran and many of the other things. They are endangering our country, they are endangering our men.

Imagine for just 1 minute being a priest, a minister or dissident in jail and having heard that tomorrow morning that the House of Representatives, the people's House, had voted to grant MFN. Can my colleagues imagine how demoralized they would be? The guard will probably come by, and I was in Beijing prison to see the conditions, and I was with the gentleman from New Jersey [Mr. SMITH] in Perm Camp 35. There are terrible conditions. Very few people have gone to those places. The guard will probably mock. The guard will say to the four bishops, "Your American friends forgot you." Imagine how it would feel.

But on the other hand, imagine hearing the U.S. Congress had voted to deny MFN, and we are not denying MFN, we are sending a message. Can my colleagues imagine how encouraged they would feel? Natan Shcharansky has said he knew that the U.S. people and the Congress and the Government stood with him.

Let me just end by turning to my side. They can take care of their problem. We ought not be bailing out this fundamentally corrupt policy of this fundamentally corrupt administration. Vote to send a message to this administration, vote to send a message to the Chinese people, vote to send a message to the dissidents. Be true to American values. Ask, my colleagues, does this policy fit into American values? Be with the American people, 67 to 18. Be on the side of freedom.

Do my colleagues remember, those who were here when Ronald Reagan gave the Evil Empire speech? In Orlando, FL, he was criticized by many on that side and many in the press, but it was the right speech, where he stood out with regard to religious freedom and evangelicals. And do my colleagues remember when Ronald Reagan gave his speech at the Berlin Wall? The State Department said, "Mr. Reagan, don't mention the Berlin Wall," and Ronald Reagan said in that speech because he knew what he believed in and he knew the values; Ronald Reagan said:

"Mr. Gorbachev, tear down the wall."

And the wall came down.

When Thomas Jefferson wrote the words in the Declaration of Independence, he said,

> We hold these truths to be self-evident, that all men and women are created equal and endowed by their Creator, by God, with certain inalienable rights: life, liberty and the pursuit of happiness.

Those words were not only meant for Virginians, they were not only meant for Americans, they were meant for people in the gulags of China, they were meant for the dissidents, they were meant for the entire world.

I beg of my colleagues if they are undecided, I plead with them, support the Solomon amendment so when the priests tomorrow hear, when the bishops tomorrow hear, when the dissidents tomorrow hear, they will know

that the people's House has sent a message to the Chinese Government: We will no longer permit this to take place, and I strongly urge the support of the Solomon amendment.

Mr. Speaker, I rise in strong support of House Joint Resolution 79 to revoke most-favored-nation status for China. Unconditional MFN forms the backbone of the President Clinton's China policy—a policy which I believe has been a failure. The administration's policy is fundamentally amoral and not true to American values.

Why?

First, human rights abuses continue and are worsening. They have not improved despite our so-called policy of engagement * * * not that there has been much engagement.

Catholic priests and bishops are in jail—more and more go in each day for practicing their faith outside of Government control. Many have been arrested just for giving mass or administering the sacraments. In April, just before the visit to China of the congressional delegation headed by the Speaker and the visit by Vice President AL GORE, the Chinese arrested the bishop of Shanghai, ransacked his house and confiscated all his religious material.

Protestant pastors and house church leaders are still being thrown in jail in record numbers. Beatings and torture are routine. Some reports indicate that Christians are being tortured in a prayerful position—they are forced to kneel in a praying position which they are viciously beaten and their feet are crushed.

Buddhist monks and nuns are tortured and killed. Tibet has been plundered. The Panchen Lama has been kidnapped and replaced by a puppet from Beijing.

Muslims in the northwest corner of China are being persecuted.

All dissidents are behind bars, in exile, in labor camps or under house arrest. The Chinese Government has stifled all dissent.

There are more slave labor camps in China than in the Soviet Union when Alexander Solzehnitsyn wrote his famous book "The Gulag Archipelago."

The Chinese Government shoots prisoners and takes their kidneys and corneas for transplantation.

Forced abortions and sterilizations continue.

There is more.

The long arm of the Chinese Government has directly influenced the Clinton administration and has indirectly influenced this Congress.

Charlie Trie is an Arkansas friend of President Clinton's. He is now in Beijing and doesn't seem to be coming back. He helped raise political contributions and sway policy. Big time.

The Riady family left the country after allegations of campaign finance improprieties. They attempted to sway policy. Maybe they did sway it. They surely spent enough money trying.

John Huang worked in the Clinton administration and raised money for President Clinton's 1996 campaign. Many think he passed information on to those closest to the Chinese Government. He helped sway policy.

Big companies have been silent on human rights, religious freedom and democracy and are being directly pressured by the Chinese Government. These companies are afraid to lose business so they exert pressure on the U.S. political process in favor of American silence on human rights.

The Chinese Government bought the world's silence at the U.N. Human Rights Commission in Geneva by doling out lucrative contracts to countries that refuse to support an EU-sponsored resolution condemning China's human rights practices.

Imagine if the Soviet Union had tried to exert this kind of influence on our Government. Would we have turned around and given them MFN?

Third, the policy the United States is pursuing toward China, in light of China's massive military buildup and weapons proliferation, is one of appeasement. We are closing our eyes just as Neville Chamberlain did in England in the 1930's when faced with another aggressive power.

Winston Churchill spoke up in the Parliament, but the Chamberlain government did not listen. Now there is a new bully in town.

The Chinese Government is building up its military—some say United States trade and technology are helping provide needed resources. China is selling chemical weapons, missiles, and nuclear technology which could pose a future threat to the United States and its allies.

If you did not get the briefing by the Defense Intelligence Agency and the Office of Naval Intelligence—you don't have all the information. I strongly urge all my colleagues to get these briefings. You owe it to yourself and your country to know exactly what China is doing.

China sold chemical weapons and cruise missiles to Iran. China sold nuclear technology to Pakistan.

China is engaged in a military buildup and becoming a threat to our future security. It is developing ICBM missiles capable of hitting the United States, our allies in Asia, or our military installations in the Pacific. China also purchased 46 American supercomputers which intelligence experts say can be used to design nuclear warheads to put on the long-range missiles.

I believe that American men and women may soon be in danger because of our current policy of appeasement toward the Beijing regime. Appeasement didn't work for Neville Chamberlain in the 1930's and it will not work for the United States in the 1990's.

MFN is the backbone of a failed policy. A policy of appeasement. A policy that is amoral because it suggests engagement and yet, does not engage. And a policy that is, and will continue to be, dangerous to our national security.

What is needed is real backbone, not appeasement.

Imagine if you were a priest or pastor who was in jail. You had been beaten or tortured or starved. You had been forced to endure backbreaking labor. Imagine you heard that the United States Congress had again granted MFN to China—imagine how discouraged you would feel.

But what if you, a jailed pastor or priest, hear tomorrow on your crystal radio set that the United States House of Representatives, the People's House, voted to deny MFN to China. Wouldn't you feel encouraged? I would and that's why I'm voting for the Solomon resolution.

To my colleagues on my side of the aisle. I hope you will vote to deny MFN to China.

It is important to be true to American values.

It is important to be with the American people who overwhelmingly, in poll after poll, support linking trade to human rights improvements. The most recent poll, a Harris poll released yesterday in Business Week magazine, found that 67 percent of Americans oppose MFN for China. Only 18 percent favor it. A vote against MFN is a vote on the side of the American people.

I encourage those on my side of the aisle to be with the legacy of Ronald Reagan who refused to grant MFN to the Soviet Union while it persecuted people of faith. He engaged but he didn't appease. He spoke out for American values and stood with the persecuted when he called the Soviet Union the evil empire and demanded Mr. Gorbachev, tear down this wall.

Be on the side of history. Vote to deny MFN to China and send a message to the Chinese Government, to the Chinese people, and to all persecuted people around the world that the words of Thomas Jefferson in the Declaration of Independence are for them.

These principles of freedom, "We hold these truths to be self-evident that all men are created equal, that they are endowed by their Creator with certain unalienable rights among them life, liberty and the pursuit of happiness" apply to all people. Not just Virginians or Americans or Westerners. These rights are for all people, including the people of China. That's the message we would send by voting to deny MFN in the House.

Vote "no" on MFN for China.

Mr. MATSUI. Mr. Speaker, I yield 3 minutes, the balance of our time, to the gentleman from Indiana [Mr. HAMILTON], the ranking member of the Committee on International Relations.

Mr. HAMILTON. Mr. Speaker, I thank the gentleman from California for yielding this time to me.

I rise in opposition to the Solomon resolution of disapproval. The resolution before us today presents a fundamental choice about our relationship with China. Do we choose a policy of engagement, or do we choose a policy of isolation?

Now some have argued in this Chamber today to end normal trade relations with China and still pursue a relationship with China. I do not think that argument can be sustained. To withdraw normal trade relations is to declare economic warfare against China. We cannot declare economic war against China and then expect China to play by our rules on political security and proliferation and human rights matters. Political engagement and economic cooperation with China go hand in hand. We cannot separate them.

Now I support an engagement policy because I think it is in the American national interests, and I yield to no person in this Chamber in my concern for human rights. Engagement is not

appeasement. It does not mean ignoring our differences with China. It means actively engaging China to resolve the differences. It means hard bargaining. It means, as the administration did, sending two aircraft carrier groups into the Taiwan Straits last year. It means threatening to impose sanctions because of Chinese violations of intellectual property rights. It means imposing sanctions on Chinese companies because of their violation of nonproliferation laws.

Engagement works. Engagement has produced a number of successes in the nonproliferation area. They have been identified here during the afternoon.

Engagement works. China was instrumental in convincing North Korea to sign the agreed framework freezing North Korea's nuclear program.

Engagement works. Every Member of this Chamber is proud of what happened in the gulf war and how this body conducted itself. Without China's cooperation in the U.N. Security Council, it would not have been possible to fashion the international coalition that defeated Iraq in that war.

Engagement works. Millions of Chinese have had their lives improved because of this engagement. Exposure to the outside world and the accompanying exchange of goods and ideas and people have brought increased openness, social mobility and personal opportunities to the Chinese. It is not a perfect country, it is far from it, we got plenty of concerns about their human rights, and they are valid concerns. But we got to get a perspective of a couple of decades here and see how China has evolved. Four hundred million new people in China since Nixon went to China in 1972.

Engagement works. It is meant that we use our trade laws to attack Chinese trade barriers and to help American enterprises export.

Engagement works. Our law enforcement authorities work together to combat terrorism and alien smuggling and illegal narcotics, trafficking.

Engagement works on environmental and public health issues.

Engagement has not solved all the problems, of course not. We got plenty of concerns left with China, but it has a proven record of bringing China, moving China, toward international norms. It offers a better prospect of achieving our policy objectives, including a respect for human rights, than isolation or containment. If we vote today to revoke China's normal trading status, we will undermine our ability to work with China in the future and we will damage a broad range of interests that this country has at home, in China, in the region and around the world. Revoking MFN will almost certainly make the human rights situation in China worse, not better. It will undermine the reformers. It will strengthen the hard liners. It will slow the flow of Western culture and ideas.

□ 1515

Our influence would be reduced. If we revoke MFN, we undermine our stature throughout Asia; Hong Kong's transition will be more difficult. Let us, my friends in this Chamber, follow the advice of three former Presidents, six former Secretaries of State, 10 former Secretaries of Defense, and support normal trading status for China. I urge the defeat of the Solomon resolution.

Mr. STARK. Mr. Speaker, I yield 5 minutes, the remaining time, to the gentleman from Missouri [Mr. GEPHARDT], the distinguished minority leader.

Mr. GEPHARDT. Mr. Speaker, this is a debate today that is not simply about economics and trade, it is a debate about principle and value and belief. This country was founded not on economic principles and not on economic ideas, but on moral beliefs that have for over 200 years radiated out of this country. As the gentleman from Virginia [Mr. WOLF] said a moment ago, the revolutionary words that appear in our Declaration of Independence was the starting place of this country, which is an idea for all people.

We said, "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain inalienable rights; that among these are life, liberty, and the pursuit of happiness." When we made those words, we did not say they were American rights, we said they were universal rights.

And almost 50 years from the date those words were signed, Thomas Jefferson said this: "May it be to the world what I believe it will be to some parts sooner, to others later, but finally, to all, the signal of arousing men to burst their chains."

In 1986 on the floor of this House a Member who is on the floor today said these words: "I would suggest, Mr. Chairman, Members of this body, human beings do not live by bread alone, that there are spiritual values, the right to stand as a dignified human being, the right to stand as an equal person. I would suggest that wherever you are on the political spectrum you should join me in this effort, not to make a statement that is measured, not to make an incremental step, not to make a step that is a political step, but to make the statement at this point based upon what is right."

He said, "I am simply saying that every human being on this planet should have control over their human destiny."

The Member who said those words is the gentleman from California [Mr. DELLUMS], and he was not saying those words about China, he said them about South Africa. The freedom movement in South Africa started on this floor, and Members of this House of Representatives stood in this well time and time again and argued for the end of apartheid and the beginning of freedom in South Africa. I dare say had they not stood in this place and made that argument over and over again, Nelson Mandela would be in prison today. And all the arguments we are hearing now were made then.

The policy we had with South Africa was called constructive engagement. People said we would lose contracts; people said other countries would never follow; people said it would hurt the good people in South Africa who were trying to break free; people said our businesses would not be there to change that government. But the gentleman from California [Mr. DELLUMS] and Bill Gray and other Members of this body stood tall and fought for sanctions against South Africa, and Nelson Mandela stood at that podium, the president of the country, and talked about freedom.

I say to my colleagues, the policy that we are following is not working. We need firm engagement, not constructive engagement. I know all of the good arguments that are made, and I respect the people who make them very much. First of all they say, well, trade helps us with human rights.

Listen to what our own State Department says about what is happening in China. They say, "All public dissent against the party and the government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention or house arrest. No dissidents were known to be active at year's end." This is at the end of last year.

"Even those released from prison were kept under tight surveillance and often prevented from taking employment or otherwise resuming a normal life." That is our own government, our own State Department saying whether or not the policy is working.

Then they say human rights and trade should be separated. They are different issues. We have to trade, and then we can talk about human rights. Does anybody argue that we should separate intellectual property protection from trade? Has any businessperson stood up and said, forget about my intellectual property rights, let us just go ahead and trade. Of course they do not.

Mr. Speaker, do we not understand trade issues are human rights issues? What are we trying to do? We are trying to build a world trading system. How can we ever do that if people do not have human rights? Who is going to ever be in China to buy any of our products? They will never have enough money to do it. And we expose our businesses and our people to this unfair competition. You bet human rights is a trade issue.

Then we hear, do not make China an enemy. What a crazy argument. I do not want China to be our enemy, that is the last thing in the world we want.

But we are saying. By arguing that if we do not give MFN, most-favored-nation treatment, the treatment we give to the most favored nations, that somehow we have made them an enemy. That is ridiculous. We can trade with China.

Do my colleagues think China is not going to trade with the United States? They have a $40 billion trade surplus with us. We are carrying China. They have a trade deficit with every other country in the world. We are literally financing their form of government by our insistence on giving them most-favored-nation treatment.

Finally, we say we will lose business. We will lose business. Let me end where I started. This country is not just about business. This country is about an idea, a moral belief that every human being in the world is created with liberty and freedom. If we do not stand for freedom in China, who will? If we do not lead for freedom in China, who will follow? When will we start this fight as we started it with South Africa? Maybe we start it today.

Listen to this letter that was sent by the parents of a third grade young girl, near here in Baltimore, Maryland. She was writing about Wei Jingsheng. As you know, Wei Jingsheng has been in jail for 14 years in China because he dared to speak out. He spoke in the universal language of the Declaration of Independence and said human rights, like freedom of speech, press, assembly, and appeal to the government, are inalienable rights belonging to the people, the masters of the country. For saying that he was put in jail and he has been in jail for 14 years, like Nelson Mandela was in jail.

Mr. Speaker, this girl said, "I wish all American citizens would help in this struggle for what is right. I want him to get out of prison and return to his family and get healthy soon." A third grader speaking of the moral beliefs and ideas that are the founding wellspring of this greatest country that has ever existed on earth.

Six days after the Berlin Wall fell in 1989, Lech Walesa spoke here to a joint session and he said, "We, the people. I do need not remind anyone here where those words come from. And I do not need to explain that I, an electrician from Gdansk, am also entitled to invoke them."

I say to my colleagues there is as an electrician this afternoon in a jail in Beijing, and his name is Wei Jingsheng, and he wants to get out and be free just like Lech Walesa did and just like Nelson Mandela did. De Toqueville said America is great because America is good, and if we cease being good, he said we will cease being great.

Representatives of the people of this country, stand today and be good, and stand for what is right and stand for the founding principle of this country, and we will bring freedom to China as we brought it to Lech Walesa and Nelson Mandela. Stand against most-favored-nation treatment. Stand to send a message to the leaders in Beijing. I urge my colleagues to vote for this resolution.

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

We have listened to some very eloquent testimony on both sides, and I think this Chamber has represented that today more than maybe most days, evidence of what our system is all about in terms of our exchanges on a bipartisan basis. But let me focus very briefly on why I think extension of normal trade relations with China is so important.

If we go back to the Great Leap Forward, and that was with total government-managed control of that economy, there were 60 million Chinese that starved to death. We can condemn Deng Xiaoping for a lot of things, but one thing that he will be most remembered for is as the initiator of what he called Leninist capitalism, the ultimate oxymoron. But he did advance free enterprise in mainland China, and free enterprise has expanded so dramatically that our concern as a people, which is not the government, it is the Chinese people over there, and bear in mind that of 1.2 billion, only 40 million of them are allegedly Communists, and I think they are too bright even to be Communists, I think they are just bright pragmatists that have got a good thing going for themselves.

But the fact of the matter is, more Chinese people today are enjoying a higher standard of living than ever before in the history of China, in its 5,000 years, and that is continuing to expand dramatically, and it is because of their commitment to free enterprise.

Now, we want to aid and abet and help them in that effort, to be sure, and that is why maintaining our contacts and our business contacts is a good idea. As Ben Franklin said, a good example is the best sermon. We are providing the best sermon by our presence over there in mainland China, and that is continuing to improve the lot for all of the Chinese people.

I would urge my colleagues to recognize that there are alternative ways to address legitimate questions that have come up about arms transfers, legitimate questions that come up about human rights violations, but harking back to the original reference to our inalienable rights to life, liberty and property, Thomas Jefferson was absolutely correct. I mean he used that phrase, "pursuit of happiness," but it was property.

□ 1530

The fact of the matter is, how do you enjoy life if you do not eat? That means having access to property and expanding and improving that access, especially in terms of food, shelter, and clothing. That is happening at an unprecedented rate over there.

The last remaining issue to be addressed through that is liberty, but that is where our presence can set that good example. I would urge my colleagues to vote down the well-intentioned resolution of disapproval, and to guarantee that we continue what is sound policy into the future, and holds the greatest hope we have ever had in our post-World War II relations with mainland China; namely, normal trade relations.

Mr. ETHERIDGE. Mr. Speaker, I rise in opposition to House Joint Resolution 79, the resolution to disapprove extension of MFN for China. I have serious concerns about China's overall human rights record. However, if we do not have engagement we will be doing more harm than good—how do we isolate 1.2 billion people? We have tried isolation and it did not work. In arriving at this decision, I found particularly compelling the words of Rev. Billy Graham who said "we must do all we can to strengthen our relationship with China. It is far better to treat it as a friend, than to treat it as an adversary." I believe it is in North Carolina's best interest to engage China and build on our strengths rather than damage a trade relationship which other nations will vigorously pursue in our absence.

Exports, especially in the agriculture sector, are essential to North Carolina's economy. China represents a large and growing market for our goods and services. This market supports thousands of jobs here at home. Agricultural exports to China from the United States have grown from $333 million in 1993 to $2 billion in 1996 and the prospect of future growth is tremendous. Every $1 billion in additional exports creates nearly 20,000 new, high-wage jobs in the United States. For North Carolina, which exports $544 million—ninth among U.S. States—in goods a year to China—$297 million—and Hong Kong—$247 million—engaging China through trade will provide jobs for North Carolina's workers and help ensure our economic success into the next century. I also believe it will allow us to press for better human rights policies as we increase our economic involvement.

Mr. RUSH. Mr. Speaker, I rise today in opposition to House Joint Resolution 79, China, disapproval of most-favored-nation [MFN] trade treatment for China.

My vote against this resolution—a vote to continue MFN for China—is not without deliberation.

I am deeply concerned about the continuing allegations that China has not made sufficient progress in their human rights and democracy reform efforts. Both the State Department and prominent international organizations such as Amnesty International cite the persistence of jailed and exiled Chinese dissidents. However, I believe that the human rights issues must be approached independently of our trade relationship with China.

MFN is not foreign aid. The United States grants MFN—which is normal trade status—to nearly 100 countries, and every President since 1980 has annually renewed MFN for China. MFN to China means that we grant them normal tariff status. This is a policy that

the United States grants to all but a handful of countries—Cuba, North Korea, Afghanistan, Laos, and Vietnam. In fact, countries such as Iran, Iraq, Libya, Syria, and Burma—where many believe there continues to be abuse of human rights—receive MFN treatment.

I want to see the administration work more aggressively to encourage human rights and religious freedom in China. But I do not believe that denying MFN to China will achieve that goal. Cutting off normal trade relations with China will only further isolate a country with one-quarter of the world's population.

China continues to grow as one of the United States' main trading partners. U.S. exports to China have almost quadrupled in the last 10 years. Exports to China support more than 17,000 jobs in the United States that, on average, pay 13 to 16 percent more than non-export jobs. As key industries in the United States, such as telecommunications, grow, we need to maintain trade policy that will increase market access and ensure that U.S. companies have opportunities in those emerging markets. Illinois, for example, has benefited from trade with China. Over the last 2 years, exports from Illinois to China have increased 9 percent to $1.6 billion. And this trade growth contributes to nearly 600,000 export-related jobs in the State.

And while these benefits are significant, I continue to be concerned about the data regarding China's reliance on prison labor to manufacture many of its exports. Since the early 1990's, in responses to charges that Chinese political prisoners were used to manufacture goods for export to the United States, the administration—through the Customs and State Department—began investigating these charges. Our Government signed a memorandum of understanding [MOU] with China in 1992 to facilitate inspection of Chinese prisons. And continued allegations of using prison labor led the administration to tighten procedures for investigations and visits under the memorandum. I am aware that Chinese cooperation in implementing the memorandum falls short of being satisfactory. But the administration is committed to fully enforce the terms of the agreement. Since the MOU took effect, U.S. Customs officials have made 58 referrals to the Chinese Ministry of Justice for further investigation. And according to the administration, Customs has obtained two prison labor-related convictions. I believe that continuing normal MFN for China will facilitate the enforcement of the MOU.

As a Member of Congress, I will vigilantly monitor the progress of human rights, workers' rights, and political democracy in China. I am deeply committed to these values. However, I do not believe that the resolution we are voting on today, is the proper arena to debate these issues; nor is revocation of MFN the most effective way to influencing internal Chinese policies. I believe that a more comprehensive approach will serve as a better means to bringing about a change in Chinese policy, particularly in terms of human rights. In America's dealings with China, history has shown that a more moderate approach is most effective.

Ms. JACKSON-LEE of Texas. Mr. Speaker, fellow colleagues, I rise in opposition to the resolution and in support of extending MFN treatment to China. The term MFN refers to the normal, nondiscriminatory tariff treatment that the United States provides to all its trading partners. It is the cornerstone of commercial relations between the United States and any foreign country. MFN status is not a concession and does not mean that China is getting preferable treatment. Rather, MFN status means that China and the United States grant each other the same—no less favorable—tariff treatment that they provide to other countries with MFN status. The United States provides special tariff preferences to a few selected trading partners under the NAFTA, United States-Israel Free Trade Agreement, Caribbean Basin Initiative, Andean Pact, and the Generalized System of Preferences program. Eligible imports from these countries enter the United States duty-free or are subject to duties lower than the MFN rate. China is not eligible for any form of preferential or special treatment. It is only getting the same type of treatment that we extend to other countries.

Terminating China's MFN status would seriously affect virtually all trade between the two countries, eliminate some of it, and result in higher prices for U.S. consumers and possible losses for U.S. exporters and lead to a significant downgrading of bilateral relations. Hence, carrying out a threat to terminate China's MFN status could significantly damage United States-China economic as well as political relations. The United States is the only country that conditions MFN status for China. If the United States terminated China's MFN status, it is highly doubtful United States allies would follow suit. Furthermore, American workers benefit most from an extension of most-favored-nation status for China. In 1996, United States exports to China were valued at $12 billion, and of almost 200 United States trading partners, China ranked 15th as an export market for American goods. If MFN were conditioned or withdrawn, the United States would unilaterally impose higher tariffs on Chinese goods, and Beijing would almost likely take its business elsewhere. Thus, because every 1 billion dollars' worth of exports creates approximately 19,000 jobs in the U.S., the loss of exports to China would put 228,000 American jobs directly at risk. Also, MFN revocation would increase tariffs on imports from China trade-weighted average of about 6 percent to an estimated 44 percent. MFN revocation, even accounting for changes in trade flows, will require U.S. consumers to pay upward of half-a-billion dollars more each year for goods such as shoes, clothing, and small appliances subject to increased tariffs. In addition, the costs of goods manufactured in the United States with Chinese components could increase, reducing the competitiveness of the finished goods.

I sympathize with the victims of the many atrocious practices that China has engaged with in the past. I also agree with the rationale of many of my colleagues who seek to revoke China's MFN status due to its human rights violations. However, revoking China's MFN status is too drastic and most likely would prove to be counterproductive.

I would like to remind my colleagues of an old maxim, "Judge not, that ye be not judged. For with what judgment ye judge, ye shall be judged: and with what measured ye mete, it shall be measured to you again."

If we want a more humane, China that shows respect for her own people, who are some of the most creative, artistic, brilliant people on this Earth, we had better be prepared to lead by first showing China what it takes to be a superpower. Power is not dictated by the ability to say no, most often it is the ability to say yes under the most difficult circumstances. We must pause to consider that the measure of the right of our social, political, and economic systems are far greater than the sum of all of our arguments regarding the atrocities in that distant land. By the sheer force of this country united under God we will teach, preach, and reach every corner of China with the messages and symbols that translate into over 200 years of success that the American experience has been.

MFN is not a reward; nor is it a special treatment that results in special trade privileges. MFN simply refers to the nondiscriminatory treatment of trading partners, which has long been a basic principle of international trade. While China clearly has violated numerous trade agreements in the past, the best way to secure Chinese compliance is to engage the Chinese Government, not isolate it.

Furthermore, the strongest case for keeping United States trade relations with China is made by Hong Kong and Taiwan's political and business leadership. They argue, if the United States breaks the trade tether to Beijing, it will undermine future economic and human rights for the Chinese people for years to come. Hong Kong's British Governor Chris Patten and prodemocracy leader Martin Lee have come out forcefully against using China's trade status as a way of showing United States displeasure with its human rights abuses. Chinese human rights leaders elsewhere are opposed to using trade as leverage against their country because they believe; First, it will not work, and second, stronger economic ties to the West and private-sector expansion will lead to an expanded middle class, greater political freedoms, and eventually a democratic system of government.

MFN status for China cannot be compared to the decision by the Congress to place sanctions on South Africa. South Africa's regime was based on a policy of discrimination based on race and race alone. In China the battle is of tolerance of thoughts and ideas, not of skin color or complexion.

We must consider that Hong Kong and Taiwan have been investing heavily in China's emerging capitalist system and they see increased United States trade ties as the linchpin in the dramatic economic changes going throughout the mainland. Now that historic transfer is at hand we should not abandon the people of Taiwan during this critical transition period.

Extension of MFN is an importnt step in preserving Hong Kong's prosperity and freedom. Today, the Chinese economy is the fastest growing in the world. While many Chinese remain poor peasants, few go hungry and hundreds of millions of Chinese have seen their lives substantially improved through economic reform. Many Chinese people enjoy greater material wealth and a greater degree of personal economic freedom. Market reform is the single most powerful force for positive change in China in this century and possibly in the

country's long history. In fact, economic reform has helped to lift hundreds of millions of hard-working people from desperate poverty, giving them choices and opportunities never available before. Thus, hundred of millions of hard-working people have access to information and contact with Western values through technologies spreading across the country, thanks to economic reform and the growth it created.

China has made good faith efforts to comply with the concerns of the United States. For example, in 1995, the United States reached a historic agreement with China on the enforcement of Intellectual Property Rights, particularly copyrights, trademarks, and improved market access for United States copyright industries ranging from computer software and motion pictures to publishing and sound recordings. China has also made commitments to strengthen the enforcement at its borders and to close plants engaged in piracy.

The people of Hong Kong strongly support a full one-year extension of MFN. If China loses MFN, Hong Kong would lose a colossal amount of business. United States economic growth in international trade would be halved and our unemployment would be doubled. Also, business confidence would be hit hard. If the United States is concerned about the handover, then the best thing is to assure the community by making sure that nothing happens to Hong Kong. The fundamental question for renewing MFN treatment to China is, if China's trade status were denied, would the impact in the long run be good or harmful for the Chinese and American people and, in particular, for improving China's human rights?

My fellow colleagues, I have debated long and hard over this issue, and while I do have reservations about providing MFN treatment to China while they continue to engage in abusive actions, I believe that the most efficient way to combat these abuses is to ensure that the grassroots of the Chinese population is exposed to Western ideals and financial stability. I urge my colleagues to vote in favor of extending MFN treatment to China.

Mr. VENTO. Mr. Speaker, I rise today in support of House Joint Resolution 79, and in opposition to the extension of most-favored-nation [MFN] status to China. The failure of current policies to yield significant improvements in Chinese behavior, both at home and abroad, signals the need for Congress to chart a new course. MFN may not be the ideal vehicle but it is the most powerful mechanism we have to move China into compliance with internationally accepted norms. The United States represents 40 percent of China's export market, an amount equal to 2 or 3 percent of its gross domestic product. U.S. markets and purchasing power are irreplaceable. Because trade is the only weapon in our arsenal that China still pays attention to, we must use our economic power and influence as leverage to positively impact Chinese behavior and to advance fundamental United States interests in China.

As the world's most populous country, China boasts one of the most rapidly growing markets in the entire world. Yet despite MFN status, China remains a dictatorial society governed by a Communist oligarchy hardly a monolith but China uniformly continues to deny market access to the majority of American goods and products. Countries that do not abide by universally accepted rules and regulations forfeit privileges and rights in the global trading arena. MFN would grant Chinese goods the normal level of access and protection afforded to members of the World Trade Organization [WTO]. With rights and privileges come responsibilities, particularly the need to abide by international norms. China's behavior—whether through the abuse of human rights or worker protections or through the erection of trade barriers—has indicated that it fails to merit a normal trading relationship with other members of the WTO. Regular trade with the United States is not the right of a nation that violates basic economic and human rights standards.

However, the numbers bear witness to the fact that our trading relationship with China is anything but normal or reciprocal. The average United States MFN tariff on Chinese goods is 3 percent while the average Chinese MFN tariff on United States goods is a staggering 35 percent. Granting MFN year after year has unfortunately produced no reciprocity in trade policy. It has however, produced an enormous trade deficit, that is on target to surpass our trade deficit with Japan sometime this year. China has argued that as a developing country it should be granted special exemptions and allowances; however, a developing country that registered a $40 billion trade surplus with the United States in 1996, should not be the recipient of such markedly underserved charity, especially in consideration of their total behavior.

China's one-way trade policy and the accelerating trade deficit highlight that the promise of future massive payoffs is a mirage. In 1996, the United States exported fewer goods to China than it did to relatively small markets such as Belgium and the Netherlands. Our exports are increasing at a more rapid rate in the stagnant economies of the European Union than they are in the dynamic Chinese economy. The situation in Japan has shown how difficult overcoming protectionist policies and reducing trade deficits can be. It is in our interest to avoid similar problems with China, which potentially will represent a far larger market than Japan.

America businesses are being forced to offer major concessions to Chinese state planners, often technology and investment, in order to gain access to potential Chinese customers. By supplying China with state-of-the-art technology, United States firms are shipping jobs overseas that would otherwise remain at home if China were to allow the unfettered entry of foreign goods. Through the extension of MFN we are exporting to China the capability to develop domestic industries establishing export platforms of what are today United States products will be sent around the world.

The technologies of American business partners, means that even the limited United States goods and products will be abandoned in favor of indigenous enterprises that are being made in China. Trade policy should be facilitating the export of goods, not jobs, and a fundamental message policymakers must bear in mind, is that the current trade phenomena threatens the job security of American workers and means that United States investment in China receive the safe harbor treatment, positive trade status insures and encourages yet more United States investment to the point that action to counter isn't possible.

All workers and members of Chinese society should equally share in the profits of economic growth in China. However, the reality is that the benefits are reserved for the few in order to suppress the freedoms of the many. Accordingly, human rights violations have actually increased—not decreased—since we have adopted the policy of constructive engagement. China continues to deliberately and consciously deny its citizens basic human rights. Virtually all dissidents are either in exile, in jail, or under house arrest. Workers still cannot form an employee union of their own choosing, nor undertake any legal action to challenge abysmal working conditions. Instead of investing in its people, the Chinese Government is using the added income from the burgeoning United States-China trade surplus to consolidate its stronghold on the diverse cultures of the Chinese people. China's $40 billion trade surplus has enabled the Government to increase national defense spending by 40 percent since 1990. As the United States and Russia are cutting military expenditures, China is pursuing efforts to purchase new generations of high-technology weaponry and exporting outside their borders to terrorist countries helping such as Iran to realize its dreams of nuclear capabilities. Only China has nuclear missiles aimed toward the United States, yet we continue to reward the Chinese Government committed to building military capabilities rather than individual liberties with MFN status.

In the race for the fabled profits of the Chinese market, we have cast away both United States national interests and principles. Trade policy without conscience has not satisfied the Chinese population's hunger for personal and civil liberties. There is no question that granting China MFN status will benefit larger American companies; however, it will adversely impact small businesses and accelerate the decline of the United States manufacturing base. United States economic and trade policy clearly is the ugly American theme revisited in China. And at home no amount of profit can replace a job lost or restore the damage done to U.S. communities. We need a trade strategy with China that balances the interests and values of companies, workers, families, and communities. We must solidify our commitment to upholding democracy and human rights and abandon policies that assume the interests of international corporations are identical to the U.S. national interest as a whole.

Many lament that trade policy alone will not bring about the changes sought that it is inadequate, but we must try to isolate and lead, unless the United States of America. The global leader is ready to led others will fall into our economic shadow of indifference.

Trade relations with China are so complex that they understandably defy easy solutions. In order to craft an effective and comprehensive trade policy with China, we need more options and flexibility than the yes/no decision being made today. Extending MFN for a year sends to China the dangerous signal of business as usual: That there are no consequences for irresponsible, inhumane, and

unfair behavior. Denial of MFN trade status is a dramatic step, on the other hand, could result in the reciprocal and humane treatment that past policies have failed to produce. The most effective way to forcefully advance United States interests and to embark upon a new era of United States-China relations is to vote "yes" on this resolution and not extend normal trade status to China and then back that up with action not rhetoric.

Mr. SKAGGS. Mr. Speaker, I want to see China change. I am tired of waiting for China to improve its human rights record, to stop repressing the people of Tibet, to allow civil liberties and public dissent, and to stop persecuting religious minorities. I'm deeply disturbed by China's arms sales to Pakistan and Iran. If I could, I would push a button, cast my vote, and make the Chinese Government change its ways.

So I understand the appeal of voting for this resolution. It would be very satisfying, for a few minutes, to feel that I did something, that the Congress did something, to make China change.

But I have to step back and ask whether revoking most-favored-nation [MFN] trading status to China would have the desired effect, and if not, what will. I don't think passing this resolution will make China change.

This cannot be just a one-sided debate. We must consider not only the areas where we have real and heartfelt disagreement with the Chinese Government's actions and policies, but also those often complex areas where Chinese cooperation with the United States has had and will have enormous consequences. And there are important areas where China has cooperated with us: Working with us to stop North Korea's nuclear weapons development; helping us in the U.N. Security Council on the war against Iraq and subsequent sanctions; and assisting United States efforts to implement the nuclear test ban and extend the nuclear nonproliferation treaty. In these areas, cooperation and engagement with China made all the difference in policies that are vital to our national security.

In just 1 week, Hong Kong will be transferred from British to Chinese sovereignty. We in the Congress have pressed China to live up to its promise of "one country, two systems" for Hong Kong. I have joined with other Members of Congress in calling on the Chinese Government to respect the political and economic freedom of the citizens of Hong Kong. Yet, once Hong Kong is under Chinese rule, trade with Hong Kong would also be subject to stiff tariff increases if MFN trading status is revoked. So, at the very time the Congress is pushing China to safeguard freedoms in Hong Kong, Congress would be undermining Hong Kong's independence and autonomy by severely damaging its economy. It's estimated that revoking MFN would cut Hong Kong's economic growth in half, reduce trade by $30 billion, and cost 85,000 Hong Kong workers their jobs—making Hong Kong dependent on the Chinese regime during this critical transition period.

I have long advocated improved human rights in China. After the 1989 massacre in Tiananmen Square, I organized a protest march of more than two dozen Members of Congress who walked across Washington from the United States Capitol to the Chinese Embassy, where we met with the Chinese Ambassador and presented in the strongest possible terms our views that the Chinese Government needed to change its ways.

I have also been very concerned about the persecution of Christians, and other religious minorities in China. Yet activists working to stop the persecution of Christians are of two minds on this issue. Many, including Rev. Billy Graham and a number of Chinese Christians, have said that they feel engagement with China is the better course.

Revoking MFN trading status means in effect that the United States would be imposing a huge unilateral increase in tariffs on Chinese goods. No other country is expected or likely to join us in raising tariffs, and that means revocation of MFN would be a unilateral economic sanction. Given the particular culture of the Chinese, I do not believe that this kind of sanction will be any more successful against China than unilateral trade sanctions have been against any other country. And many of our international competitors are quite ready to take over the United States share of the Chinese market.

The debate suffers from semantics, the misunderstandings of "most favored nation" as implying something special and concessionary. Actually, of course, "most favored nation" trading status is just "normal" trading status—it is the tariff schedule that applies to almost every other nation we trade with, even countries with human rights records far from our liking. There are only five countries to which we deny MFN status: Afghanistan, Cuba, Laos, North Korea, and Vietnam. Even the "rogue states" of Iran, Iraq, and Libya, although subject to other economic sanctions, are technically eligible for MFN. Countries like Syria or Indonesia, whose human rights records we often decry in the Congress, have MFN trading status.

Cutting off MFN status would mean that we would lose the opportunity to expose China to free market principles and values. I spoke recently with a constituent who has worked with Chinese mining companies. He told me that China has averaged 10,000 deaths per year in mining accidents. Yet to work with this American company meant that the Chinese had to accept American standards of worker safety that tolerate virtually no worker fatalities. This seems a most basic lesson—that workers should not have to risk their lives to earn a living. American business men and women, interacting with their Chinese counterparts, will be able to expose the Chinese to many such standards and principles. Over time, it will make a difference, not just in economics, but in human dignity and human rights.

The globalizing world economy and the revolution in information exchange and technology offers an unprecedented set of circumstances that will tend to push all but the most isolated of nations toward integration with the international community. To finance expanding trade, China needs foreign capital and investment. With that investment comes exposure to internationally recognized values and freedoms. With advances in information technology, such as the Internet, electronic mail, and fax machines—most of which are essential for doing business today—repressive governments like China's are fast losing their ability to control what people can read, learn, and think.

There are other, more positive, levers we can use to encourage China to loosen its repressive policies. One of those levers is Chinese accession to the World Trade Organization [WTO]. I expect our negotiators to drive a hard bargain for market access and improved business practices before we can agree to China joining the WTO, a body China feels is essential for its trade expansion policies.

Engagement will take time, and it is hard to be patient. It will take time for trade, investment, and foreign enterprise to break the iron grip the Chinese regime has over its people. But American trade, products, and most importantly exposure to American values and people carry the seeds of change. Ultimately, China cannot sustain the economic liberalization supporting its trade with the United States without seeing an inevitable erosion of its political isolation and its authoritarian regime.

Mr. PORTMAN. Mr. Speaker, I rise today in support of renewing most-favored-nation [MFN] trading status to China. MFN status is extended to virtually every country in the world and permits a normal trading relationship with China. There's nothing "special" or "favored" about MFN.

I believe that continuing this normal trading relationship is critical to advancing U.S. interests. First, of course, revoking MFN, would significantly raise tariffs on Chinese imports—costing United States consumers more of their hard earned money. Failure to extend MFN would also hurt our exports which has been steadily growing every year and support thousands of U.S. jobs. The Chinese would undoubtedly retaliate, putting our jobs and exports at risk. We would be giving our global competitors an open shot at the one of the world's biggest markets.

But even more important, if we are to disengage from China and walk away from the table, the very problems we have with China will worsen—especially in the important area of human rights.

Because we engage with China does not mean that we approve of its practices. As an example, I have grave concerns about its human rights record. But the question is how disengaging will help. Instead, we should want the Chinese to become increasingly familiar with American ideals through our contact with them.

Mr. Speaker, renewal of MFN has been supported by every President who has faced this issue, and is supported throughout Asia, including in Hong Kong, Taiwan, and Japan. I strongly urge my colleagues to oppose the disapproval resolution and support renewing most-favored-nation trading status to China. Simply put, continued engagement with China is the only way to help China become a constructive force for stability and prosperity in Asia, and advance important American interests.

Mr. BISHOP. Mr. Speaker, I rise today to support House Joint Resolution 79, disapproving most-favored-nation status for China. While I am an ardent supporter of free trade, and have voted consistently for continuation of MFN for China, my recent trip there has changed my position on this issue as it

provided me with first-hand information on what is really going on in China. I left that country with the overwhelming impression that the Chinese do not care what the United States thinks about their behavior. I have voted on four previous occasions to give China the benefit of the doubt about its intention to open its markets to United States businesses and farmers but the Chinese continue to thumb their noses at the United States. While I would like to support a policy aimed at opening markets and expanding trade, there has to be a level playing field for such a policy to work. Instead, China continues to raise artificial barriers and place high tariffs on American goods and commodities, including United States-grown peanuts. The trade deficit last year alone with China was $40 billion.

In addition, China's human rights record, particularly against Tibet and Taiwan, is abysmal. Along with its disregard for human rights, the Chinese strategically ignore numerous international treaties they have signed on arms proliferation. We have seen numerous well documented reports where China is selling highly sophisticated nuclear technology to Iran. Additionally, it continues to transfer advanced ballistic missile technology to Syria and Pakistan.

The business community genuinely hopes to influence positive change in China but I did not see that during my visit. There is no American-style democracy, free enterprise, or human rights. Rather, I saw a government that controlled every aspect of life. The Chinese consistently violate workers' rights with many workers laboring under slave-like conditions. American companies that wish to sell their products in China must locate production in that country and share ownership with the Chinese Government. We are currently transferring very sophisticated technology to China who hen turn around and use our technology against us.

It's time to send China a message by withholding MFN status for China. I would be derelict in my duty to ignore neglect, which I do not believe is benign neglect.

Each year when I voted for MFN for China I did it with the hope that this is the year the Chinese will pay some attention to our concerns more specifically, stop violating the provisions of the general agreement on tariffs and trade, and be shamed into improving its human rights record. Sadly, this has not been the case and I have no choice but in clear conscience to vote NO for MFN for China.

Mr. PAUL. Mr. Speaker, as a physician, I know that what, at first, might seem to be a cure for a particular ailment is, in actuality, not a cure at all. In fact, going with a gut reaction to prescribe a treatment can do more harm than the original ailment may have. The same can be true for matters of government. The initial reaction to a problem in society, or the world will often lead us to make a conclusion about a course of action. Unfortunately, that first reaction can be wrong, even though guided by the best of intentions.

We have such a case before us now. It is the dilemma of whether or not China should be granted the same trade relationship granted to almost every other nation of the world, a status misleadingly referred to as most favored nation, or MFN. We all know the charges: The Chinese Government violates basic human rights of its citizens, it is hostile towards Christianity, and its system of government runs contrary to our most fundamental beliefs, therefore MFN status should be denied. The initial reaction of our collective national psyche is to oppose MFN, to be tough, and say, "No way, no special deals for China." But is this the proper solution?

To clear up a misconception, MFN is not a special status at all. In fact, MFN status granted to a country simply means that U.S. citizens can trade with citizens of that nation without erection of extraordinary government barriers to entering our marketplace. Free trade is not something to be lightly dismissed. And MFN is nothing more than an attempt, albeit imperfect, to move towards free trade by lowering tariffs.

Eliminating MFN status for China does not hurt the Chinese Government. But it does hurt Americans in two ways. First, by imposing what is essentially a tax on our people. It is a tax because it is the American consumer who will pay higher prices on goods coming from China. This means higher prices on many items and not just items which come directly from China. If the tariffs on Chinese goods increase, people will be forced to find replacement products. As the demand for those products increase, so will prices of those goods.

The second means by which eliminating MFN status hurts Americans can be found in the reciprocal barriers China will likely erect. It will become much more difficult for farmers and businessmen in the United States to sell their products in China. Nearly every farmer and every agricultural group I have heard from supports MFN status for China.

But the critics of MFN for China do not address the free-trade aspect of the debate, or the very real cost eliminating MFN would impose upon the American people. Instead, they focus on the real persecution of religious minorities' often practiced by the government in China. And for that I defer to those who are on the ground in China: the missionaries.

According to Father Robert Sirico, a Paulist priest who recently discussed this topic on the Wall Street Journal's opinion page, Americans in China working to help the Chinese people are very frightened of what ending MFN might do to their efforts and the people to whom they minister. After all, ending MFN will not bring about the freedoms we hope China may confer upon its people, nor will ending MFN mean more religious freedom or fewer human rights violations. In fact, those working in China to bring about positive change fear only the worst if MFN is withdrawn.

"As commercial networks develop, Chinese business people are able to travel freely, and Chinese believers have more disposable income with which to support evangelistic endeavors," Sirico writes. Even worse, the missionaries have been reporting that "such action would endanger their status there, and possibly lead China to revoke their visas. It would severely limit opportunities to bring in * * * religious materials. These missionaries understand that commercial relations are a wonderfully liberating force that allow not only mutually beneficial trade but also cultural and religious exchanges."

And so the critical question remains: MFN, or no MFN? Idealogically, revoking MFN is a step in the wrong direction, a step away from free trade. It is equally clear that revoking MFN is harmful to our people, and likely to be harmful to the Chinese. The ones to suffer will be the very individuals we seek to help, not the powerful elite in Beijing.

I have long held that governments do not solve problems. Rather, governmental action often creates more problems than existed previously. It is the individual people who are able to bring about positive change in this world; it is individuals who solve problems. China's government is indeed a concern: for us and its people. But it is a problem we can only resolve by changing the hearts of the Chinese leaders. And whether we like it or not, the way we can do that is through trade with China.

By rushing quickly for the "pills" of government-enforced sanctions, we may have the best of intentions to cure the Chinese Government of its persecution of human rights. But unfortunately, those pills will only harm the patient. We must swallow our pride and admit that perhaps the best remedy is not the first solution.

It is only through the open dialogue of individuals that the Chinese Government will ever be convinced it is wrong. By closing the door now, when we have the opportunity to allow to grow the seeds of change which have been so firmly planted in China, we will be damning that nation's people to a return to their darker days.

We will lose the patient if we act hastily or imprudently and that cannot be the correct option. It is never an option when I have a patient on the operating table, and it cannot be an option when dealing with the situation in China.

Mr. CUNNINGHAM. Mr. Speaker, China is a rogue nation, ruled by totalitarians and Communists. It oppresses its people, and denies them basic freedoms and religious liberty. It fails to abide by standards of good citizenship in the community of nations. Its officials have been tied with attempts to influence the 1996 elections in the United States through contributions to the Democratic National Committee.

In this environment, now Congress must decide whether continuing or essentially canceling regular American commerce with China will advance or damage America's national interests. These interests include national security, human rights and religious liberty, and commerce and American jobs.

I take a back seat to no one as a defender of liberty, and as an opponent of communism and tyranny. I understand that this issue generates well-considered and strongly held opinions on all sides. I believe that the Clinton administration has badly mishandled our relationship with China, and that Congress has no choice but to fill the vacuum of leadership left by the President.

With very few measures have I so deeply struggled with determining the best course of action, and with identifying what is right and wrong for America. After having carefully considered all of the facts, and reviewed all of the notes and letters and calls from my constituents, I conclude that our best hope for progress of American national interests in China is best fulfilled by extending China's regular trade status, and taking further actions

that demonstrate a more robust American policy in that part of the world. I further conclude that blocking the renewal of MFN for China would damage America's national interests, in national security, human rights and religious freedoms, and American commerce and jobs.

History and recent experience tells us that MFN gives the United States some leverage to advance our interests in China—but not a great deal of leverage. But if we cancel MFN, America's small leverage will become zero leverage. And China will turn away from America, and have no incentive to heed any of America's desires and interests.

Let me first address the matter of American national security. Beijing has exhibited poor citizenship in the world. It tested missiles in the Taiwan Straits on the eve of free elections in Taiwan in 1996. It sold weapons and nuclear and other weapons materials to rogue terrorist nations. It attempted to expand its maritime presence in former United States military facilities, as in the case of COSCO at Long Beach Naval Station, and has effectively established beachheads at both ends of the strategically important Panama Canal through governmental industry subsidiaries. It smuggled AK–47 rifles into the United States, bound for Los Angeles street gangs. It increased its defense budget 40 percent over the past couple of years. In light of this current and emerging national security interest, it becomes clear that only by extending MFN for China can we hope to preserve the American interest and the American presence in China and East Asia. For this reason, several of our recent United States Secretaries of Defense have agreed to support continuing China's MFN status.

Having nearly lost my life fighting communism in Vietnam, this matter of what action best represents America's national security interests is a matter I take very seriously. I assure you that I am under no illusion that extending MFN for China will work miracles in the advancement of our national security. It will not.

But the penalty for terminating MFN for China is slightly greater than its reward. Terminating MFN with China simply drives the Beijing regime away from the United States, away from the community of law-abiding countries, into the arms of the world's terrorist nations.

Let me address the matter of human rights and religious liberty in China. Again, Beijing's record in this field is repugnant to the cause of freedom. The bill of particulars goes on and on. Beijing oppresses the Buddhist people of Tibet, and the Muslims of Xinjiang. It practices a population policy that includes forced abortions. It has detained, jailed, and killed its dissidents. It severely restricts the activities of Christians and other people of faith, and imprisons priests and ministers, and closes house churches that attempt to teach the Gospel free from the reach of the Beijing regime.

What action advances America's national interest in this area? Extending MFN continues the reach of Americans, through commerce and other outreach, into the lives of Chinese citizens. I recognize that the Christian Coalition and other United States family organizations strongly oppose extending MFN for China. But United States organizations that support Christian missionaries in China are supporting MFN for China. One of the titans of the Christian faith supports extending MFN trade status: Rev. Billy Graham. He says that "I am in favor of doing all we can to strengthen our relationship with China and its people. China is rapidly becoming one of the dominant economic and political powers in the world, and I believe it is far better for us to keep China as a friend than to treat it as an adversary."

Continuing MFN for China, again, does not work miracles for the people of China. Continuing it thus far has not freed opponents of China's communist government from prisons, according to the United States State Department. However, American commerce with China has given the Chinese people a taste of economic freedom, and economic freedom may pave a path toward more political and religious freedom.

Again, the penalty for terminating MFN for China exceeds its reward—particularly for China's oppressed people. If we terminate MFN for China, China will have no reason whatsoever to improve the human rights and religious freedom of its people, or to accommodate American visiting missionaries to China.

Last, I would like to address the matter of commerce and American jobs. Extending China's MFN status simply continues regular commerce with the world's most populous nation. Companies in San Diego engage in significant exports in China. Among these are Solar Turbines, power plants, Cubic, mass transit systems, Jet Products, manufacturing, and many others. Furthermore, many American jobs are dependent on imports from China. These include hundreds of thousands of retailers. And American consumers regularly purchase goods made in China.

Once again, the risks associated with terminating China's MFN status exceed their reward. If we terminate MFN for China, American jobs are endangered, and China will simply approach the employers of other nations to fulfill its market of 1.3 billion people.

Following the continuation of MFN for China, and the failures and vacillations of the Clinton administration's China policy, I believe Congress has a responsibility to exercise leadership in the United States relationship with the world's most populous country.

We can begin this by enacting the China Human Rights and Democracy Act, a measure soon to be introduced by Rep. JOHN EDWARD PORTER and others. Chairman PORTER formerly opposed China's MFN status, but is supporting it this year in hopes that we can make real progress in other areas. Chairman PORTER described this measure in today's Wall Street Journal to increase funding for Radio Free Asia and the Voice of America, expand democracy-building activities through the National Endowment for Democracy, require additional United States State Department report on human rights violations and political prisoners in China, and greater disclosure of Chinese companies' ties to the People's Liberation Army.

As we did with the USSR and Eastern Europe, we can blanket the Chinese people, and all freedom-loving peoples of Southeast Asia, with broadcasts about freedom and democracy in the outside World. We can also pursue other aggressive initiatives to stand tall and strong for freedom in East Asia—initiatives which thus far have not been part of the Clinton administration's weak American policy toward China.

Congress can and should take further action to send China powerful signals of our intention to advance our interests. The fiscal year 1998 national defense authorization includes the Hunter-Cunningham language from H.R. 1138, prohibiting the leasing of former U.S. military facilities to foreign state-owned enterprises. Specifically, this will block COSCO, the maritime arm of the communist Chinese regime in Beijing, from leasing a large beachhead at the former Long Beach Naval Station.

And the House has already voted to establish direct United States ties with Hong Kong, which reverts from British to Chinese control in just a few days.

Extending China's regular MFN trade status does not work miracles. We should extend MFN because it helps advance our national interests in China in freedom and religious liberty, in national security, and in commerce and jobs. We should extend China's MFN status because blocking MFN would hurt, not help, our national interests in China.

But we cannot stop there. Congress has a responsibility to take the sure and strong actions that implant backbone into United States-China relations, a spine that is thus far missing from the Clinton administration's own policy. We can act. And we will.

Mr. LIPINSKI. Mr. Speaker, I rise today in support of House Joint Resolution 79, a resolution to disapprove most-favored-nation [MFN] treatment to the People's Republic of China.

Our trade deficit with China in 1996 was $40 billion. By the end of 1997, the trade deficit is projected to be $53 billion, which averages out to the staggering sum of $1 billion a week. A large part of this is due to the fact that China charges American products with extremely high tariffs. For instance, China levies a 50 to 120 percent tariff on imported cars, a 50 percent tariff on imported athletic shoes, a 60 percent tariff on imported leather shoes, and a 40 percent tariff on imported toys. In all instances, United States tariffs on Chinese imports are substantially lower. China sells millions and millions of bikes in the United States, because we only levy a 11 percent tariff, while China charges us 50 percent. On average, the United States levies a tariff rate of 2 percent on Chinese goods. The Chinese have levies a 35 percent tariff rate on United States goods. We hear so much about free trade, but our trade relationship with China certainly isn't free, and it certainly isn't fair. It costs American jobs. It's just plain wrong for the American working men and women.

We constantly hear from China and the administration that trade and foreign policy should be separate issues. They should not be linked. That is a very interesting argument coming from China considering they are one of the most skilled practitioners of such a policy. They reward friends and punish enemies with economic carrots and sticks in the form of huge government contracts.

Moreover, the use of trade sanctions is not without precedent. It has been a vital component of U.S. foreign policy. We sanctioned the

Soviet Union by the restriction of technology transfers, denial of MFN under the Jackson-Vanik amendment, and embargoes on Soviet purchases of American wheat. We maintain a trade embargo against Cuba. We deny MFN to North Korea and Afghanistan. We will soon impose sanctions on Burma. Why should we treat China and different? The answer is that we shouldn't. We should treat China a totalitarian regime in every sense, as we have treated totalitarian regimes in the past. We must not coddle them. We must not appease them. We must not assist them.

Mr. Speaker, a vote for this resolution will be a vote for democracy it will be a vote for the ideals that founded this Republic. The ideals that make this Nation truly great. As the sole remaining superpower in the world, we must send a strong message to the totalitarian regime in Beijing that her actions will not be tolerated any longer. Enough is enough. I strongly urge my colleagues to support House Joint Resolution 79.

Mr. ROHRABACHER. Mr. Speaker, I am submitting for the RECORD an article by Frank Gaffney, executive director of the Center for Security Policy, that appeared in today's Washington Times, titled "Dealing with China." I believe that this insightful article should be read by all Members of Congress and American citizens who are concerned that the United States Government develop a comprehensive strategy to deter aggression by Communist China.

[From the Washington Times, June 24, 1997]

DEALING WITH CHINA

(By Frank Gaffney, Jr.)

As the House of Representatives prepares to vote on President Clinton's decision to renew Most Favored Nation (MFN) status for China, it is being flooded with free advice. Lobbyists representing firms doing business with the People's Republic—or hoping to do so—are aggressively warning Congress of the economic costs of failing to "re-up"; human rights and religious groups are emphasizing the costs in terms of freedom and religious tolerance for the Chinese people if the United States continues to turn a blind eye to Beijing's repressive policies.

Yesterday, five of the finest public servants I have had the privilege of knowing—Jeane Kirkpatrick, Jack Kemp, Lamar Alexander, Steve Forbes and Donald Rumsfeld—weighed in with their own take. Much of what they say should be done with respect to U.S. policy apart from the question of MFN I find compelling, as I am sure, will many members of Congress. I think we could agree, for example, that the following sorts of steps should be taken irrespective of one's views about renewing China's Most Favored Nation status:

Intensify efforts to provide truthful information and encouragement of those resisting communist repressing (including greatly expanding the operations of Radio Free Asia; enforcing the existing bans on importing slave-labor-produced goods; imposing penalties for religious intolerance, etc.). After all, how a nation treats its own people is a good indicator of how it is likely to deal with those of other states.

Such steps can help make clear that the United States is not an enemy of the Chinese people, but that it steadfastly opposes the totalitarian government that brutally rules them. It can also help undercut the nationalist xenophobia that the Chinese leadership promotes in its bid to retain power.

Deny front companies and banks associated with the People's Liberation Army and other inappropriate Chinese borrowing entities the opportunity to sell bonds in the U.S. market. This step can be taken in a non-disruptive fashion (for example, by creating a security-minded screening mechanism for these prospective bond issues) without fear of jeopardizing U.S. exports, jobs or "people-to-people" contacts unaffected by such cash transactions.

Block Chinese access to strategic facilities—in the United States and elsewhere in the Western Hemisphere, notably at the eastern and western ends of the Panama Canal.

Prohibit the sale of American military production facilities and equipment to China.

Terminate the "anything goes" policy with respect to the export of dual-use technology to Chinese end-users. In the interest of obtaining maximum pressure for change in China, U.S. allies should be offered the same choice they are currently given under the D'Amato legislation on Iran and Libya—foreign companies and nationals must decide whether to export militarily-sensitive equipment and technology to China or risk losing their unfettered access to the American marketplace.

Develop and deploy effective global missile defenses to counter China's own growing ballistic missile capabilities and those Beijing is transferring to rogue states like North Korea, Iran and Syria.

Rigorously enforce existing U.S. laws penalizing those who engage—as the Chinese government and its ostensibly private companies have been doing—in the proliferation of weapons of mass destruction and various menacing conventional arms.

And increase significantly the resources dedicated to uncovering and thwarting Chinese espionage, technology theft and influence operations in the United States.

Where I must respectfully disagree with my friends from Empower America, however, is about the reason why such steps are needed. They declare we "should not demonize China" and assert "there is no new Cold War, and China is not a new Cold War enemy." The truth is that the reversion of Hong Kong next week to communist control may prove to be the first battle lost by the force of freedom in a new and far more difficult phase of what Winston Churchill once called "the Twilight Struggle."

In any event, as noted in this space two weeks ago, it is not entirely up to us whether China becomes an enemy. The critically acclaimed book "The Coming Conflict with China" observes: "Before, Beijing saw American power as a strategic advantage for the PRC; now it has decided that American power represents a threat, not just to China's security but to China's plans to grow stronger and to play a paramount role in the affairs of Asia."

What is more, if it is true, strictly speaking, that "China is not a new Cold War enemy," it may not be good news. The level of engagement with China—the many billions of dollars in bilateral trade, the hundreds of PLA companies operating in this country, the tens of thousands of Chinese students and unknown numbers of Overseas Chinese with families still subject to Beijing's control—make the challenge of countering, let alone containing, the PRC infinitely more difficult that any we faced in dealing with the Soviet Union during the Cold War. We disregard or discount this problem at our peril.

The bottom line is the bottom line: The massive trade surpluses that MFN status is allowing the PRC to accrue are directly underwriting activities that will enable Beijing to become an even more formidable threat to the United States and American interests down the road. Despite its drawbacks, revoking China's Most Favored Nation status is the only measure now on the table that is fully responsive to this reality—and proportionate to the magnitude of the problem it presents.

Mr. MATSUI. Mr. Speaker, attached is a letter from the Business Council for United States-China Trade which I would like included in its entirety in the appropriate section of the CONGRESSIONAL RECORD.

BUSINESS COALITION FOR
U.S.-CHINA TRADE,
Washington, DC, June 23, 1997.

Hon. NEWT GINGRICH,
House of Representatives, Washington, DC.

DEAR MR. SPEAKER: We urge Congress and the President to work together on a bipartisan basis to renew China's MFN status for one-year without conditions. We strongly oppose legislation which would impose new conditions on MFN, impose targeted trade sanctions, or result in anything less than a full one-year extension of MFN, or otherwise disrupt U.S.-China commercial ties.

Unconditional renewal of China's MFN trading status is in America's interest. MFN is the cornerstone of stable U.S.-China commercial relations. It is also the foundation for continued dialogue and cooperation between the United States and China over such vital concerns as security, human rights, and Hong Kong's transition.

In the next century, America's prosperity will be even more closely tied to our leadership in international trade and the Asia-Pacific region.

China is the world's largest emerging market. It is at the center of a vibrant Asia-Pacific regional economy, which will support continued growth of American trade and jobs for decades to come.

In 1996, the United States sold over $14 billion of goods and services to China. U.S.-China trade already supports over 200,000 export-related jobs, as well as tens of thousands of jobs in American retail establishments, ports, services companies, and transportation firms. It ensures American consumers a wide choice of quality goods.

China is the sixth-largest market in the world for American agriculture, and has by far the most potential. in 1996, China bought over $3.6 billion of U.S. farm products, such as wheat, grains, vegetable oil, poultry, corn, soybeans, and meat.

American trade with China helps to promote values we cherish. Ending MFN would harm the very Chinese entrepreneurs and workers whose prosperity and jobs depend on trade and access to the outside world. China's private enterprises and joint ventures are beachheads of free enterprise, which have driven the sweeping economic and political reforms of the last decade. We should support, not isolate, the segments of Chinese society which offer the best hope for further progress toward greater freedom and the rule of law for all of China.

Revoking or conditioning MFN would be a devastating blow to Hong Kong, whose economy depends on its role as the economic gateway to China and as a financial and commercial center for companies doing business in Asia. The United States should strive to bolster confidence in Hong Kong and to maintain it as a vibrant model of entrepreneurial capitalism and political freedom, as it faces an historic reversion to Chinese sovereignty.

While renewal of MFN is an important task, an equally important challenge is continuing a fundamental restructuring of U.S-China commercial relations that is essential to open new markets for American products, subject China to the rules and disciplines of the World Trade Organization (WTO), and end the destructive annual battles over MFN renewal. We urge the Administration, in close consultation with Congress, to push ahead with negotiations over China's accession to the WTO under a commercially sound market access protocol which expands sales of American goods, services, and farm products; locks in free market reforms, and advances long-term economic and political change. We look forward to working with the Congressional leadership and the Administration to achieve all of these vital goals.

Sincerely,

A & C Trade Consultants, Inc., A & D Precision Manufacturing, Inc., A. Eddy Goldfarb & Associates, A.A.A. Aircraft Supply Co., Inc., A.N. Deringer, Inc., A.O. Smith Corporation, A-1 Signal Division, ABB, Inc., Abbotec Inc., Abbott Laboratories, ABC Companies, Inc., The, ACCEL Graphics, Inc., ACCEL Technologies, Inc., ACI Int'l, Acme Foundry, Acme-Monaco Corporation, Action Instruments Inc., Action Products International Inc., ACTS Testing Labs, Inc.

Adams Air & Hydraulics, Inc., Adaptec, Inc., ADC Technologies, Inc., Adidas America, Advanced Data Management, Inc., Advanced Hardware Architectures, AEA Credit Union, AEA International, Aerex Manufacturing Inc., Aero Comm Machining, Aero Gear Inc., Aero Machine Co., Inc., Aerochem, Inc., Aeroelectronics Incorporated, Aerospace Dynamics International, Inc., Aerospace Industries Association of America, Inc., Aerospace Manufacturing Corp., Aerospace Products, Aerospace Services & Products, AETNA, Inc., Agrifos, L.L.C., AIMCO, Air Capitol Plating Inc., Air Conditioning & Refrigeration Institute, Air Industries Corporation, Air Products and Chemicals, Inc., Air Structures, Inc., Aircraft Tool Inc., AirNet Communications Corp., AirSep Corporation, Akro Fire Guard, Albany International Corp., Albemarle China Corporation, ALCOA, Alcone Marketing Group, Alexander Doll Company, Inc., ALJO Precision Prod., Allen's Concrete, AlliedSignal Inc., AlliedSignal-General Aviation Avionics, AMCO Brokers & Forwarders, Inc., Amer-China Partners, Ltd., American Association of Exporters and Importers, American Association of Port Authorities, American Automobile Manufacturers Association.

American Building System Inc., The American Chamber of Commerce in Hong Kong, The American Chamber of Commerce in New Zealand, The American Chamber of Commerce in Singapore, The American Chamber of Commerce PRC in Beijing, American Commercial Lines, Inc., American Crop Protection Association, American Electronics Association, American Electronics Association—Texas Council, American Electronics Group, Inc., American Express Company, American Farm Bureau Federation, American Feed Industry Association, American Forest & Paper Association, American Home Products Corporation, The American Import Co./Taico Trading Corp., American International Foods, American International Group, Inc., American League for Exports and Security Assistance, American Pacific Enterprises, American Racing Custom Wheels, American River International, American Seed Trade Association, American Standard Companies, Inc., Ameritech International, Amersham Corporation, Ames Department Stores, Inc., AMF Bowling Products, AMI Metals Inc., Amicale Industries, Inc., AMOCO, Amoco Chemical, AMP Incorporated, AmPro Corp., AMS Industries Inc., AMT—The Association for Manufacturing Technology, Amway Corporation, Andreae, Vick & Associates, Anheuser-Busch Companies, Inc., Anjar Co., Anwo Machine and Tool Co. Inc., APL Limited, Apparel Unlimited, Inc., Apple Computer, Inc., Applied Materials, Inc.

Applix, Aquafine Corporation, Arcadia Supply Inc., ARCO, ARCO Chemical Company, Arizona Coalition for US/China Trade, Armstrong Global, Armstrong Holdings, Armstrong World Industries, Inc., ARR-MAZ Products, Arrow Electric, Inc, Arthur Andersen LLP, ASI Aerospace Group, Asian Strategies Group, Asset Intertech, Inc., Associated Company, Inc., Associated General Contractors of America, Associated Industries, Associated Industries of Missouri, Associated Merchandising Corporation, Association of American Railroads, Association of National Advertisers, Inc., AT & T, Athens Industries, Atlas Aero Corporation, Atsco Footwear Inc., Autozone, Avco Financial Services, Inc, AVO International, Avon Products Inc., Award Software International, Inc., B & B Machine & Tooling, B & F Sales Corp., B & J International Supply, B & S Steel of Kansas, Inc., B.G. Imaging Specialties, Inc., B.J. Rocca Jr. and Co., Babcock Mfg. Co., Bachmann Industries, Inc., Baker & Daniels, Bakery Crafts, BalcoMetalines, Ball Hortculture Company, Bank of America NT & SA, Bank of New York.

Bank of Oklahoma, Barbara Franklin Enterprises, Barbis International, Barringer Technologies, Inc., Barron Transworld Trading Ltd, Barton Solvents, Inc., Bartow Chamber of Commerce, Bartow Steel, Inc., BCI Engineering Group, Inc., BCI Engineers & Scientists, Bechtel Corp., Bedford Sportswear, Inc., Beijing Development Area (USA) Inc., Belkin Components, BellSouth Corporation, Benecor Honeycomb Corp., Benner China & Glassware, Inc., Bennett Importing, Inc., Berger & Eiss, Berger Company, Beta Shim Company, BFGoodrich Company, BGW Systems, Inc., Bien Internationale Corp., Bindicator Company, Bivar, Inc., BJG Electronics, Black & Veatch, The Blackstone Group, Blistex Inc., Blue Box Toys Inc., Boca Research, Inc, The Boeing Company, Boston Technologies, Inc., Boullian Aviation Services, BP America, BP Chemicals Inc., Bradbury Co., Inc., Bradford Novelty Co., Inc., Bradlees, Inc., Bradley Machine, Inc., Brass Key, Inc., Braun Intertec Corporation, Breslow Morrison Terzian & Assoc., Brimms Inc.

Brisa, Inc., Bristol-Myers Squibb Company, Brooklyn Chinese-American Association, Brooklyn Goes Global, Brown Group, Inc., Budd Company, The, Budney Industries, Inc., Bunge Corporation, Burlington Northern & Santa Fe Railway, Burnett Contracting & Drilling Co., Inc., Burnham Products, Burson-Marsteller, Burton Co., Business Research Institute, Inc., Buxton Co., C.J. Bridges Railroad Contractor, Inc., Cactus Mat Manufacturing, Co., Cadaco, Inc., Caleb Corporation, California Chamber of Commerce, California Instruments Corp., California Mop Mfg. Co., California Portland Cement Company, California R&D Center, California Sunshine Inc., Caltex Petroleum Corp., Cambridge Specialty Company, Cange & Associates International, Capital Region World Trade Council, Capps Machines, Inc., Capstone Electronics Corp., Carco Electronics, Cardinal Industries, Inc., Career Explorers, Inc., Cargill Fertilizer, Inc., Cargill Flour Milling, Cargill, Inc., Carl Cox & Associates, Inc., Carrier Corporation, Catalina Lighting, Inc., Caterpillar Inc., CBIA, CDI Corporation Midwest, Cedar Rapids Chamber of Commerce, Celestaire, Inc.

CENEX, Inc., Center Industries Corp., Centigram Communications, Central Purchasing Inc., Century Bank, Cerion Technologies, Cessna Aircraft Company, CF Industries, Inc., Chaco International, Chance Industries, Charles Engineering, Inc., Charming Shoppes, Inc., The Chase Manhattan Corporation, Chemical Manufacturers Association, Chemifax, Division of Namico, Inc., Chevron Corporation, Chicago Council on Foreign Relations, China Books & Periodicals, Inc., China Human Resources Group, China Products North America, Inc., China Trade Development Corp., Chrysler Corporation, Chubb & Son, Inc., Chubb Corporation, The, CIGNA Corporation, CIT Group/Commercial Services, Inc., Citicorp/Citibank, Citifor Inc., Citizens for a Sound Economy, Claire's Stores Inc., CLARCOR, Clark Companies, N.A., The, Clark Manufacturing, Claude Mann & Associates, Inc., Cliffstar Associates, Inc., Coastal Corporation, The, Coastal Power Company, Coastcom, Cobra Electronics Corporation, Coca-Cola Company, The, Coffeyville Sektam, Inc., Coiltronics, Inc., Cole Haan, Coleman Company, Inc.

Collum International, Inc., Colorworks, Columbia 300 Incorporated, Columbus McKinnon Corporation, COMET INT'L, Commercial Bank of San Francisco, Commonwealth Toy & Novelty, Compaq Computer Corporation, Compressed Air Products, Inc., Computalog, Computer & Communications Industry Association (CCIA), Computing Devices International, Comtech Communications, ConAgra, Inc., Concept Resources, Inc., Concurrent Computer Corp., Conductive Rubber Technology, Inc., CONECT-Coalition of New England Companies, CONMED Corporation, Connections International, Conoco, Consolidated Industries Inc., Consumers for World Trade, Continental Grain Company, Continental Machine Inc., Continental-Agra Equipment, Inc., Contour Aerospace Inc., Coopers & Lybrand L.L.P., Corning Incorporated, Corporation for International Trade, Cox Machine, Inc.,

CPC International Inc., Creative Computer Solutions, Inc., Creative Production Resources, Crowley Sales & Export Inc., Crown Cork & Seal Co., Inc., CSX Corporation, CTL Distribution, Inc., Cubic Corp., Cutter & Buck, Cyberkom, Dale C. Rossman, Inc., Darling Abrasive & Tool Co., Data Instruments, Inc., Dataforth Corp.

Davis Wright Tremaine, De La Rue Giori, Decora Industries Inc., Deere & Company, DEKALB Genetics, Delagar Division Belcam, Inc., Delson International, Inc., Des Moines Chamber of Commerce, Dexter Aerospace Materials Division, DeYoung Mfg., Inc., DF Corporation, Diamond V Mills, Digital Equipment Corporation, Digital Recorders, Digital Transmission Systems, Inc., DIGIVISION, Diversified Computer Remarketing, Dixon Area Chamber of Commerce, D-J Engineering, Dodge City Chamber of Commerce, Don's Leather Cleaning, Inc., Doron Precision Systems, Inc., Dover Technologies, Dow Chemical Co., The Dow Corning Corporation, Dowty Aerospace, Dresser Industries, Inc., DS Technologies, Inc., DSC Communications Corp., DSP Technology, Inc., DuPont, Duracell, Dynamic Systems, Inc., E & O Mari, Inc., E.E. International, E.S.T. International, Easter Unlimited/Fun World, Eastern Sea Consulting, Eastman Chemical Company, Eastman Export Corporation, Eastman Kodak Company, EBM Tours, Eck & Eck Machine Co., Inc., Ecology and Environment, Inc., Economy Forms Corp.

Econo-Power International Corp., EDAWN, Edelman Public Relations, Eden, LLC, Edison Electric Institute, EDS, Educational Design, Inc., Educational Hindsights, Inc., Edutainment for Kids, Inc., Efratom Time & Frequency Products, Inc., Eikon Strategies, Inc., Elan-Polo, Inc., Electro Scientific Industries, Inc., Electromedical Products International, Inc., Electronic Industries Association, Elkay Plastics Co., Inc., Ellanef Manufacturing Corporation, Ellicott International, Elliot Kastle, Inc., Ellsworth Adhesive Systems, Emergency Committee for American Trade, Emerson Electric (Asia) Ltd., Emerson Electric Co., Empire Industries, Inc., Endgate Corp., Endicott Johnson Corporation, Energy-Onix Broadcast Equipment Co., Enertech, Engineered Machine Tool Co., Enron Corp., Enron Oil & Gas, Inc., Epperson & Company, Essex Group, Inc., ETEC Systems, Inc., Excel Manufacturing, Inc., Executive Aircraft, Expeditors International, The Exporter, EXXESS Electronics, Exxon Corporation, F.H Kaysing, Family Dollar Stores Incorporated, Farmland Hydro, L.P., Farmland Industries, Inc., Fastenair Corporation.

FaxTrieve, Inc., Federal-Mogul Corporation, The Fertilizer Institute, Feuz MFG, Inc., Fiberite Inc., Fieldcrest Cannon, Inc., Fiesta, Fife Florida Electric Supply, Inc., Fila-USA Inc., Firstar Banks, Fisher-Price, Inc., Fleet Bank, Fleet Street Ltd., Flight Safety International—Cessna, Flight Safety International—Raytheon, Flight Safety International—Learjet, Florida Handling Systems, Inc., Florida Phosphate Council, Florida-China Trade Task Force, Fluke Corporation, Fluor Corporation, FMC Corporation, FMI, Inc., Footstar, Inc., Ford Motor Company, Forte Cashmere Co., Inc., ForTrade International, Foster Design, Foster Pepper & Shfelman, Foster Wheeler Energy International, Inc., Four Dimensions, Inc., Four Star Distribution, The Foxboro Company, FPA Customs Brokers, Inc., Frank Russell Company, Freeport-McMoRan, Inc., Fulfillment Systems International, Funopolis, Gaines Metzler Kriner & Co., Galamba Metals, Galoob Toys, Inc., GAYLA Industries, Inc., Gaymar Industries, Inc., GEC Precision Corporation, Genecar International, Inc.

Genemed Biotechnologies, Inc., Genemed Synthesis, Inc., General DataComm Industries, Inc., General Electric Company, General Motors Corporation, Genesco Inc., Georgia-Pacific Corporation, Gillette Company, The, Global Business Systems, Global Group, Globe Engineering, GM Nameplate, Inc., Goldsmiths, Goodyear Tire & Rubber Company, The, Grand Imports, Inc., Granny's Kitchens, LTD., Grant Thorton, Granton Shoo Imports, Graphic Controls Corporation, Graybar Electric, Great American Incentives, Great Lake Group, The, Great Plains Industries, Great Plains Manufacturing, Great Plains Ventures, Greater Austin Chamber of Commerce, Greater Bristol Chamber of Commerce, Greater Dallas Chamber of Commerce, Greater Hartford Chamber of Commerce, Greater Kansas City Chamber of Commerce, Greater North Dakota Association, Greater Philadelphia Chamber of Commerce, Greater Plant City Chamber of Commerce, Greater Topeka Chamber of Commerce, Greater Waterbury Chamber of Commerce, Greenfield Industries, Greer Auto, Grocery Manufacturers of America, Inc., GT Sales & Manufacturing, GTE Corporation, Guardian Industries Corp., Guerra Press, The, Guess Leather—Jones New York Leather—Avanti, Gund, Inc., H&H Tool.

H.O. Mohr Research & Engineering, Inc., Haight, Gardner, Poor and Havens, Halliburton Co., Halliburton Energy Services, Hallmark Cards, Inc., Hallum Tooling, Inc., Hamilton Standard, Hannay Reels, Inc., Hard Manufacturing Co., Inc., Harlow Aircraft Manufacturing, Harris Corporation, Harry B. Gudsley & Associates, Harry Sello & Associates, Harsco Corporation, Hartford Despatch Int'l, Harwood Capital Incorporated, Hasbro Interactive, Hasbro, Inc., Havens Steel Company, Heart to Heart International, Hedstrom Corporation, HEICO Corporation, Heilig-Meyers Company, Hermach Machine, Inc., Hewlett-Packard Company, Hill's Pet Nutrition, Inc., Hills & Company, HiRel Labs, Hirsch Pipe & Supply, HMS Productions, Inc., Hoechst Corporation, Holland Pump Manufacturing, Inc., Honeywell Asia Pacific, Honeywell Inc., Hong Kong City Toys, The Hongkong and Shanghai Banking Corporation Limited, Horton International Inc., Howden Fan Company, The, HSQ Technology, Hub Tool & Supply, Hudson Pump and Equipment Associates, Inc., Hughes Electronics, Hydroform USA, Inc., HYI, I&J Machine Tool Company.

Ibberson Inc., IBM Corporation, Ice Holdings, Inc., IES Industries, Inc., Illinois Beef Association, Illinois Coalition to Support US-China Commercial Relations, Illinois Farm Bureau, Illinois Manufacturer's Association, Illinois Pork Producers, Illinois State Chamber of Commerce, Imaging and Sensing Technology, Inc., IMC Global Inc., IMC Global Operations Inc., IMC Kalium, IMC-Agrico Company, IMCO Recycling Inc., IMPAC International, Imperial Toy Corporation, Indoor Air Professionals, Inc., Inductor Supply, Inc., INET Corporation, Infinity Financial Technology, Inc,. Ingersoll-Rand Company, Innotec Group Inc., Innovative USA, Inc., Integrity Technology Corporation, Intel Corporation, Intelidata, Interex, Inc., Interface Consulting International, Inc., Inter-Global Inc., Intermetrics, Inc., International Business Development, International Components Corp., International Dairy Foods Association, International Development Planners, International Mass Retail Association, International Paper, International Trade Services, Inc., Inter-Pacific Corporation, Intertrade Ltd., Intool Incorporated, Intrust Bank, Iowa Association of Business & Industry, Iowa Beef Packers.

Iowa Business Council, Iowa Department of Economic Development, ITT Corporation, ITT Industries, J.F. Fredericks Tool Co., Inc., J.H. Ham Engineering, Inc., J.R. Custom Metal Products, Jacobs Engineering Group, Inc., Jacobs Vehicle Systems, Jade Enterprises, Inc., Jamestown Container Companies, Jamie Brooke, Inc., Janco Corp., Janex Corporation, JBC International, Jenoptik Infab InTrak, Inc., Jensen Technology Development, Inc., Jerry Eisner Co., Inc., Jewett Refrigerator Co., Inc., John Hancock Financial Services, John Weitzel, Inc., Johnson & Johnson, Johnson and Higgins, Jones and Company, Inc., Joseph Krow Fur and Leather Co., J-Tec Associates, Juans (USA) Corp., Juno Industries, Inc., K.Swiss, Kagie/Newell Inc., Kaifa Technology, Inc., Kairos Consultants, Kaman Aerospace Corporation, Kamen Wiping Materials, Kane Industries Corp., Kansas Association for Small Business, Kansas Chamber of Commerce & Industry, Kansas City, KS Chamber of Commerce, Kansas Dry Stripping, Inc., Kansas Farm Bureau, Kansas Livestock Association, Kansas Plating, Inc., Kansas World Trade Center, Kasper Machine Company, Kavinoky & Cook, LLP.

Kent Audio Visual, Kimoto & Company, Custom Brokers, Kingsbury, Inc., Kirk's Suede Life, Inc., Kmart Corporation, KMG Too & Machine Company, Knipp Equipment, Knowledge Universe, L.L. C., KOA Speer Electronics, Inc., Koch Industries, Koch Materials, Kohler Co., Koogier & Assoc. Environmental Services, KPI/Heurikon Corp., Kraft Foods, Inc., K-Sport, Ltd., L & M Enterprises, L & S Machine Co., LD Supply, Inc., LA Gear, Inc., Laird Ltd., Lamar Electro-Air, Lampton Welding Supply Company, Latin American Pacific Trade Association, Leach International Corporation, Leading Edge Concepts Inc., Learjet, Learning Curve International, Leather Apparel Association, Inc., Leathercraft Process, Leawood Export Finance, Inc., Ledford Machine-Gage Labz, LeFebure Corp., Leon Cohen Sales, Inc., Leonard's Metal, Inc., LGB of America, Liberty Classics, Inc., Liberty International,

Licata Associates, Inc., Liquidynamics, Inc., Liz Claiborne, Inc., LJO, Inc., L-M International, LOBOB LABORATORIES, Inc., Lockheed Martin.

Logical Services, Inc., Louis Dreyfus Corporation, Louis Lau AsianInfo Holdings, Lucent Technologies, Lucid Corp., Luis Alvear, Lyons Manufacturing Co., M. Hidary & Co., Inc., M.A. Hanna Company, Maersk Inc., Maisto International, Inc., Malichi International, Ltd., Mallinckrodt Inc., Mans & Mans Machine & Tool Co., Manufacturing Development, Inc., Manufacturing Tool & Supply, Manzella Productions, Inc., Marco Polo, MarketSource Direct, Mary Kay Inc., Matrix Integrated Systems, Mattel, Inc., Maurer Metalcraft Inc., Maury Microwave Corporation, Maytag Corporation, McDermott, Inc./Babcock & Wilcox, McDonald Construction Corporation, McDonnell Douglas Corporation, McFerrin Engineering & Manufacturing Company, McGinty Machine Company, The McGraw-Hill Companies, Inc., MCI, McStarlite Co., McWilliams Forge Company, Measurement Specialties, Inc., Medexel, Inc., Medtronic, Inc., Meeks & Sheppard, Meldisco A. Footstar Company, Melloor-Puritan-Bennett Corporation, Memorial Health System, Merck & Co., Inc., Meredith Corporation, Meritus Industries, Inc., Metal Forming, Inc.

Methode Electronics, Metholatum Company, The, Metratek, MetroBank, Metropolitan Milwaukee Association of Commerce, Metropolitan Tulsa Chamber of Commerce, Mezzullo & McCandlish, Miami Valley Marketing Group, Inc., Michigan-China Coalition, Michigan Retailers Association, Microscan Systems, Inc., Microscript Corp., Mid-America International Trade Services, Mid-America Overseas, Mid-America, International Agri-Trade Council, MidAmerican Energy Corp., Mid-Central Manufacturing, Inc., Mid-Continent Fire & Safety, Middle East Rug Corporation, Midwest of Cannon Falls, Inc., Midwest Plastic Supply, Inc., Mighty Star, Inc., Milford Fabricating Company, Inc., Milling Precision Tool, Inc., Mine & Mill Supply Co., Minnesota Agri-Growth Council, Inc., Mires Machine Company, Mize & Company, Mobil Corporation, Monde Group, L.L.C., Monitor Aerospace Corporation, Monogram Aerospace Fasteners, Monogram Sanitation, Monsanto, Motor & Equipment Manufacturers Association, Motorola, Inc., Moy, Cheung and Company, MRS Technology, Inc., MTS Systems Corp., Mulberry Corporation, Mulberry Motor Parts, Inc., Mulberry Railcar Repair Co., Multipoint Networks, Inc., Mustang International Groups, Inc., Mutual Travel.

MVE, Inc., Nadel & Sons Toy Corp., Naico, Nantucket Distributing Co., Inc., National Association of Manufacturers, National Association of Purchasing Managers, National Concrete Masonry Association, National Foreign Trade Council, National Grain and Feed Association, National Institute for World Trade, National Marine Manufacturers Association, National Oilseed Processors Association, National Plastics Color, National Retail Federation, Nations Bank, Natural Science Industries, NBBJ, NCAI, NDE, Inc., Network Computing Devices, Inc., New England Financial Group, New Planet Sourcing, New York City Partnership and Chamber of Commerce, New York for US-China Trade, Newman Government Services, NextWave Design Automation, Niagara Lubricant, Nike, Inc., Nikko America, Inc., Nimbus Water Systems Inc., Nintendo of America Inc., Noon International, Norand Corporation, NORBIC, Nordstrom, Inc., Norman Krieger, Inc., Norris Education Innovations, Inc., Nortel, North American Export Grain Association, Inc., Northrop Grumman Corporation, Northwest Horticultural Council, Norwest Banks, Nottingham Co., Nuclear Energy Institute, NuDimensions.

Number Nine Visual Technology, Nylint Corporation, O'Keefe's Incorporated, Occidental Chemical Corporation, Octel Communications, Octus, Inc., ODS Networks, Inc., Off Shore Consulting, Ohio Alliance for U.S.-China Trade, The Ohio Art Company, Olem Shoe Corp., Open Engineering, Inc., Optek Technology, Inc., Optical Coating Lab, Optima Technologies Group, Inc., Oracle Corporation, OrCAD, Inc., The Oriental Rug Importers Association, Inc., Oshman & Sons, Otis Elevator Company, Otis McAllistar, Inc., Outboard Marine Corporation, Overhead Door Company, Overland Park Chamber of Commerce P.T. Express International Inc., PAC AM INTERNATIONAL, PACCAR Inc., The Pacific Basin Economic Council, U.S. Member Committee, Pacific Market International, Pacific Northwest Advisors, Pacific Rim Resources, Inc. PackAir AirFreight, Inc. PASCO scientific, Paul Davril Inc., Payless ShoeSource, Inc., PCI Newco, PCS Phosphate—White Springs, Pella Corporation, PEPBOYS, PepsiCo, Inc., J.C. Penney Co., Inc., Petroleum Equipment Suppliers Association, Pfizer Inc, Pharmacia & Upjohn, Philip Morris International Inc.

Philips Electronics, Phillips Petroleum Company, Phoschem Supply Co., PhRMA, Phsio-Control Corp. Pic'n Pay Stores, Inc., Pico Design Inc./Motorola, Pillowtex Corporation, Pioneer Balloon Company, Pioneer Hi-bred International, Inc., Pizza Hut, Plastic Fabricating Co., Plastic-View A.T.C., Playing Mantis,Play-Tech Inc., Plesh Industries, Inc., Polaroid Corporation, Polk Equipment Company, Inc., Polk Pump and Irrigation Co., Inc., Pollard Dental products, Inc., Polotec, Inc., Poolmaster Inc., Port of Houston Authority, Port of Seattle, Port of Tacoma, Portman Holdings, Portman Overseas, Post Glover Resistors, Power Link, Inc., Power Process Controls, PPG Industries Asia/Pacific Ltd., PPG Industries, Inc., Praegitzer Industries, Inc., Pratt & Whitney, Precious Kinds/Activatoys, Precision Filters, Inc., Precision Machining, Inc., Precision Products, Inc., Precision Profiling, Inc., Preco Industries, Pressman Toy Corp., Price Brothers Company, Price Waterhouse LLP, The Principal Financial Group, Printronix, Inc.

The Pro Trade Group, Processed Plastic Company, The Procter & Gamble Company, Professional Machine & Tool, Progressive, Inc., Pro-Mill Company, PTX-Petronix, Inc., Pulizzi Engineering, Inc., Puritan Industries, Inc., Puritan-Bennett Aerospace Systems, Quaker Oats Company, Quality Petroleum Corporation, Quality Tech Metals, QUANTUM DYNAMICS, Inc., QuickLogic Corp., Quinnipiac Chamber of Commerce, R. Dennis & Associates, R.A. Hanson Company, Inc., R.A. Lalli Company, Raco Machine, Inc., Rae Manufacturing Inc., Ragen & Cromwell, P.S., Rainfairn, Inc., Ralee Eng. Co., Ray World Trading, Ltd., Raytek Corp., Raytheon Aircraft Company, RB International, The Reader's Digest Association, Inc., Recognition Systems, Inc., Recoton Corporation, Recreation Vehicle Products, Reebok International, Reed Sportswear Manufacturing Co., Reeves International, Inc., Regal Plastics Company, Reliable Manufacturing Inc., Reliance Metalcenter, RENDER, Revell-Monogram, Inc., RF Group, Inc., Richard Manufacturing Company Inc., Richmont, Riggs Tool Company, Inc., Right Stuff, Inc.

RJM2 LTD, RNS Healthcare Consultants, Inc., Roanoke Companies, Inc., The, Robinson Fans Florida, Inc., ROCKPORT, Rockwell, Rockwell Collins, Inc., Rohm and Haas Company, Rolls-Royce North America Inc., Roof Coatings Manufacturers Association, Roundhouse Products, Inc., RRE Investors, LLC, RSI, Inc., Rubber & Accessories, Inc., Russ Berrie & Co., Inc., RxL Pulitzer, Ryan International Airplines, S.M.S. Group Incorporated, S.R.M. Co., Inc., S.R.M. Toys, Ltd., Saitek Industries, Salant Corporation, Saline Area Chamber of Commerce, Samsonite, Santana Ltd., Sauder Custom Fabrication, Inc., The Savings Bank of Rockville, Saxony Sportswear Co., Scarbroughs, Schenker International, Schottenstein Stores Corporation, Scientific Technologies, Inc., Scope Imports, Seafirst Bank, Sea-Land Service, Inc., Sears, Roebuck & Co., Securities Industry Association, Security Chain Co., Sellers Tractor Co., Semiconductor Industry Association, Sensormatic Electronic Corp., Separation & Recovery Systems, Integration, Service Merchandise Co., Inc., Shamash and Sons, Inc., Shanghai Industrial Consultant, Inc.

Shelcore Toys, Shelter Bay Leathers, Inc., Shoe Corporation of America, Shonac Corporation, Shultz Steel Company, Siebe Environment Controls, Siemans Corporation, Siemens Medical Systems, Inc., Sierra Machinery, Inc., Sierra Semiconductor Corp., SIFCO Industries, Inc., SigmsTron International, Inc., Sijo Enterprises, Inc., Sikorsky Aircraft Corporation, Silicon Graphics, Simco Electronics, Simmons and Simmons, Simmons Machine Tool Corporation, Skarda Equipment Co., Skyway Luggage Company, SLJ Retail LLC, SmarTrunk Systems, Inc., Soletek, Corp., Solid State Measurements, Inc., Soundprints (TMC), Southern Tier World Commerce Association, Southwest Manufacturing, Southwest Paper Co., Specialty Tool Company, Spectrum Associates Inc., SpeedFarm International Inc., Sperry Sun Drilling Services, Sporting Goods Manufacturers Association, Standard Parts & Equipment, Star Cutter Company, StarBase, Starbucks Coffee International, Starter-Galt Sand Co., State Fish Co., Stearman Aircraft Products Corporation, Sterling International, Sterling Machine Company Inc., Stern International, Inc., Stetron International, Inc., Stratedge Corp.

Stride Rite Corporation, The, Stride Tool, Inc., Strippit, Inc., Strombecker Corporation, Summit Financial Strategies, Sun Microsystems, Inc., Sundstrand Corporation, Sundstrand Fluid Handling Corp., Sunkist Growers, Sunshine Metals, Superior Boiler Works, Inc., Superior Coatings, Inc., Sutlu Imports Int'l Inc., Sweepster Inc., Sy Quest Technology, Inc., Symbios Logic, T.L.I. International Corporation, Talarian, Tampa Armature Works Inc., Tampa Electric, Tampa Port Authority, Taplin Design Group, Inc., Target Stores, TD Materials, Inc., Team Concepts North America, Ltd., Technitrol, Inc., Ted L. Rausch Co., Tegal Corp., Tektronix, Inc., Teleglobe International, Telemind Capital Corporation, TeleProcessing Products Inc., Temcor, TENNECO, Tennessee Association of Business, Tens Machine Co., Inc., Terra-Mar Resource Information Service, Texaco, Texas Association of Business & Chambers of Commerce, Texas Coalition for U.S.-China Commercial Relations, Texas Farm Bureau, Texas instruments Incorporated, Textron Inc., 3-G Inernational, Inc., 3M Company

Thornley & Pitt, Inc., Three Way Pattern, Inc., Tierney Metals, Time Warner Inc., The Timken Company, TMR Materials Co., Inc., Toledo Area International Trade Association (TAITA), Tomy America, Inc., Tone Commander Systems, Topline Imports, Inc., Toy Manufacturers of America, Toys 'R' Us, Inc., Tradehome Shoe Stores, Inc., Tramco, Inc., Transammonia, Inc., Trans-Ocean Import Co., Inc., Trans-Phos, Inc., Triangle Coatings, Inc., Trident Microsystems, TRIG, Trio Machine, TRW Inc., TSC Engineering Co., TSI, Inc., Tube Sales, Inc., Tucker MFG., Turner Electric Works, Twin Cities Airports Task Force, Tyco Preschool Inc., U.S. Agri-Chemicals Corp., U.S. Association of Importers of Textiles and Apparel (USA–ITA), U.S. Bank, U.S. Chamber of Commerce, U.S. Council for International Business, U.S.-China Industrial Exchange, Inc., U.S.-China People's Friendship Association, UNC Aerostructures, Uncle Milton Industries, Inc., UNIAX Corp., Union Camp Corporation, Union Carbide Asia Ltd., Unirex, Inc., Unisource, Unisys Corporation, United Airlines, United Machine Co., United Parcel Service, United Silicon, Inc., United States Council for International Business, United Technologies Corporation, Unitek Miyachi Corp., Universal Marketing Group, Unocal Corporation, US Export, Inc., US Trade Center, US Trading and Investment Company, US West, Inc., US-China Business Council, V7S Corporation, Valve Manufacturers Association, Varian Associates, Vector Corp., Vector Products Inc., Venture Search, Vermillion, Inc., Viewlogic Systems, Inc., Virco Mfg. Inc., Vtech (OEM), Inc., Vtech Industries, LLC, VXI Electronics, WACCO, Wacker Sitronic Corp., Wagman Construction, Inc., Warner-Lambert Corporation, Washington Council on International Trade, Washington Public Ports Association, Washington State China Relations Council, Water Magic International, Watkins-Johnson Company, The Weathervane, Weaver Manufacturing, The Westchester City, NY County Chamber of Commerce, Western Bank/Bellevue, Western Resources, Westinghouse Electric Corporation, Westvaco, Weyerhaeuser Company, Whirlpool Asia, Inc., Whirlpool Corporation, White Cap International, Whittaker Aerospace, Wichita Area Chamber of Commerce, Wichita Machine Products, Wichita Tool, Wichita Wranglers, Wicon International Ltd., Wilcox Brothers Sign Co., William Kent International, Wind River Systems, Inc., Windmere-Durable Holdings, Inc., Wm. F. Hurst Co., Inc., Wm. Wrigley Jr. Company, Woolworth Overseas Corp., World Association of Children and Parents (WACAP), World Trade Center Denver, World Trade Council, Worldports Inc., Worldwide Contacts Connections Contracts, Xerox Corporation, XILINX, Inc., YES! Entertainment Corporation, Zak, Incorporated, ZB Industries, Inc., Zellweger Analytics, Inc., Zycad Corp., Zymed Laboratories, Inc.

Ms. DELAURO. Mr. Speaker, we are considering the important matter of whether the United States should extend China's most-favored-nation trading status.

I want to build a strong relationship between the United States and China—a relationship under which American businesses and workers can prosper, a relationship which will encourage China to embrace international norms and human rights. But the MFN status China enjoys has done little to build a strong mutually beneficial relationship between our two nations.

Under MFN, China has engaged in unfair trade practices, pirated intellectual property, spread weapons and dangerous technology to rogue nations, suppressed democracy, encroached on democratic reforms in Hong Kong, and engaged in human rights abuses. Many sing the praises of MFN, but as we consider this issue, we must focus on the facts.

China has gladly profited from MFN while continually flaunting international agreements and standards of conduct. China sends one-third of its exports to the United States while only 1.7 percent of American exports can crack the Chinese market. The result: We now have a $40 billion trade deficit with China which is expected to reach a staggering $50 billion by the end of this year.

And this trade deficit will not go away as long as China rigs its laws to block goods from the United States. Chinese goods enter our country at an average tariff rate of 2 percent while our exports face an average tariff of 35 percent. Worse, China extorts technology and expertise from American firms as the price of doing business in China.

Congress has limited means to address our many and serious concerns regarding China. But China's exports to the United States of more than $50 billion per year give us leverage that we must use to further American interests—interests affecting trade, foreign policy, and American workers.

The United States must not give China a pass on the tough issues. We need to use our trade laws to pressure China for greater access for American companies and goods. We need to take action when China knowingly aids in the proliferation of weapons and weapons technology. And we need to take steps to shield American workers from unfair and inhumane prison labor.

I am voting against MFN for China because we need to let China and our trade leaders know that more of the same from China is not acceptable. If our Government wants support for free trade, then it must insist on fair and equal standards and compliance with our trade laws. When that happens there will be broader support for MFN.

Mr. BALLENGER. Once again, Mr. Speaker we find ourselves debating the renewal of most-favored-nation status for the People's Republic of China. It has become an annual exercise, one that exposes the deep division in our Nation over our relationship with the most populous nation in the world.

I am reluctantly going to vote against the resolution of disapproval, House Joint Resolution 79, authored by my esteemed colleague from New York, Mr. SOLOMON. I am reluctant because China is governed by an authoritarian regime which represses its people and brutally cracks down on dissent. I, like so many of my colleagues, want to take action to force China to change, to become democratic and to ensure that all the people of that nation have the opportunity to participate fully in economic social, political, and religious freedom. But, how do we accomplish this? Will terminating MFN status achieve these ends? I must reluctantly conclude that it will not.

I believe that the United States can do more to advance the cause of human rights and foster religious, economic and political freedom if we continue to engage the Chinese in economic cooperation. Social freedoms—like freedom of religion—are a direct result of economic liberalization. If we remove all of China's trade privileges, we are not only isolating that country, but we are losing any opportunity to improve human rights there. Let's not forget that many of the students that took to Tiennamen Square to protest against their Government were educated in the United States. Termination of MFN status would curtail the education of Chinese students in the United States and thus hinder future democratization in China.

I also believe that by terminating MFN we will hurt the American worker and consumer. Perhaps as much as $9 billion in United States exports to China might be affected by removing MFN privileges. In one company alone in my congressional district, 500 jobs would be at risk.

However, we must continue to pursue human rights in China and around the globe as an important foreign policy objective. Currently, some of my colleagues are drafting positive steps to influence more directly the domestic situation in China. An expansion of Radio Free Asia and other democracy-building efforts in China are among United States policy options. In addition, Congress is discussing the restriction of visas for Chinese nationals involved in Human rights violations and/or arms proliferation. It is my belief that these aggressive efforts to promote human rights are more likely to encourage constructive change in China.

Mr. Speaker, we must stay engaged with China to effect the economic and political situation there. Terminating MFN status will only be a useless gesture that will hurt the American worker. I urge my colleagues to vote down House Joint Resolution 79.

Mr. PACKARD. Mr. Speaker, I rise today in support of an issue that is of grave importance to me and to our Nation as a whole—most-favored-nation [MFN] status for China. Continuing normalized relations with China is not an affirmation of their record on human rights. It is, however, our best hope of maintaining a channel of democratic ideals and principles of freedom to China's citizens. Ending MFN would be a terrible loss for those fighting for freedoms in China.

If MFN were revoked, manufactured goods from China would be subject to high tariffs upon entering the United States, possibly triggering a retaliatory response. If we close our door, they will close theirs. That means American farmers and manufacturers will pay the price. For every product we sell, there is a supplier in Europe or Asia that can quickly pick up our discarded opportunities. We would literally be handing our global markets to our competitors.

Mr. Speaker, there has been a lot of speculation concerning the possible repression of freedom in Hong Kong when China reclaims its authority. I too am concerned and will be watching closely. But I am hopeful that Hong Kong's free and prosperous economy will actually further market reforms in mainland China. Revoking MFN now would be tragic for Hong Kong and would destroy any hopes for positive results.

Democratic and Western values often ride on the heels of American goods and products. Cutting our economic ties with China would turn the clock back and strengthen the hands of extreme nationalists and those who wish to repress freedoms. I strongly encourage all of my colleagues to support the continuation of MFN status for China.

Mrs. MINK of Hawaii. Mr. Speaker, I rise today to oppose the renewal of the most-favored-nation [MFN] trade status of the People's Republic of China because China continues to deny the greater part of its citizenry the most basic human rights; engages in the worst kinds of religious, political, and ethnic persecution; bullies neighboring countries; and undermines international stability by exporting missiles and nuclear technology to some of the world's leading rogue nations.

Every year, we are told that MFN promotes continued economic growth and human rights in the People's Republic of China. While MFN has helped China expand its economy, and improve the living standards of a relatively small number of its citizens, I believe it is an absolute leap of faith to argue that China's economic growth has benefited the vast majority of its 1.4 billion citizens who continue to be denied—sometimes forcibly—the freedom to think, speak, read, worship, and vote as they wish.

I simply cannot agree with those who argue that MFN will one day—some day—result in improved human rights in China as the Government of that vast nation continues to violate human rights on a massive scale.

For example, the people of Tibet have been subject to especially harsh treatment by the Chinese Government. Why? Because their culture and religion are inseparable from the movement that seeks full Tibetan freedom from China—a movement that has been brutally suppressed by the Chinese Government since the late 1940's, when armed Chinese forces drove the Dalai Lama, the head of Tibet's ancient theocracy, into exile.

Since then, the Chinese Government has stepped up its efforts to discredit the Dalai Lama as well as its campaign to eradicate the ancient culture and traditions of Tibet. In May 1994, a new ban on the possession and display of photographs of the Dalai Lama, resulted in a raid of monasteries in which Buddhists priests were brutally beaten by Chinese military personnel.

The child recognized by the Dalai Lama, but rejected by the Chinese Government, as the Pansen Lama, the second highest individual in the Tibetan Buddhist hierarchy, is currently being held in "protective custody" by Chinese authorities.

Since 1996, all religious institutions in China must register with the state. The failure to do so results in the closure of such institutions—or worse. For example, Human Rights Watch—Asia reports that unofficial Protestant and Catholic communities have been harassed, with congregants arrested, fined, sentenced, and beaten.

The sad fact is that after two decades after the United States and China normalized relations, China has persisted—no, insisted—on following policies that threaten to make it an increasingly disruptive force among the family of nations. China's continuing and growing practice of selling advanced weapons and nuclear technology to Iran, Iraq, and other rogue nations is already a threat to world peace.

Supporters of continued MFN for China argue that continued economic development in China will lead inevitably to a more open Chinese society and polity. Unfortunately, the current Chinese leadership seems willing and able to delay what MFN proponents insist is the inevitable.

It should be remembered that like China today, the old South Africa had a growing economy, a growing—albeit racially limited—middle class, a significant United States business presence, and a repressive government. And, just like the arguments supporting continued and increased trade with China, it was argued that continued and increased United States trade with the old South Africa would bring about the economic, social, and political reforms that would inevitably force the South African Government to dismantle apartheid—the policy of segregation and economic and political discrimination against non-European groups.

As we all know, the Government of the old South Africa continued—in fact, stepped up—its campaign of repression and terror, including kidnaping, torture, jailing, and murder, to maintain apartheid until 1987—that is, the year the Western World finally lost patience with the promises of progress made by the South African Government.

Just as constructive engagement failed to reform the old South Africa, continued MFN will fail to reform China. Because I believe only the strongest trade sanctions, including a worldwide trade embargo on China, will encourage China's leaders to change the policies that promise to transform China into the world's leading rogue nation, I will continue to work to suspend China's MFN status.

Mr. COYNE. Mr. Speaker, I rise in support of House Joint Resolution 79, the resolution of disapproval and against most-favored-nation status for China.

The Country Reports on Human Rights Practices for 1996 issued by the Department of State states that: "The Government—of China—continues to commit widespread and well-documented human rights abuses in violation of internationally accepted norms, stemming," among other reasons from "* * * the absence or inadequacy of laws protecting basic freedoms." And the report continues: "No dissidents were known to be active at year's end."

Every year when MFN is before the Congress for renewal we are told that it is only through engagement with China that conditions will improve and every year the State Department's report seems to indicate that conditions, engagement to the contrary notwithstanding, have changed little.

Further, the United States' trade deficit with China was close to $40 billion in 1996. And it is only recently and with an absence of enthusiasm that the Government of China has moved to protect the intellectual property rights of United States citizens. Also, the Chinese markets are not entirely open to United States exports and trade barriers prohibit the full flow of trade.

In summary, continued human rights violations, failure to protect intellectual property rights, and failure to permit United States goods greater access to China's markets leads me to conclude that renewal of MFN for China at this time is not warranted.

Mr. POMEROY. Mr. Speaker, I rise in opposition to House Joint Resolution 79, a resolution to revoke most-favored-nation [MFN] for the People's Republic of China.

First, it is important to be clear about the terms of this debate so it is well understood what is proposed by this resolution. Most-favored-nation is not preferential treatment, rather, it is the normal trade status that the United States extends to all but eight nations in the world. Revocation of MFN, on the other hand, is not the withdrawal of special trade concessions but the imposition of economic sanctions that would potentially sever our ties with the world's most populous nation.

With that understanding, we can have an honest debate about whether employing unilateral sanctions and ending our trade relationship with China will bring about the changes in Chinese behavior that we all wish to see—greater respect for human rights, adherence to trade agreements, and support for nonproliferation controls. In my view, revoking MFN in an attempt to isolate China is highly unlikely to induce positive change in China and is certain to harm United States economic and strategic interests.

Since China's opening to the West in the late 1970's, the political and economic conditions of the Chinese people have improved significantly. Through trade and contact with American business partners, individuals and communities in China, especially in the coastal regions, have gained substantial freedom from central government planners in Beijing. Severing those contacts would reverse that progress and have the effect of increasing Beijing's authority over the lives of the Chinese people.

Mr. Speaker, not only would revoking MFN fail to advance human rights in China, it would

seriously injure United States economic interests. I am especially concerned about the effect revoking MFN would have American agriculture. China is expected to account for 37 percent of future growth in United States agriculture exports, making it the most important growth market for United States commodities. In last year's farm bill, Congress eliminated the safety net and told family farmers they would have to earn their income solely from the marketplace. It would be unfair to the farmers in my State and around the country to now close down perhaps their most important export market.

Mr. Speaker, I ask my colleagues to join me in advancing the interest of both the people of the United States and the people of China by opposing the resolution and continuing normal trade relations with China.

Mr. BARRETT of Nebraska. Mr. Speaker, I rise in strong opposition to this resolution which would end normal trade relations with China.

Trade with China is about trading goods and trading ideas—ideas of religious freedom, free speech, and a free-market economy. Ending trade means an end to this exchange of ideas, and an end to the freedoms we hope the Chinese people may one day have.

While the biggest losers of ending trade with China may be the Chinese people, we here at home also stand to lose. And this is so clearly illustrated in agriculture trade.

We will lose our sixth biggest agriculture export market and $2.6 billion in annual trade. Our farmers here at home would lose more than $4 billion in income in the next 3 years. While we would have to work doubly hard to expand our markets elsewhere, the average Chinese citzens would end up having to pay a higher price at the store for food.

And that's what this debate is about today—how can we help improve the living conditions of the average Chinese citizen. We can cease trade, cease our exchange of ideas and know that the practioners of abhorrent human rights abuses will use this vote as an excuse to further punish supporters of trade with America.

Or we can stand tall and know that trade with China is the biggest opportunity we have to move China in the direction we want. I encourage my colleagues to vote against this misguided resolution.

Mr. MARKEY. Mr. Speaker, I wish to convey my strong support for the disapproval of most-favored-nation status for China.

Six days from now, China will gain considerable strength nationally and internationally with the inclusion of Hong Kong. By approving most-favored-nation status, we will be using the power of the United States of America to condone their misbehavior not only in China, but its extension into Hong Kong as well. Let's just review China's record.

First on nonproliferation, in the 1980's, we received information that China was covertly assisting Pakistan's shadowy nuclear program. China promised it would mend its ways, and in return we signed a Nuclear Cooperation Agreement in 1985—an agreement which has never been implemented throughout its 12 year existence because no U.S. President has ever been able to certify that China is being a responsible member of the international nonproliferation community.

In the 1980's, the Chinese National Nuclear Corporation secretly built a nuclear reactor in Algeria. After a multitude of denials, China finally admitted its involvement in the reactor construction—only after aerial photographs identified it in 1991. Another lie exposed.

In 1994, after China had signed the Nuclear Nonproliferation Treaty, press reports indicated that the Chinese National Nuclear Corporation was building a secret military reactor in Pakistan, as well as two reactors and a uranium facility in Iran. More promises broken.

In 1996, the transfer of 5,000 ring magnets from the Chinese National Nuclear Cooperation to Pakistan for use in a uranium enrichment facility was leaked to the press. China promised that it wouldn't do it again, and the Clinton adminsitration chose to believe those promises, despite the years of deception that should have called the nature of China's assurances into question.

In the area of missile proliferation, a press report published just last week described a new short-range missile being developed by Iran with the help of technology and assistance from the China Precision Engineering Institute New Technology Corporation. China has been selling M–11 missiles to Pakistan for 5 years, according to a June 30 article in Time magazine, and recent satellite photos indicate that not only are missiles being transferred, but that an entire missile factory is being built. This latest information comes after the all too familiar series of promises Beijing made in 1994 not to do it anymore.

Years of lies, years of broken promises—what we have here is a proliferation pathology. China is as hooked on selling weapons of mass destruction as an alcoholic is to his scotch. We need to prescribe the appropriate therapy, and as with alcoholism, it will take more than a 12-step self-help program at a proliferators anonymous group. The alcoholic will first promise to cut down on his drinking. When he gets caught, he'll make the same promise. If he keeps getting caught, he'll up the ante and promise to stop cold turkey. When does the alcoholic really stop drinking? When an intervention take place. When his family and friends tell him that they will no longer support, accept, or tolerate his behavior, and he is forced to confront his addiction honestly in order to regain their love and trust. Mr. Speaker, what we need to do with China is undertake a proliferation intervention.

On trade, every year we are told that renewing China's most-favored-nation status would help reduce our trade deficit with China; however, we have seen that trade deficit rise from $2.8 billion in 1987 to $39.5 billion in 1997.

Supporters claim that MFN is normal trade relations. These so-called normal relations produce a 2-percent tariff on Chinese goods, but the Chinese levy a 35-percent average tariff rate on United States goods.

In 1996, Chinese piracy of United States intellectual property cost our economy over $2.3 billion.

The Chinese have continually used this status to their advantage, including the most recent development of Chinese military owned business' selling enormous amounts of goods to the United States, all because we allow it.

These normal trade relations produce nothing but negative effects on our economy, and we can no longer stand idly by and let our country move further into debt.

Finally on human rights, we have an obligation to promote human rights throughout the world. To support China in its practice of suppressing democracy, and encouraging slave labor would be a contradiction of everything our country stands for.

The State Department Country Report on Human Rights from this year states that the Chinese Government continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence or inadequacy of laws protecting basic freedoms.

Mr. Speaker, we can not continue to support the abhorrent practices in China, economically or abstractly.

We are told to wait and see what happens when Hong Kong changes hands, but the players have already moved to centerfield. Already the hand picked legislature for Hong Kong has given the police broad new powers to ban even peaceful demonstrations, and any group wishing to hold a protest march or rally must get prior approval from the police.

Granting MFN status to China now would be like buying your 16-year-old a Porshe for flunking out of high school. It only reinforces bad behavior and leads to big trouble down the road.

China is speeding up down the runway, ready to take off with Hong Kong. There is no justification for renewing China's most-favored-nation status until they have proven to abide by international standards and practices. We should not be handing them MFN on a silver platter, they must earn it.

Every year on the day after we grant China MFN status, the Chinese Government votes to grant the United States MFN for most-foolish-nation status for being duped again on nonproliferation, trade, and human rights.

Mr. Speaker, I rise in opposition to granting China most-favored-nation status.

Back in the 1980's, we received information that China was covertly assisting Pakistan's shadowy nuclear program. China promised it would mend its ways, and in return we signed a nuclear cooperation agreement in 1985—an agreement which has never been implemented throughout its 12 years existence because no United States President has ever been able to certify that China is being a responsible member of the international nonproliferation community.

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In 1996, the transfer of 5,000 ring magnets from the Chinese National Nuclear Cooperation to Pakistan for use in a uranium enrichment facility was leaked to the press. China promised that it wouldn't do it again, and the

Clinton administration chose to believe those promises, despite the years of deception that should have called the nature of China's assurances into question.

In the area of missile proliferation, a press report published just last week described a new short-range missile being developed by Iran with the help of technology and assistance from the China Precision Engineering Institute New Technology Corporation. China has been selling M–11 missiles to Pakistan for 5 years, according to a June 30 article in Time magazine, and recent satellite photos indicate that not only are missiles being transferred, but that an entire missile factory is being built. This latest information comes after the all too familiar series of promises Beijing made in 1994 not to do it anymore.

Years of lies, years of broken promises—what we have here is a proliferation pathology. China is as hooked on selling weapons of mass destruction as an alcoholic is to his scotch. We need to prescribe the appropriate therapy, and as with alcoholism, it will take more than a 12 step self-help program at a proliferators anonymous group. The alcoholic will first promise to cut down on his drinking. When he gets caught, he'll make the same promise. If he keeps getting caught, he'll up the ante and promise to stop cold turkey. When does the alcoholic really stop drinking? When an intervention takes place. When his family and friends tell him that they will no longer support, accept, or tolerate his behavior, and he is forced to confront his addiction honestly in order to regain their love and trust.

Mr. Speaker, what we need to do with China is undertake a proliferation intervention. We need to exercise some tough love, and tell China that we have had enough of the empty assurances and broken promises. Let's get China onto the nonproliferation wagon—vote to revoke MFN status.

Mr. COSTELLO. Mr. Speaker, I rise today in support of the resolution to disapprove most-favored-nation status for China. Last year, I opposed efforts to grant this privilege to China, and following a trip I made to China earlier this year, I continue to have reservations about extending this status.

Since the 1989 Tiananmen Square massacre, concern in Congress about the United States-China relationship has focused on three areas: China's violations of our trade agreements, proliferation of weapons of mass destruction, and human rights abuses. During last year's debates on China MFN status, a resolution was passed urging the appropriate House committees to hold hearings and offer recommendations on these areas. While congressional hearings and commissions have met and many reports been issued, in each of these areas where Chinese violations have occurred, it is clear that our national policies of constructive engagement have failed. In fact, there has been marked deterioration, not improvement, under recent policies.

Looking from the economic perspective, the United States deficit with China has steeply climbed from $3 billion at the time of the Tiananmen Square massacre in 1989 to over $50 billion projected for 1997. Less than 2 percent of United States exports are allowed into China, while over 33 percent of China's exports come into the United States. China's high tariffs and nontariff barriers limit access to the Chinese market for most United States goods and services and violate the GATT agreement. We must take action to assure that from the economic standpoint we have a level playing field.

Second, I am concerned about Chinese efforts to transfer nuclear, advance missile, chemical, and biological weapons technology to nations like Iran and nonsafeguarded nations like Pakistan. China is the largest nuclear power in the world and the only nation which produces long-range nuclear missiles. The United States spends billions to promote Middle East peace, and Iran is a threat to that peace. We cannot continue to ignore China's transfer of dangerous technology to that region. Such activity threatens to destabilize not only our Nation but other regions of the world.

Most importantly, human rights issues continue to concern me. The State Department's most recent issue of the Country Reports on Human Rights reveal that Chinese authorities have increased efforts to curtail public protests or criticism of the government. There has been increased persecution of evangelical Protestants and Roman Catholics in China who choose to worship independently of the government-controlled church. In addition, officials there ruthlessly enforce laws limiting families to having one child. It is well-documented that individuals who gave birth to a second child there experienced loss of job or government benefits, fines and in some cases forced sterilization. The freedoms we often take for granted in America are what makes this Nation such a wonderful place to live. As a national policy, I do not support offering economic incentives to a nation which discourages and disallows the freedom for individuals to express themselves.

Our Nation has a responsibility to use its leverage to act on behalf of fairness and must insist on a reciprocal relationship with China. It is my strong desire that once and for all these three issues can be addressed so that both countries can have a satisfactory trade relationship. However, this will not happen by once again overlooking the serious problems that are occurring in China. A recent poll by *Business Week* magazine shows that 67 percent of the American people oppose MFN for China. Let's do what the American people want and deny MFN status for China.

Mr. METCALF. Mr. Speaker, today I will cast one of the most difficult votes during my tenure in Congress when I vote to grant most-favored-nation status to China. "Most-favored-nation status" is a misnomer, the vote is actually whether or not to continue a normal trading relationship with China.

There are many reasons to deny even a normal trading relationship with China. The lack of respect for the sanctity of human life, the lack of free speech or assembly, and the targeting and persecution of Christians are all good reasons to deny a normal trading status.

But there is another side. To stop trade with China will further isolate and remove any pressure the United States has to improve their system. The vote on a normal trading status with China is a decision that will dictate how the United States chooses to support and help bring the citizens of China out of the oppressive world they are born into and show them the light of democracy. It is a decision that will affect the stability of Asia for the foreseeable future. This decision is a choice between supporting the economic miracles in Taiwan and Hong Kong or walk away from the situation entirely. It is a decision to protect American jobs in Puget Sound or threaten their very existence.

I will cast my vote in favor of a normal trade relationship with China for many reasons including the ones detailed below.

WASHINGTON STATE

Washington State is the most trade dependent State in the United States. Recent studies have concluded that 1 out of every 4 jobs in Washington State are dependent on trade. In fact, trade between Washington State and China represented over 20 percent of the total trade between the two countries. The economic well being and continued growth of the State economy are closely linked to a continuation of trade with China.

Mr. Speaker, over 30,000 employees work in my district for the Boeing Co. Many on this floor have targeted the Boeing Co. as a reason to deny MFN from China. In a letter that I requested from Boeing asking the hard questions about the welfare of American workers in Puget Sound, I was informed that in this year alone over $1 billion in contracts for American-made Boeing aircraft have been solidified with China. Further, 70 percent of all commercial sales of Boeing aircraft are sold overseas.

However, impressively over 85 percent on average of the contents of these aircraft are from the United States and they are all assembled in the Puget Sound region. These are impressive statistics and I intend to follow through on these numbers—and Mr. Speaker, I include the letter for the RECORD.

RELIGIOUS FREEDOM

Finally, religious freedom demands the continuation of a normal trade relationship. China is guilty of the persecution of Christians and I condemn their behavior. However, to walk away from the success that Christian missions have enjoyed in China will not help curb this practice. The Reverend Billy Graham has stated that he is "in favor of doing all we can to strengthen our relationship with China and its people." He continues, "nations respond to friendship just as much as people do."

The China Service Coordinating Office, an organization that represents more than one hundred Christian organizations in China believes that the revocation of MFN will threaten Christian outreach to the mainland. I must look to those missionaries who are carrying out their Christian ministry every day on the ground, in the trenches and trust they understand what is best for the persecuted Christian minority in China. They support the continuation of a normal trading relationship with China.

OUR FUTURE RELATIONSHIP WITH CHINA

The United States of America must pursue a new policy with China. In order to effect real change, we must end this yearly debate on a normal trading relationship and pursue a pragmatic policy that reacts swiftly and certainly against Chinese infractions against its citizens and the global community.

We must enact legislation to prohibit business with Chinese companies tied to the Chinese Red Army. We must deny visas to

human rights abusers in China to enter the United States. We must increase funding to democratic institutions dedicated to bringing the message of democracy to the Chinese people. We must react swiftly to any violation of trade agreements by enacting targeted sanctions against China. Only through bringing about change such as these will we support real change in China.

THE BOEING COMPANY,
Arlington, VA, June 20, 1997.

Hon. JACK METCALF,
Longworth House Office Building, U.S. House of Representatives, Washington, DC.

DEAR CONGRESSMAN METCALF: I want to take the opportunity to respond to your recent inquiry concerning the Boeing Company and how our relationship with China affects jobs at our Everett, Washington facility.

We are an American company with a global presence competing in a global market. We sell our products worldwide and support hundreds of thousands of American aerospace jobs. Today, about 70% of our sales are international. In the future, $3 out of every $4 we make will be from customers outside the United States.

The Boeing Company considers China to be the single most important international market for commercial airplane sales in the next 20 years. China has need for about 1,900 new airplanes, valued at $124 billion. This year alone we've signed orders for over a billion dollars worth of airplanes to China, including five 777s and two 747s—all made at our Everett facility.

We have 32,000 employees working in Everett, including engineers, machinists, pilots and technicians. Their jobs are dependent on our ability to sell airplanes. The Boeing Commercial Airplane Group also has approximately 5,000 U.S. suppliers who help contribute to building our airplanes. A small percentage of our suppliers are located outside the United States, including six in China.

While Chinese suppliers are responsible for a portion of the work done by our international suppliers, the majority of the work on our airplanes occurs here in the United States. In fact, 86% of the dollar value (parts, tools and labor) of Boeing commercial aircraft in 1996 was provided by Boeing and U.S. aerospace suppliers.

It is important to note that Boeing will retain the key engineering, design and product-integration expertise that has made us the world's leading producer of commercial jetliners. We will not transfer any technologies or core competencies that would help a supplier become a competitor.

A stable relationship between China and the United States will directly affect our ability to sell airplanes in China—which in turn affects jobs at Boeing.

Beyond jobs, trade is a powerful force for human progress, representing the free exchange of goods, services and ideas. MFN extension will help to assure that we can remain engaged and competitive in China, and will also lay the groundwork for concluding World Trade Organization (WTO) negotiations that will help lock in China's economic reform process, improve the rule of law and improve market access for U.S. workers and farmers. In our view, trade is the best tool we have for promoting American values in China.

I want to thank you for the opportunity to address some of your questions, and your continued interest and efforts on behalf of the Boeing Company and its employees.

Sincerely,

CHRISTOPHER W. HANSEN,
Vice President,
U.S. Government Affairs.

Mr. CONDIT. Mr. Speaker, I rise today to cast my vote against most-favored-nation trade status for China. We have hoped that a policy of trade engagement with China would lend to greater democracy in China and greater responsibility from the Chinese government. It has not.

China's human rights record leaves much to be desired. There is clear evidence of persecution of religious belief, persecution of the people of Tibet, use of prison labor, and a restricted press. Additionally, our dialogue and willingness to engage China in trade has made no discernible impact in the area of human rights.

China continues to engage in predatory trade practices that have led to our $40 billion trade deficit with China. China refuses to enforce laws against the piracy of intellectual property and patents, continues to ship products made with prison labor, evades United States restrictions on China textile exports by transshiping pieces through Hong Kong, and effectively prohibits thousands of foreign products from entering the Chinese market through a maze of regulations which run counter to the General Agreement on Tariffs and Trade. Our trade deficit with China has been rising at a faster rate than that of any other major trading partner. How many more American jobs are we going to let China's repressive government destroy?

It is clear that countless extensions of the MFN trading privilege—a privilege China needs more than we do—have not worked. Our yearning for friendship and our attempts to persuade Beijing to conform to international norms have been met with failure.

China continues to increase spending on the military, and seems intent on developing an offensive military capability—financed by billions of dollars the regime makes through its managed trade with us. Beijing refuses to join international efforts to stem the proliferation of nuclear arms, continues to transfer advanced ballistic missile technology to Syria and Pakistan, provides nuclear and chemical weapons technology to Iran, and refuses to comply with the Nuclear Non-Proliferation Treaty.

The United States has a responsibility to use whatever leverage it has—military, diplomatic, or economic—to send this message. We have a responsibility to speak out for democracy wherever possible. For in the end, the argument over MFN is not just about what kind of country China is, it is about what kind of nation we are. China needs to be sent a loud, unequivocal message—a message that can only be delivered by revoking Beijing's MFN status.

Mr. FRELINGHUYSEN. Mr. Speaker, I rise in support of MFN for China. I rise in support of the common sense proposition that we continue to normalize trade relations with the People's Republic of China.

We live in a global economy and it simply makes no sense to turn our back on a nation of 1 billion people. It is in our national security interests as well as our economic interest that we have normal relations.

We are all concerned about human rights and individual freedom, but the best way to promote those causes is to be present in China with our values and our products.

In my district alone, I have heard from large and small companies whose future for products and jobs largely depends on new markets.

I can think of no more important export to China than each and every example of the American success story.

Mr. Speaker, I agree with the statements of the President in his letter to Congress of June 11, 1997:

Our engagement with China does not mean that we endorse all of its policies. Where China has acted contrary to our interests and the standards of international behavior, we have made clear our differences. We successfully pressed China to end its assistance to unsafeguarded nuclear facilities in third countries. We insisted that it take strong steps to protect the intellectual property rights of American videotape and compact disc makers from piracy. When China carried out provocative military exercises in the Strait of Taiwan, we sent our aircraft carriers to the region as a reminder of our commitment to stability and a peaceful resolution to the Taiwan issue. And repeatedly, we have stood up for human rights in China—at the United Nations Human Rights Commission in Geneva; through the State Department's unvarnished annual human rights reports; in our meetings with China's leaders. We will continue to use all the tools at our disposal—cooperation, diplomacy, targeted sanctions, when appropriate—to narrow our differences.

Ending normal trade treatment for China would end our strategic dialogue—blocking cooperation on issues important to America's interests and destroying our ability to promote China's fuller observation of international norms. Rather than advancing human rights, revocation would cut off our contact with the Chinese people. It would eliminate, not facilitate, further cooperation on preventing weapons proliferation, promoting stability on the Korean peninsula, and combating transnational threats to both our countries. It would close one of the world's emerging markets to our exports and endanger an estimated 170,000 American jobs. It would make China more isolated and less likely to play by the rules of international conduct.

Most of the opponents of normal trade treatment for China seek goals that I share—respect for human rights and religious freedom in China; fair and open trade; responsible policies on weapons proliferation. But I am convinced the path they have chosen to advance those goals is the wrong path. Further change in China is necessary and inevitable, but it will not come overnight. It most assuredly will not come if we isolate ourselves and cut off our relationship with one quarter of the world's population.

I urge my colleagues to oppose this resolution and support MFN for China.

Mr. RYUN. Mr. Speaker, I rise today to address a very difficult issue that we've been wrestling with for some months now. As a freshman, this is my first vote on most-favored-nation status for China. And I have listened very carefully to both sides on this matter.

This has been a very healthy debate. It is a debate about religious freedom and human

rights in China as well as about how to promote democracy and economic freedom throughout the world.

I agree with the many missionaries in China who have told me personally that denying MFN status to China would only isolate that country, pushing it further from our ideals of religious freedom and democracy. I do not believe that slamming the door to freedom and trade would improve human rights in China. Instead, it would close off the avenues of greater Western influence.

In a recent memo, a group opposing the renewal of MFN to China quoted an editorial from the Economist which stated:

If you hear your neighbor beating up his children, do you give a shrug and say it is none of your business?

My answer is absolutely no. And I hope that all of us here would go next door and try to stop the abuse. That's how the United States should deal with China. To deny MFN would be to shrug and say that the human rights abuses are not our problem. Some have argued that we should ignore the violations, pull up our drawbridge, put on our blinders and turn inward, leaving China to continue its policies of persecution and population control. We have been down that road. And what did it produce? A decade-long terror called the Cultural Revolution.

I believe the best way to affect change in China—morally, economically and politically—is through interaction with the Chinese. We should demonstrate the American way of integrity, honesty, and openness.

Today, United States exports of goods and services to China total about $14.4 billion and support over 200,000 jobs. Kansas exports to China in 1996 were $53.2 million, up from $6 million in 1990. And China is my State's 13th largest trading partner.

Let's make sure that in our zeal to rap the knuckles of the Chinese Government, that we do not slam the American farmer and manufacturer with a 2 by 4 and cause the loss of thousands of American jobs. We need only be reminded of the Soviet grain embargo imposed by President Carter in the 1980's. I can assure you that Kansas wheat farmers have not forgotten it.

I believe there are more effective ways to foster freedom and curb human rights abuses in China. We should: First, ban companies controlled by the Chinese military from commercial activity in the United States; second, deny visas to Chinese officials involved in human rights abuses, religious repression or population control or who engage in selling high-tech weaponry; and third, increase exchange programs for Chinese students to come to the United States.

So, by renewing MFN status, we choose to go next door and persuade our neighbor to treat his children lovingly. The United States should remain a positive influence on its neighbor by keeping our doors open to demonstrate how families in a free and prosperous nation live together in peace.

Let us remember the words of President Reagan in his last State of the Union Address:

One of the greatest contributions the United States can make to the world is to promote freedom as the key to economic growth. A creative, competitive America is the answer to a changing world, not trade wars that would close doors, create great barriers, and destroy millions of jobs . . . Where others fear trade and economic growth, we see opportunities for creating new wealth and undreamed-of opportunities for millions in our own land and beyond. Where others seek to throw up barriers, we seek to bring them down; where others take counsel of their fears, we follow our hopes.

After much prayerful thought, I will vote in favor of extending most-favored-nation status to China.

I urge my colleagues to support normal trade relations with China in hopes of continuing our influence of religious and economic freedom.

Mr. SMITH of Oregon. Mr. Speaker, I rise in opposition of House Joint Resolution 79, a resolution of disapproval of most-favored-nation [MFN] status for products from China. I believe that it is in the best interest of United States agriculture to continue, and eventually expand, the current trading relationship with China.

United States agriculture exports to China were $2 billion last year, a significant increase over 1993 United States exports of less than one-half of $1 billion. China represents an agriculture market that is vital to the success of our farmers and ranchers. Our agriculture trade with China can strengthen development of private enterprise in that country and bring China more fully into world trade membership.

There are few countries that do not have unconditional MFN status with the United States. MFN status allows a country's products to enter into the United States at the same tariff rates that apply to other trading partners. In fact, MFN provides no special treatment. It allows us to treat all countries' imports in the same manner. Failure to do so often has a serious negative impact on American agriculture, the first to feel the impact of embargoes and retaliation.

It is my intention to work toward the goal of ensuring regular and ongoing trade with China. In fact, the committee has been working closely with the Secretary of Agriculture and the United States Trade Representative on matters related to China's accession to the World Trade Organization. Several issues related to nontariff trade barriers must be resolved prior to any accession.

International trade is important for American agriculture and for the success and prosperity of American farmers and ranchers. I urge my colleagues to reject House Joint Resolution 79.

Mr. KIM. Mr. Speaker, I rise in strong opposition to the resolution.

Earlier this year, I traveled to China, Hong Kong and Taiwan with Speaker GINGRICH and a dozen of my colleagues. At each stop, it was impressed on us how important MFN for China is. People in both Taiwan and Hong Kong pleaded with us not to cut off trade with China. It is extremely important to them.

Why? Because they have billions of dollars worth of investment in China and Hong Kong. So do we.

What do we gain by denying trade with China? Yes, some countries don't have MFN—such as Iran, Iraq, Libya, North Korea and Cuba—countries that the State Department has listed as sponsors of international terrorism.

Do we want to include China in the same category? Maintaining strong relations with China is of great importance to providing long-term stability to the Asia-Pacific region. MFN is not a privilege, it is to maintain normal trade relations.

The SPEAKER pro tempore (Mr. LAHOOD). All time has expired.

Mr. DREIER. Mr. Speaker, I ask unanimous consent that if proceedings on the Journal resume immediately after an electronic vote on another question, then the minimum time for any electronic vote on agreeing to the Speaker's approval of the Journal may be 5 minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER pro tempore. Pursuant to sections 152 and 153 of the Trade Act of 1974, the previous question is ordered on the joint resolution.

The question is on the engrossment and third reading of the joint resolution.

The joint resolution was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the joint resolution.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. BUNNING. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to the order of the House of earlier today, the Chair announces that he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device, if ordered, will be taken on the question of the Speaker's approval of the Journal.

The vote was taken by electronic device, and there were—ayes 173, noes 259, not voting 3, as follows:

[Roll No. 231]

AYES—173

Abercrombie	Collins	Forbes
Aderholt	Condit	Fowler
Barcia	Cook	Frank (MA)
Barr	Costello	Ganske
Bartlett	Coyne	Gejdenson
Barton	Crapo	Gephardt
Berman	Cubin	Gibbons
Bishop	Cummings	Gillmor
Blunt	Danner	Gilman
Bonior	Davis (IL)	Gonzalez
Bono	Deal	Goode
Borski	DeFazio	Goodling
Brown (OH)	Delahunt	Gordon
Bunning	DeLauro	Graham
Burr	Dellums	Gutierrez
Burton	Diaz-Balart	Hall (OH)
Cardin	Dickey	Hastings (FL)
Carson	Doolittle	Hefley
Chambliss	Duncan	Hefner
Chenoweth	Ehrlich	Hilleary
Clay	Engel	Hilliard
Clayton	Ensign	Hinchey
Clyburn	Evans	Hobson
Coburn	Everett	Horn

Hostettler
Hoyer
Hunter
Hyde
Inglis
Jackson (IL)
Jones
Kaptur
Kasich
Kennedy (MA)
Kennedy (RI)
Kildee
Kilpatrick
King (NY)
Kingston
Klink
Klug
Kucinich
Lantos
Lewis (GA)
Lewis (KY)
Lipinski
LoBiondo
Maloney (CT)
Markey
Mascara
McCarthy (NY)
McInnis
McIntyre
McKinney
Menendez
Miller (CA)
Mink
Molinari
Mollohan
Myrick
Nadler
Norwood
Obey
Olver
Owens
Pallone
Pappas
Parker
Pascrell
Paxon
Payne
Pelosi
Pickering
Pombo
Rahall
Riley
Rivers
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Royce
Sabo
Sanchez
Sanders
Sanford
Scarborough
Schaffer, Bob
Scott
Sensenbrenner
Sisisky
Smith (MI)
Smith (NJ)
Smith, Linda
Solomon
Souder
Spence
Spratt
Stark
Stearns
Stokes
Strickland
Stupak
Taylor (MS)
Thompson
Tiahrt
Tierney
Torres
Traficant
Upton
Velázquez
Vento
Visclosky
Wamp
Waters
Watt (NC)
Watts (OK)
Waxman
Weldon (FL)
Wexler
Weygand
Wolf
Woolsey
Wynn

NOES—259

Ackerman
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barrett (NE)
Barrett (WI)
Bass
Bateman
Becerra
Bentsen
Bereuter
Berry
Bilbray
Bilirakis
Blagojevich
Bliley
Blumenauer
Boehlert
Boehner
Bonilla
Boswell
Boucher
Boyd
Brady
Brown (CA)
Brown (FL)
Bryant
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Castle
Chabot
Christensen
Clement
Coble
Combest
Conyers
Cooksey
Cramer
Crane
Cunningham
Davis (FL)
Davis (VA)
DeGette
DeLay
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Dreier
Dunn
Edwards
Ehlers
Emerson
English
Eshoo
Etheridge
Ewing
Farr
Fattah
Fawell
Fazio
Filner
Flake
Foglietta
Foley
Ford
Fox
Franks (NJ)
Frelinghuysen
Frost
Furse
Gallegly
Gekas
Gilchrest
Gingrich
Goodlatte
Goss
Granger
Green
Greenwood
Gutknecht
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Herger
Hill
Hinojosa
Hoekstra
Holden
Hooley
Houghton
Hulshof
Hutchinson
Istook
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Kanjorski
Kelly
Kennelly
Kim
Kind (WI)
Kleczka
Knollenberg
Kolbe
LaFalce
LaHood
Lampson
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Linder
Livingston
Lofgren
Lowey
Lucas
Luther
Maloney (NY)
Manton
Manzullo
Martinez
Matsui
McCarthy (MO)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McIntosh
McKeon
McNulty
Meehan
Meek
Metcalf
Mica
Millender-McDonald
Miller (FL)
Minge
Moakley
Moran (KS)
Moran (VA)
Morella
Murtha
Neal
Nethercutt
Neumann
Ney
Northup
Nussle
Oberstar
Ortiz
Oxley
Packard
Pastor
Paul
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickett
Pitts
Pomeroy
Porter
Portman
Poshard
Price (NC)
Pryce (OH)
Quinn
Radanovich
Ramstad
Rangel
Redmond
Regula
Reyes
Riggs
Rodriguez
Roemer
Roukema
Roybal-Allard
Rush
Ryun
Salmon
Sandlin
Sawyer
Saxton
Schaefer, Dan
Schumer
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Skaggs
Skeen
Skelton
Slaughter
Smith (OR)
Smith (TX)
Smith, Adam
Snowbarger
Snyder
Stabenow
Stenholm
Stump
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Thurman
Towns
Turner
Walsh
Watkins
Weldon (PA)
Weller
White
Whitfield
Wicker
Wise
Young (AK)
Young (FL)

NOT VOTING—3

Cox
Schiff
Yates

□ 1550

Mr. GILCHREST, Ms. PRYCE of Ohio, and Messrs. SUNUNU, LARGENT, TAUZIN, LEWIS of California, and BECERRA changed their vote from "aye" to "no."

Mr. BURTON of Indiana, Mrs. McCARTHY of New York, and Mr. TORRES changed their vote from "no" to "aye."

So the joint resolution was not passed.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. TAYLOR of North Carolina. Mr. Speaker, on rollcall vote 231, House Resolution 79, to disapprove most-favored-nation treatment to the products of the People's Republic of China, I was recorded as voting "no", it was my intention to vote "yes", to deny MFN to China.

THE JOURNAL

The SPEAKER pro tempore (Mr. LAHOOD). Pursuant to clause 5 of rule I, the pending business is the question of the Speaker's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. UPTON. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 369, noes 59, not voting 6, as follows:

[Roll No. 232]

AYES—369

Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bateman
Becerra
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Boswell
Boucher
Boyd
Brady
Brown (FL)
Bryant
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth
Christensen
Clement
Clyburn
Coble
Coburn
Collins
Combest
Condit
Conyers
Cook
Cooksey
Coyne
Cramer
Crane
Crapo
Cubin
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeGette
Delahunt
DeLauro
DeLay
Dellums
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
Eshoo
Etheridge
Evans
Ewing
Farr
Fattah
Fawell
Flake
Foley
Forbes
Ford
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Furse
Gallegly
Ganske
Gejdenson
Gekas
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Greenwood
Gutierrez
Hall (OH)
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Herger
Hill
Hilleary
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Hostettler
Houghton
Hoyer
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, Sam
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kim
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Livingston
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Manton
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
Meehan
Meek
Menendez
Metcalf
Mica
Millender-McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Molinari
Mollohan
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Obey
Ortiz
Owens
Oxley
Packard
Pappas
Parker
Pastor
Paul
Paxon
Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Rangel
Regula
Reyes
Riggs
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Ryun
Salmon
Sanchez
Sanders

Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schumer
Scott
Sensenbrenner
Serrano
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stearns
Stenholm
Stokes
Stump
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Thurman
Tiahrt
Tierney
Torres
Towns
Traficant
Turner
Upton
Vento
Walsh
Wamp
Watkins
Waxman
Weldon (FL)
Weldon (PA)
Wexler
Weygand
White
Whitfield
Wise
Wolf
Woolsey
Wynn
Young (AK)
Young (FL)

NOES—59

Abercrombie
Borski
Brown (CA)
Brown (OH)
Clay
Clayton
Costello
Cummings
DeFazio
English
Ensign
Everett
Fazio
Filner
Foglietta
Fox
Gephardt
Gibbons
Green
Gutknecht
Hastings (FL)
Hefley
Hefner
Hilliard
Hulshof
Johnson, E. B.
Kilpatrick
Kucinich
Lewis (GA)
LoBiondo
Maloney (NY)
McDermott
McNulty
Moran (KS)
Oberstar
Olver
Pallone
Pascrell
Pickett
Pombo
Poshard
Ramstad
Redmond
Rush
Sabo
Schaffer, Bob
Sessions
Stark
Stupak
Sununu
Taylor (MS)
Thompson
Velazquez
Visclosky
Waters
Watt (NC)
Watts (OK)
Weller
Wicker

NOT VOTING—6

Bass
Cox
Leach
Schiff
Strickland
Yates

□ 1559

The Clerk announced the following pairs:

So the Journal was approved.

The result of the vote was announced as above recorded.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998

The SPEAKER pro tempore (Mr. LAHOOD). Pursuant to House Resolution 169 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 1119.

□ 1600

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 1119) to authorize appropriations for fiscal years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999, and for other purposes, with Mr. YOUNG of Florida in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Monday, June 23, 1997, the amendments en bloc offered by the gentleman from South Carolina [Mr. SPENCE] had been disposed of.

It is now in order to debate the subject matter of United States forces in Bosnia.

The gentleman from South Carolina [Mr. SPENCE] and the gentleman from California [Mr. DELLUMS] each will control 30 minutes.

The Chair recognizes the gentleman from South Carolina [Mr. SPENCE].

Mr. SPENCE. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, today Congress will cast its first significant votes on our United States policy in Bosnia since the President extended deployment of our United States ground troops to that war-torn land last winter.

Today's votes will not be an expression of support for the mission, although our troops are doing well and we surely all support them. Nor will today's votes express the sense of the House or sense of the Congress. Rather, today's votes will call for the withdrawal of U.S. ground troops from a peacekeeping operation of growing expense and seemingly unending duration.

Our Armed Forces have done all that they can to help bring peace to Bosnia and in the Balkans. With consummate professionalism under trying circumstances, our troops and NATO troops have enforced the military provisions of the Dayton peace agreement. As a result of their efforts, the military tasks required by the Dayton accord, the separation of the warring parties, the collection and destruction of heavy weapons, and the transfer of territories have all been completed.

But the remaining tasks, the civilian, humanitarian and political reconstruction of Bosnia, are beyond the capabilities of our troops, unless we are prepared to remain in Bosnia for decades. In recent months, our military commanders have added tanks to the stabilization force in Bosnia and have made plans to postpone the transition to the smaller, lighter deterrent force that was supposed to take over when the United States ground mission ended in fiscal year 1998.

Just last month, a top NATO commander told the New York Times, and I quote: "It would be a mistake to say that there is peace in Bosnia. We have only the absence of war. We gave the civilian officials the time and the space it carry out the Dayton agreement, but they failed. Nothing has been accomplished."

This is a startling and frank admission. But we have not failed for want of effort. Since the United States military involvement in Bosnia and the Balkans began with the imposition of Operation Sharp Guard blockade back in 1992, more than 100,000 American soldiers, sailors, airmen and marines have seen duty in that theater of operations. That is the largest deployments of our forces since the Gulf War.

Not only have we deployed tens of thousands of troops, we have spent a lot of money in doing it. By the end of the year, fiscal year 1998, the Department of Defense will have spent at least $7.3 billion on Bosnia and supporting operations. That is $7.3 billion over and above normal operating and personnel budgets. And $7.3 billion that has been and will continue to be diverted from already underfunded modernization, quality of life, readiness and training programs.

I suspect, of course, that the true costs of our Bosnian involvement have been much larger. And based upon the highly optimistic political and operational assumptions that underlie the President's budget request for fiscal year 1998 in Bosnia, the cost will continue to rise dramatically.

By any measure, Bosnia is too large an issue for our United States foreign policy to be decided exclusively by Presidential fiat. This would be true even if the administration's Bosnia policy were not marked with broken promises about the duration the mission, its scope, and its cost.

The administration has lost the confidence of the American people when it comes to Bosnia. Nearly 2 years ago the Chairman of the Joint Chiefs of Staff, General Shalikashvili, said that he could not, and I quote, "imagine circumstances changing in such a way that we would remain in Bosnia."

More than 1 year. Just 2 months ago, Secretary of Defense Cohen stated, and I quote, "It is very clear that by June of 1998 we will be on our way out." I hope both of these gentlemen's statements have taken especially into account the administration's proclivity to say one thing one day and change its tune the next day.

And the President is at it again. When he announced extension of the Bosnia mission following last November's elections, he said that he would propose to our NATO allies that by June of 1998 the work would be done and the forces would be able to be withdrawn.

Yet last month, the President began to reverse himself again, as anticipated, when he said, and I quote: "We just can't sort of hang around and then disappear in a year. . . I want to stop talking about what date we're leaving on."

The time is long overdue for Congress to express its will on behalf of the American people. It is important that the Clinton administration be held accountable for the Nation's foreign policy and in this case for Bosnia policy, a policy initiated without the consent or even support of Congress and predicated on the early withdrawal of United States ground troops. In my opinion, the sooner our ground troops are withdrawn, the better.

But the withdrawal of our ground troops from Bosnia need not and should not mean the end of NATO operations in and around Bosnia. The United States has an obligation to support alliance operations. But I believe that our support should be focused on providing those capabilities which we alone possess or can best provide, things such as logistics support over large areas in long distances, intelligence, communication and a list of all kinds.

No one should characterize our U.S. contributions as undermining the alliance, for these contributions will continue to involve thousands of troops at a cost to our taxpayers of billions of dollars. I am not suggesting that the Nation revert to isolationism; rather, a more practical and proper sharing of responsibilities and burdens of what appears to be a long-term NATO peacekeeping operation.

I do not disagree with the approach that our allies call "in together, out together" when it comes to NATO operations in Bosnia. But unless we can take a more nuanced approach to that policy, one that allows the United States to participate without performing each and every task, our allies will simply continue to hold us hostage.

If the withdrawal of our ground troops from Bosnia is followed by the collapse of the NATO mission, as the administration asserts will occur, then the alliance will have proven itself far more fragile than anyone anticipated, perhaps too fragile for the stresses of post-Cold War missions and certainly too fragile for NATO expansion.

I urge my colleagues to study both amendments very closely. More fundamentally, I urge all Members to vote in favor of withdrawing our ground troops from a Bosnia mission with no end in sight.

Mr. Chairman, I reserve the balance of my time.

Mr. DELLUMS. Mr. Chairman, I yield 5 minutes to my distinguished colleague, the gentleman from Indiana [Mr. HAMILTON].

Mr. HAMILTON. Mr. Chairman, I thank the gentleman from California [Mr. DELLUMS] for yielding me the time.

Mr. Chairman, I rise in opposition to both the Hilleary and the Buyer-Skelton amendments. The primary difference between the two amendments, as I understand it, is the date of withdrawal. The concept is the same, but so are the defects.

Both amendments I think are unwise, for several reasons. First all, these amendments pose a risk to the United States troops in Bosnia. That is not my judgment. We should pay attention to the military commanders and to the Secretary of Defense. They have said that if we have a statutorily mandated requirement of redeployment, then that will jeopardize the safety of our personnel. Why would anybody in this Chamber want to jeopardize the safety of our troops by mandated date of withdrawal?

Second, these amendments threaten the Bosnia peace process. When United States troops leave Bosnia, our allies are sure to go. They have said that loud and clear. If NATO-led peacekeepers leave too soon, Bosnia will likely return to chaos and to war. That is precisely what Bosnian President Izetbegovic says and thinks.

These amendments send the opponents of the peace process the message they want to hear: Just wait; the U.S. troops are going to go. And we are going to be playing into the hands of the hardliners and the warmongers. Whether we like it or not, we are the key to stability in Bosnia. We are the central player. We are the leader. If we mandate a date certain for withdrawal, we help the opponents of peace and we make it more difficult to fulfill the promise of the Dayton accords.

□ 1615

We cannot build stability in Europe by simply walking away from U.S. commitments.

Third, these amendments threaten the cohesion of NATO. The peace process in Bosnia has always been about more things than just Bosnia. It is also about the future of NATO and the stability of Europe.

The NATO-led operation in Bosnia is the largest, most complex military mission that NATO has ever undertaken. Our allies have looked to us for leadership and we have supplied it. Both of these amendments tell the President to withdraw U.S. troops by a fixed date, without prior consultation, without agreement. The message is, we are pulling out. It does not matter what our NATO allies think. We are leaving, no matter what.

If we act unilaterally in Bosnia, it undercuts United States leadership in NATO. This is the very moment of the most momentous change in NATO, enlargement, and we are saying by these amendments, NATO be damned, we are leaving when we want to without consulting them. What kind of an alliance partnership is that?

Fourth, these amendments shut out the options and deny the President flexibility. That is obvious. It does not need to be elaborated on.

Instead of locking ourselves in by passing either amendment, let us keep the options open. There are many ways that can be done. I do not have time to go into that.

And, fifth, these amendments undermine the credibility of U.S. leadership because they cast a serious doubt on our ability to keep our commitments. We made a political commitment to the parties in Dayton that we would try to help them form a unified, decentralized Bosnia. We have lived up to that commitment. We have spent about $6 billion or $7 billion, and brave Americans have risked their lives. So far, let it be noted, not one American soldier has been killed by hostile fire.

We knew that peace in Bosnia would not come easy. What does it say about American steadfastness, American reliability, American credibility if we mandate a pullout before the job is done? Congress should not, I think, force the President's hand.

I understand the President considers a legislatively mandated withdrawal date from Bosnia a veto item. No one in this Chamber can predict today what the circumstances in Bosnia will be on a date in the future. That being the case, it is folly to require American forces to be out of there by a date certain.

I urge my colleagues to vote against both of these amendments.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Colorado [Mr. HEFLEY].

Mr. HEFLEY. Mr. Chairman, I do not recall the gentleman from Indiana [Mr. HAMILTON] when the President set a date certain when we went into Bosnia that we would be out by November of 1996 saying, "Mr. President, that is folly for you to set that date." We all accepted that date. The President assured me we would be out by that date. That was our commitment. We would be there until November and get the shooting stopped, get the killing stopped, and then we would come out.

We also had a commitment to spend $1.2 billion at that time. I want to refer my colleagues to this chart here. By 1998, we will be at $7.3 billion. So do not talk to me about us backing down on our commitments. We have kept our commitments.

Recently, at a meeting of the North Atlantic Assembly, it was quite clear to me that all of our allies sitting out there at the assembly were convinced that we were there for the duration; that we were going to be there forever, if necessary; that we were going to have another Korea, if necessary. Fifty years later, we might still be in Bosnia as we are still in Korea.

I told them then as I tell Members now, so far as I am concerned, we are bringing our troops home from Bosnia, and we need to set a date certain to do that so that we can do it in an orderly kind of fashion, so it is not precipitous, so that our European allies know that this is what is going to be done, so that they can make preparations.

Most of us felt this is primarily a European problem, but we wanted to be helpful. We still want to be helpful. As the gentleman from South Carolina [Mr. SPENCE], the chairman, enumerated, and I will not go over it, there are many things we can continue to do without having our ground troops on the ground in Bosnia. My colleagues

can decide what is the right date, whether the date is December, whether the date is next June, but we need to set a date certain and say at that date our troops are out of there and we are bringing them home.

Mr. DELLUMS. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Ohio [Mr. KUCINICH].

Mr. KUCINICH. Mr. Chairman, Branjevo Farm in eastern Bosnia was an ordinary livestock farm. Then, in the course of war, this ordinary place became extraordinary. The banality of evil reared its ugly head in July 1995 when more than 1,000 Muslims were bused to the farm, shot in groups of 10, and then bulldozed over. Months later when then U.N. Ambassador Madeleine Albright visited the mass grave, as she walked along this mass grave area, the bones crunched underneath her feet.

This chart, Mr. Chairman, of the mass burial at Branjevo Farm in the Donje Pilica area in Bosnia and Herzegovina shows Members the general area of the farm where livestock was raised and the area where the bodies were put into a pit and then covered over. Some of my colleagues have seen photos of that in the papers.

Today the ghosts of Branjevo and the ghosts of Srebrenica and other places soar and drop over our consciousness and they challenge our sensibilities and they ask us, where we were when, did we take a stand, did we speak out, did we come forward to say no more killing, do we say no more killing today? Do we say the United States will continue to share the burdens of keeping the peace in the world as the most powerful Nation in the world, stepping up to our responsibility?

Let us remember why we sent troops to Bosnia in the first place. Exactly 50 years after the Nazis and their atrocities, another genocide occurred in Europe as a result of nationalism, racial and religious hatred, and the obsession to create ethnically pure states. The international community stood silently by as more than 2 million people were displaced and more than 200,000 human beings were killed, and horrendous acts of torture, systematic rape, and similar expressions of barbarity ensued. There is universal consensus that to protect human beings against gross violations of their basic human rights is no longer considered interfering with the internal affairs of the state. It is no longer a European problem, it is a world problem, it is a world responsibility and as the most powerful Nation in the world it is also our responsibility.

If incidents like these can continue, albeit on a drastically reduced scale, where for example in Mostar recently, a 70-year-old woman's door was kicked in, she was torn from her bed, killed, wrapped in sheets and dumped in a field along the highway. Within days, a soldier and his family moved into her apartment. No charges filed. No arrests made.

If incidents like these can continue, what will happen if we pull out of an area? What will happen to the peace? What will happen to our troops? What will happen to the survivors of genocide? The ghosts of Branjevo are watching. The ghosts of Srebrenica are watching.

Mr. SPENCE. Mr. Chairman, I yield 3 minutes to the gentleman from Indiana [Mr. BUYER] who is the chairman of the Subcommittee on Military Personnel and the author of one of the amendments today.

Mr. BUYER. Mr. Chairman, on October 30, 1995, the House overwhelmingly passed House Resolution 247, a nonbinding resolution which urged the President to obtain prior authorization for any deployment of United States forces to Bosnia and that the Dayton peace agreement should not be predicated on United States ground troops but really focus on the parties so that they can discuss about the real reasons they are killing each other.

On November 21, 1995, the House passed H.R. 2606 offered by the gentleman from Colorado [Mr. HEFLEY] which would deny funds for the Bosnian mission unless specifically appropriated by Congress. The bill passed 243 to 171, but the measure failed in the U.S. Senate.

Finally on December 13, 1995, the House passed the Buyer-Skelton measure which reiterated the body's opposition to the deployment of ground troops. At that time the President indicated that the Bosnian deployment would last about 1 year. On September 15, 1996, the Committee on National Security heard testimony from former Assistant Secretary of Defense John White who stated, "IFOR will complete the withdrawal of all troops in the weeks immediately after December 20, 1996 on a schedule set by the NATO commanders."

As we now know, immediately following the Presidential election, the President extended the mission in Bosnia until June of 1998 and renamed from IFOR to SFOR which stands for sustainment force.

On November 22, 1996, I attended a hearing of the Committee on International Relations. At that hearing the administration officials testified concerning the lack of progress in the civilian reconstruction efforts that have been experienced since the Dayton accords were signed. IFOR and now SFOR has accomplished the military mission of ceasing hostilities in the region. However, a May 1997 GAO report indicates that "while the task of implementing the civil aspects of the Dayton agreement has begun, transition to an effective multi-ethnic government has not occurred."

The report goes on to say that Bosnia remains politically and ethnically divided. The limited progress to date has been due principally to the failure of the political leaders of Bosnia's three major ethnic groups to embrace political and social reconstruction and to fulfill their obligations under the Dayton agreements.

IFOR and SFOR has accomplished their mission, but the civilian leadership of the region and the international community in general have failed to make sufficient progress on reconstruction and reconciliation. The time is near for the United States to withdraw its ground forces from the region. Likewise, the time has come for the European nations to meet the challenge of rebuilding the Balkans.

We in Congress have a dual responsibility. We must ensure the support of the peace process with the military forces and what I envision we will discuss here this afternoon is the over-the-horizon case. We want to work with our European allies to do exactly that.

Mr. Chairman, I want to share with all my colleagues that I believe some of the problems that we are facing today in fact was inked in the Dayton accords. When the Dayton accords were signed, we came in and we just separated the parties. Rather than focusing on some of the problems, we said, "Well, we'll delay them, we'll deal with them later." The parties right now are hunkered down and they are in the posture of deny and delay. That is why the Dayton accords has set forth a problem that we are facing today. When it is ill-conceived, improperly defined, and highly dangerous, it leads to the open commitment of ground troops.

Mr. DELLUMS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Pennsylvania [Mr. MURTHA].

Mr. MURTHA. Mr. Chairman, as most Members know, I have been involved in this issue for the entire length of time that the United States became aware of what was going on in Bosnia, and I realize there is an amazing difference between all of us about when troops should have been deployed and when they should not. I can remember vividly the debate on the floor of the House after the Dayton accord. There were predictions there would be American troops brought back in body bags. There were predictions that there would be a disastrous deployment for U.S. forces. When it started out, it looked like that was going to happen. President Clinton, against a lot of advice, made one of the most courageous decisions of his Presidency. He worked out an agreement, he put U.S. forces in conjunction with other forces under NATO on the ground.

I am not one that believes that U.S. forces could have stopped this fighting before an agreement. I believe we had to have an agreement. But the truth has been that everything that has happened since the agreement has been

positive. We have not lost one single American soldier from hostile fire. We have not had one person come back in a body bag from hostile fire. What happened before was just unmitigated killing by both sides. They hated each other. Once the accord was done, they were worn out, they decided that the territory was settled by the war itself and they are trying to reassimilate themselves.

□ 1630

The last time I was there, more agriculture than we had ever seen before, unemployment was down 50 percent in Sarajevo. Employment is coming back. People are starting to renew their lives.

The day that I went in, one of the last times I went in, the Dayton Accord was just signed, and it was a quiet night, and I stayed in the hotel there because we could not get out of Sarajevo before dark. They said, well, only 4000 rounds were fired. Now that was the day before the Dayton Accord. Since that time there has not been any rounds fired, there has been nobody killed. It is almost at if some Members or some people wish something would happen.

And I know that I am not suggesting that anybody has that motive. I know that all of us are trying to protect American forces. The thing that worries me: If we put into place either of these amendments that we say firmly under the law we take away the flexibility of the President of the United States.

And we cannot argue with the results of what the President has done; the President has been successful. One of the reasons is because of the tremendous work of the troops. We have given the troops the responsibility to carry out their mission, we have not interfered. We do not want to interfere in this. Do they understand what they are doing? Do they appreciate what they are doing?

I went to an outpost, one of the foremost outposts in Bosnia, and I went into what they called the slaughter house, and they showed me a room where nothing but bodies was in when they first went in there. There had been a mass killing in that particular room. They had cleaned it up, they put whitewash on the walls, but they left one small bloody hand print on that porous wall, and they took every single soldier that came to that outpost to see that small bloody hand print because they wanted the soldiers to know why they were there.

I believe that the Europeans should be able to handle this themselves. I said it for 4 or 5 years while the fighting was going on. But they begged us to take a leadership position.

Nobody else has logistics capability, the administrative capability or the leadership and experience capability the United States has, and our military has done a marvelous job. I think we make a substantial mistake if we put any kind of a time limitation in law.

There is nobody wants to get them out more than I do. Nobody believes that the June date should be adhered to more than I do. I just do not believe we should put an arbitrary time limit, and I would request that the Members think very seriously, whatever motive we have, think very seriously about putting in law a time limitation, and I would ask the Members to vote against this time limitation.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Tennessee [Mr. HILLEARY].

Mr. HILLEARY. Mr. Chairman, we have all heard about how difficult it is for Congress to get clear answers from the administration on the current situation or exit strategy in Bosnia. Congress needs to regain control of this situation. The compromise substitute amendment I am offering, the Hilleary-Condit-Kasich-Jones-Frank amendment, would accomplish three major objectives:

It commits the United States to leave Bosnia by December 31, 1997, unless the President requests and Congress approves a 180-day extension. Should that happen, and I find it likely that it would, frankly, the date for the final withdrawal of all U.S. Armed Forces would be June 30, 1998. It also prohibits DOD spending for law enforcement and related activities by U.S. troops. This averts the mission creep that caused heavy casualties against United States soldiers in Somalia. It also prepares the Europeans to assume the mission. Rather than accept the self-fulfilling prophecy that the Europeans cannot do the mission, the legislation will require the executive branch to report on steps being taken to restore the Europeans to their appropriate role, deficiencies in our allies' capabilities and steps being taken to remedy those deficiencies.

It is way past time, Mr. Chairman, for Congress to get a handle on this spending and to protect the men and women in the military who signed up to defend our national security, not police the world. Let us bring our troops home from Bosnia. I urge all my colleagues to vote for the Hilleary-Condit-Kasich-Jones-Frank bipartisan compromise amendment later this afternoon.

Mr. DELLUMS. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, let us slow it down and think about what it is we are doing. There are two amendments before the body that call for a date certain of withdrawing Americans troops. The previous speaker in the well said we should not be the police officer to the world. I agree. Let us talk about where we are.

We are in a period that is so unique we have not come up with a name for it. We simply call it the post-cold war era. But it is an era that is defined by change and difference and transition, and, as I have said on more than one occasion, both challenge and opportunity. In this period America has just begun to internalize and learn about, accept, play the role of peacekeeper, peacemaker, peace enforcer. This has not been part of the American lexicon: peacekeeping, peacemaking. This is all new to us. We are learning and evolving.

The first practical reality of setting a date, I would challenge anyone here: Does the human condition lend itself to a date certain? Does it?

What was happening that caused us to be in Bosnia in the first place?

I want to remind my colleagues 250,000 people were killed, 13,000 of them children, women raped, beaten and brutalized, and I said, Mr. Chairman, to many of my colleagues who did not want America to play the role of peacekeeper in Bosnia because it, A, was not in our national security interests, and I went back and looked at the record of the discussion and debate when 6 million Jews were being killed in the context of Nazi Germany. People were saying, "There is nothing we should do; it's not in our national security interests."

But Members who were on the floor in the context of this debate said, "If I were there during that period of time, I would have stood up and challenged the murder of 6 million people."

Well, do my colleagues know what that did? That let me know where my colleagues' moral compass is. If 6 million people die, one could be morally outraged. So now we are dickering at what the bottom line is: Five million? Three million? Two million? Can we get outraged morally because 250,000 people died and we are the major, the one, superpower standing?

So some of us said, yes, we have a moral obligation, that that is in our national interest to stop the killing and the maiming. At what point do human beings move beyond the folly of murdering and killing each other as a way of solving problems? At what point do we move beyond that bizarre and barbaric way of solving human problems as a civilized society?

So we said yes, peacekeeping. But remember we did not walk in. What happened? The parties to the killing and the maiming came to this country, in Dayton, Ohio, sat down around a table for days, and they worked out a peace agreement. Maybe not perfect; who am I to know? But these are people who were killing each other, maiming each other, murdering and raping each other, and they went to the table and they hammered out a peace agreement.

And then they came to us as the great superpower committed to compassion, human rights, justice and peace and all the things we write down,

and they said, "Look. Here is a peace agreement. It's not perfect, but we hammered it out in your country on your soil. But we don't quite still trust each other. This is because they killed my parents, I killed theirs; they killed my children, I killed theirs; we killed each others' neighbors. And so for a while we do not quite trust each other. So will you and other nations in the world help us to make the peace real? Be peacemakers? Peacekeepers? Keep us apart for a while? Let us begin to build the necessary conditions that would allow a warm peace, a real peace."

As my colleagues know, as someone much more eloquent than this gentleman once said, the fascinating thing about peace is we do not have to make peace with our friends, we make peace with our enemies, and peace is hard because it is about making peace with somebody that killed and maimed people, and killed and maimed their children, their parents, their friends, their relatives, their neighbors. So we need some help.

So we stood up for this country, but if I remember the circumstances, my colleagues, this body did not. This body went on record, as one of my colleagues pointed out, saying that the President should come to the Congress for prior approval. As my colleagues know, I believe in that. I am a man of peace. I believe in peace. But I am a hawk when it comes to preserving Congress' prerogatives on the issue of the deployment of our troops.

I sued President Bush when he thought he could go to the Persian Gulf and violate the rights of the Congress to declare and to make war, rendering impotent 500,000 people that I represent. And thank God that Members joined with us and a decision was made, not in the court, but a ruling that made the President say maybe on sober reflection I ought to come to the Congress. Even the most incredible pundits in America said this was Congress' greatest moment when it stood up and debated whether we should or should not go. We did not do this on Bosnia; we let the President go, we passed the thing, a piece of paper that said we support the troops.

I believe that this is the wrong debate, it ought to be Congress militant about congressional powers when it comes to the deployment of troops, but we ought to be there on the front end, have heart, have courage, stand up and say, yes, they ought to go; no, they should not go. But do not wait until they are there and then say date certain, withdrawal. That is on the tail-end of the discussion. Where is the courage in all of that?

I join my colleagues in standing here saying, "Mr. President, whenever you're going to put troops out there in harm's way, you come to us. Article I, Section 8, the Constitution, gives us that right," and if that is not clear in the context of the post-cold war world, then let us pick up the War Powers Act, which I think is an impotent and incompetent instrument to guide us through the post-cold war era. Let us rewrite it so that it speaks to the reality of the world that we presently live in.

But this is not the way, at the end to pick out a date, to say we have got to withdraw. We did not have the courage to step up to it in the first place; that is where Congress should assert itself; that is the correct debate.

Now, Mr. Chairman, there are practical realities. This is not just a struggle between the President and the Congress. There are practical realities to our withdrawal. I cite one.

The Chair of the Joint Chiefs of Staff that many of us talk about, we want to speak about the troops. This is our highest-ranking military person who wrote with respect to date certain the following, and I quote in part from a letter, a joint letter, dated May of this year:

"We remain committed to a June 1998 withdrawal date. However we strongly oppose statutorily mandating withdrawal of United States forces from the NATO-led stabilization force by that date or indeed any specific date."

I go further. "A fixed withdrawal date will restrict U.S. commanders' flexibility, encourage our opponents, opponents meaning people who oppose the peace process who want to pursue violence and undermine the important psychological advantage U.S. troops enjoy. Our forces must be able to proceed with the minimum of risk to U.S. personnel. Legislating their redeployment schedule would completely change the dynamics on the ground and could undercut troop safety."

Now we are in the wrong part of the debate; my colleagues want to micromanage the discussion, did not have the heart to step up to it in the first place and say they should go or they should not go. So now we want to take political shots.

I walked in the door, heard people saying that our foreign policy ought to be nonpartisan. Our foreign policy ought to be bipartisan. We fight here, but when we leave these shores, we join hands and we have a bipartisan foreign policy.

What is this? What is this? Our own military people are saying, "You are micromanaging, you are putting troops in harm's way"; these are our own military saying this.

□ 1645

We should debate it up front, go or do not go, but do not leave the micromanaging to the wrong side of the debate.

I would conclude with this. We went there on moral grounds, we went there to save human life. I thought that was a dignified, courageous and lofty thing to do. Now that we are there, they are going to go out in June of next year; I did not agree, the gentleman from Colorado said anybody who says we should not have a date certain, I did, because I knew that we were learning about peacekeeping. And that date certain may play a political game, but it does not deal with the reality. If one is about peace, one is about peace. If it takes 1 month, 1 year, 18 months, 2 years, we do it if we are committed to peace. Or if we are just committed to do a little political dance, then we walk away whenever we choose to walk away but not because we are committed to these ideals.

Mr. SPENCE. Mr. Chairman, I yield myself 20 seconds.

Mr. Chairman, I would like to try to see if we cannot put this whole thing in perspective, with all of the rhetoric on both sides of the issue here today in debating this question. The President of the United States set this date himself for withdrawal in the Dayton accords. Both of these amendments propose to give that same date as the date for withdrawal. One gives a different plan for getting up to the date.

Mr. Chairman, I yield 1 minute to the gentleman from North Carolina [Mr. JONES].

Mr. JONES. Mr. Chairman, United States troops in Bosnia have been forgotten. Clearly the saying, out of sight, out of mind, applies to our men and women in Bosnia. While many Americans were opposed to deploying United States troops to Bosnia, we found some comfort in knowing that our troops were to come home at the end of 1 year.

Well, Mr. Chairman, as we know, the President has broken his promise time and again and still will not commit to a withdrawal date. Enough is enough.

I am a supporter of national defense, and I believe our men and women in Bosnia are doing an extraordinary job under tough circumstances; but I am troubled by an operation with no congressional authorization, no congressional consultation. In fact, our only function is to pay the bill. It is time for Congress to play a role and support the Hilleary amendment to ensure the safe and orderly withdrawal of United States troops from Bosnia.

America has done its duty. Let us bring our troops home.

Mr. DELLUMS. Mr. Chairman, I yield myself 30 seconds.

I would simply yield myself 30 seconds to say that this is a debate that takes us beyond rhetoric, and I think to use the term rhetoric is not advisable in the context of this debate. We are talking about life and death here, and to demean anyone's comments as rhetoric I think does not bode well.

We are intelligent people here. Let us lift the level of the discussion and the debate. I am not prepared to challenge

anyone on rhetorical grounds here. I am prepared to challenge any Member of Congress on substantive grounds, and I would hope that my distinguished colleague on the other side of the aisle would move beyond using the term rhetoric. It is demeaning and it is inappropriate in the context of the debate that ought to take us to a much higher level.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Washington [Mr. METCALF].

Mr. METCALF. Mr. Chairman, I opposed sending the troops to Bosnia. There was no critical U.S. interest involved, or, if there was, it escaped the notice of the President. He was never able to state it clearly.

I said over a year ago, it is easy to send troops in but very difficult to accomplish stability and exit in a safe, honorable, and timely way.

The President promised the troops out by December 1996. Now he says June 30, 1998. Why should this Congress not set a date certain and hold him to it? I support bringing the troops home December 1997, that is the Hilleary amendment. If that fails, then I think we should set an absolute deadline of June 1998.

Congress must not continue to acquiesce to the President and allow him to leave our troops in Bosnia indefinitely. Both amendments give the President and our allies ample flexibility and notice that U.S. troops will be withdrawn.

I urge every one of my colleagues to support the Hilleary amendment, of which I am a cosponsor; and if that is unsuccessful, support the Buyer amendment.

There are many good reasons, but the cost alone, $7 billion already, demands that Congress do its duty, support the troops by bringing them home by a date certain.

Mr. DELLUMS. Mr. Chairman, I yield 3 minutes to the gentleman from New York [Mr. ENGEL], my distinguished colleague.

Mr. ENGEL. Mr. Chairman, I thank my colleague for yielding me this time.

I want to just say that I think that we ought not to tie the President's hands, and we ought not to say that beyond a certain date certain our troops ought to go home.

The people, our colleagues who are now saying that we ought to set a fixed date, are the same people who predicted dire disaster and dire consequences if the President sent troops to Bosnia. That has not happened. In fact, we can be proud of what our American troops have done in Bosnia. We have saved thousands upon thousands upon thousands of lives.

Until the United States got involved, people were killing each other, men, women, children; there was no end to the carnage. Since the United States has been there, we have helped bring peace to the region. It was only when the United States got involved that peace came. When our European allies were doing it, peace did not come; it was elusive. It was only when the United States got involved that we put an end to the carnage.

I am proud of the role that we play. The United States is the leader of the free world, and sometimes we have to act like leaders of the free world. It does not mean that we need to be the policeman of the world or we need to rush to every incident in the world, but here, in Bosnia, it became crystal clear that, without United States help and intervention, the carnage was not going to end.

So my colleagues who are now saying, let us get out, let us pull people out, are the ones that did not want us to go there in the first place. They said that there would be many, many American casualties; they said that it would be a disaster; they said that we would not be able to do the job. We have proven them wrong. It has not been a disaster. Thankfully, there have not been tremendous amounts of American casualties, virtually no American casualties.

I went to Bosnia last year with then-Secretary of Defense Bill Perry; I saw firsthand how our troops were doing. I saw firsthand the precautions that were being taken to ensure the safety of American troops. I was proud to walk with our soldiers. I was proud to see the role we were playing and the job we were doing.

The naysayers said it could not happen. They were wrong. Let us leave it the way it is. The President has done a very good job. He is not going to let our troops stay 1 day more than they have to stay. He is thinning down the amount of troops that will be there. He is saying that we intend to get out by June 1998. But we cannot foresee the consequences of what might happen down the road.

Do we need to set a date certain to send a message to the parties there that we are definitely getting out come hell or high water? No. We cannot do that, and we should not do that, and it would be imprudent to do that.

I have letters here that I am sure my colleagues got from General Shalikashvili, from Secretary of Defense Cohen, from Secretary of State Madeleine Albright, and they all say the same thing: Do not tie our hands. We are thinning out the troops. There are going to be less American troops. Our allies in Europe are going to be playing a major role. This is not the time to do it.

I am proud of the role that the United States has played. Let us not tie the President's hands.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Tennessee [Mr. BRYANT].

Mr. BRYANT. Mr. Chairman, I thank the gentleman for yielding me time on this very serious debate.

First of all, let me say that I join in all of my colleagues in this House in support of our troops, the 8,000-plus soldiers in Bosnia and for the outstanding job they are doing. We are hearing testimony to that today of the record they have there and the job they are doing, and again, without war-related casualties. That is great.

I think, though, that when many of us considered this debate in the beginning, we had great hesitancy and philosophical differences in sending our soldiers over there when we felt that America's national interests were not at stake. Many of us continue to have those doubts, but yet, we received some comfort when we made that vote and when ultimately our soldiers were sent over there that there would be deadlines. There would actually be goals to be accomplished with our troops over there, putting their lives and limbs at issue. But yet, we seem to be going down that path of open-endedness. We do not see that goal, that end in sight any longer.

We resist the idea that our soldiers ought not have that, especially when we are carrying the heavy weight there. We are carrying the water over there. At a time when we are having to downsize our military forces, our national defense; at a time when we are having to go back in and work on salvaging the morale of our soldiers and we have soldiers in some cases that are being paid so little they are on food stamps, and when they are training in this country, the training for the job they are supposed to be doing, not just being a policeman in Bosnia, but they are actually trained to do other jobs in case we have to defend ourselves. That is suffering. The equipment that we give these soldiers, we have to pay for that.

When we are having to divert money from those types of good things to support a police-keeping effort that seems to be endless in Bosnia, many of us have great concerns there. We believe it is the right thing to do at this point. We do not want to tie hands, but we want a definite date certain for our soldiers and our taxpayers.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from New Hampshire [Mr. BASS].

Mr. BASS. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Indiana [Mr. BUYER] and the amendment offered by the gentleman from Tennessee [Mr. HILLEARY] concerning the need to set a schedule to get our troops out of Bosnia by a date certain. I just want to say that this position in no way diminishes my outrage at the alleged atrocities that have been committed in this region, as was so eloquently described by my colleague, the gentleman from

California [Mr. DELLUMS], and it in no way diminishes my concern and commitment to ensure that our troops remain safe and secure as they defend our interests over in that area.

But let me just point out that the United States has never been able to successfully mediate civil wars around the world. I would only point out, for example, what happened to us in Bosnia, what happened to us in Lebanon and, as we all know, what happened to us in Vietnam. We are good at stopping incursions and defending countries and then leaving, but we are not good at mediating civil wars, and that is precisely what is going on in the Balkan region.

I know the President wants to get us out of Bosnia in a reasonable period of time, but it just is not going to be possible without the help and support of Congress. Now, the Buyer amendment gets us out in the middle of next year, which is when the President now says he is going to get us out of the area. The Hilleary amendment calls for a date certain at the end of this year with a congressional resolution thereafter. This will get us out of a situation that is costing us anywhere from $5 million to $10 million a day. We can work together with the President to end this incursion and do so in an orderly and successful fashion.

So I support both the Buyer amendment and the Hilleary amendment. I think that it is time for Congress to step forward and definitively provide an exit strategy for our troop involvement in the Balkan region.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. KASICH], the chairman of the Committee on the Budget.

□ 1700

Mr. KASICH. Mr. Chairman, I was in the Congress the weekend when the bombing of our barracks in Beirut took place. It was a sobering event for all the American people. I think it was during that period that we began to determine that we needed a good set of rules that the country could follow when it came to putting our people in harm's way.

Soon after the tragedy in Beirut, then-Secretary of Defense Casper Weinberger came out with more or less a set of rules that would guide the United States as they intervened around the world: Is there an achievable goal; is there an exit strategy; does it have public support; and is it in the direct, vital national interest of the United States? One thing he did not ask is what is the role of our allies. But in the post-cold war period, it is absolutely essential that we ask, what is the role of our allies?

First of all, in regard to Bosnia, is there an achievable goal? Let me maintain that I do not believe there is. In fact, when we study the region of Bosnia-Herzegovina, it is pretty clear that pre-19th century, the parties had engaged in warfare. The region has not been stable since before the 19th century. Pre-19th century all the way up to the end of the 20th century has indicated that the parties in that region have not been able to create a stable environment. In fact, it was only under the brutal iron fist of President Tito that the parties were able to remain in some kind of a stable relationship.

I am uncertain as to whether there is a stable goal of being able to provide some kind of a Democratic environment in this region. But nevertheless, the United States intervened and separated the warring parties and stopped the slaughter that was going on, so the United States has done its job, the job it set out to do, to separate the warring parties. Many of us had a lot of questions about whether that was right at the time, but nevertheless, we went, we did our job. Now what remains to keep the peace is for our allies who we have protected for 50 years to continue to patrol the streets of Sarajevo and Bosnia.

If we worked with our allies for the last 50 years to put them in a position to be able to stop the advance of Soviet tanks across the Fulda Gap in a major armored invasion, is it not likely that our European allies would be able to patrol the streets of Sarajevo and keep the peace? I say yes. But I say they will not do it until we make sure that they are in the place of being forced to do it.

Of course they want us to do their job. The fact is, this is a vote on telling our allies to step up to the plate and do what they were intended to do, what we trained them to do over the course of the last 50 years.

Is it in the direct national interest? I have not heard that case made. I have not heard that case made by the administration, I have not heard that case made by any of our defense intellectuals as to how the United States being in Sarajevo today is in the direct national interest of the United States.

We want the President to have that opportunity. Under the Hilleary amendment he would be forced to make the case as to why we should be there. He should do it, he must do it, the same way George Bush made the case. As we got ready to go to war against Saddam Hussein, Secretary Baker called me at home and said, what is your view as to whether we should have a vote in the Congress? I said absolutely, we must have the vote. So if it is in the direct national interest, let us have the President lay it out and let us vote on it.

Now, what about the question of allies? I think they can do the job, Mr. Chairman. The United States under the Hilleary amendment is prepared to offer the logistical and technical support they need in order to do the job, for them to be able to accomplish their objective in Bosnia-Herzegovina.

Mr. Chairman, let me suggest I worry about our troops. I worry about the military being sent into a mission that is not well-defined, that I question is achievable, that is fuzzy.

Mr. DELLUMS. Mr. Chairman, I yield 2 minutes to my distinguished colleague, the gentleman from Maryland [Mr. HOYER].

Mr. HOYER. Mr. Chairman, I thank the ranking member, the gentleman from California [Mr. DELLUMS] for yielding time to me.

I understand the frustration the gentleman from Ohio [Mr. KASICH] had in trying to explain his position in 5 minutes. All of us are constrained by time, but we ought to be constrained by good judgment on this issue as well.

Yes, there was an issue as to whether or not we ought to deploy troops in Bosnia. There was concern. The President brought together at Dayton a new paradigm, if you will, to borrow from the Bush administration, and that paradigm was that we were going to be peacekeepers and peacemakers. We obviously have the ability to make war, but we were going to use our might to, yes, as Chairman KASICH has indicated, separate the parties, bring genocide to a close, and to, yes, put at risk some of our people.

We did so in the context of large force so our people would be protected. That, in my opinion, made sense. I believe, Mr. Chairman, however, that it would not make sense at this point in time to set dates certain. Many Members in this body have talked to General Joulwan and other leaders of our military in NATO and in our own forces.

They do not believe, as I think perhaps the gentleman from California [Mr. DELLUMS] and the gentleman from Pennsylvania [Mr. MURTHA] have already stated, that a date certain is in the best interests of the United States, of the date on peace accords, or the people of Bosnia-Herzegovina, or, in fact, the Serbska Republic.

I would urge my colleagues to continue to express their desires that we, as the President wants to do, extricate ourselves in a timely fashion, but let us not set a date certain so that we will in fact freeze in place the opponents of a Democratic, peaceful resolution of the conflict in the Balkans and simply try to outwait the United States.

Mr. Chairman, I again I thank the ranking member, the chairman in exile, for yielding me the time.

Mr. DELLUMS. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from California [Mr. DELLUMS] is recognized for 2 minutes.

Mr. DELLUMS. Mr. Chairman, if you believe in one of the notions that one of my colleagues asserted, that people cannot move to peace because for years they have been killing each other, then we would still believe in the divine

right of kings and the right of people to buy and sell other human beings as chattel. We have moved beyond that. People can evolve. The human condition can evolve. People can grow. People can move, Mr. Chairman, and I believe that very sincerely.

Mr. Chairman, at one point war was the dominant paradigm on this planet. The great gift we can give to our children and our children's children is to move beyond that war-making paradigm. I believe that in the context of the post-cold war world, the scenarios we are more likely to encounter are the Somalias, the Haitis, the Rwandas, the Bosnias of the world. I believe right before our very eyes our warriors are transitioning to peacekeepers and peacemakers and peace enforcers.

It may be difficult for us to put our minds around that idea because our peacekeepers still look like warriors, they still dress as warriors, they still carry warriors' weapons, and in many ways they are trained like warriors. But this is a new world, a new day. We are moving beyond the paradigm of bombing and killing and maiming.

The world is more likely to be peacekeeping, peacemaking, peace enforcement. Because of that transition it is imperative that we as a major power on this planet learn about peacekeeping, peacemaking. Mr. Chairman, one thing we learned in our hearings, in looking at the question of peacekeeping in a post-cold war world, was that an important set of principles as a peacekeeper were make no enemies, take no sides. In Somalia we learned that the hard way. In Bosnia we have learned. No one has died.

I find it incredible that many of the same people who want to pull us out of peacekeeping would like, would be much quicker to carry us into war, where we really would harm and kill and maim. I do not understand that concept.

Mr. SPENCE. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I will sum up. This whole question of Bosnia comes down to this. If we look at history, this thing first got started, and our President said all along, on numerous occasions over a period of years, that we would put no ground troops in Bosnia. We were doing different things, as Members know, on and off in that effort. But he kept reiterating, we would not ever put ground troops in Bosnia.

Then, of course, he did, along with the Dayton accord, so-called, the agreement was made that we would go and send ground troops along with NATO troops to Bosnia. That was back in 1996. He said at that time that we would be out in a year, and that year passed, and then the election came about and he transferred it on out another year, and said we would be out then, this time, in June of 1998.

That is the date we are talking about in both of these amendments, as I was trying to say earlier. With the talk that we hear back and forth on both sides, the fact still remains we have two amendments to consider today. Both of them just hold the President to his own date to withdraw in June of 1998. One of them is just a plain vote on getting out in June 1998, with some follow-on efforts being made by our people after that time.

The other one starts back 6 months before June 1998 and it tells the President to tell us what your plans for withdrawal are during the next 6 months in getting our people out, so you have a withdrawal plan and we would know about it. But both amendments, I reiterate, hold the President to his own declared deadline.

The reason this comes up today, this issue, is because on so many occasions before, the President has set a deadline and then did not go by it. As a matter of fact, he went into Bosnia in the first place without the agreement of Congress and the American people. All the polls showed overwhelmingly that the American people were opposed to it. Congress was opposed to it. He did it anyway. This is the first meaningful vote we will have, the Congress will have, to express itself on this whole issue. In the meantime, we have spent a lot of money and a lot of effort, and we still have a real problem before us.

The CHAIRMAN. It is now in order to consider amendment No. 8 printed in part 1 of House Report 105–137.

AMENDMENT NO. 8 OFFERED BY MR. BUYER

Mr. BUYER. Mr. Chairman, I offer amendment No. 8.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment numbered 8 offered by Mr. BUYER:

Strike out section 1201(b) (page 373, line 4, through page 375, line 15).

At the end of title XII (page 379, after line 19), insert the following new sections:

SEC. 1205. UNITED STATES ARMED FORCES IN BOSNIA.

(a) LIMITATION.—Funds appropriated or otherwise made available for the Department of Defense may not be obligated for the deployment of any ground elements of the United States Armed Forces in the Republic of Bosnia and Herzegovina after——

(1) June 30, 1998; or

(2) such later date as may be specifically prescribed by law after the date of the enactment of this Act, based upon a request from the President or otherwise as the Congress may determine.

(b) EXCEPTIONS.—The limitation in subsection (a) shall not apply to the extent necessary to support (1) a limited number of United States military personnel sufficient only to protect United States diplomatic facilities in existence on the date of the enactment of this Act, and (2) noncombat military personnel sufficient only to advise the commanders North Atlantic Treaty Organization peacekeeping operations in the Republic of Bosnia and Herzegovina.

(c) CONSTRUCTION OF SECTION.—Nothing in this section shall be deemed to restrict the authority of the President under the Constitution to protect the lives of United States citizens.

SEC. 1206. LIMITATION ON SUPPORT FOR LAW ENFORCEMENT ACTIVITIES IN BOSNIA.

None of the funds appropriated or otherwise made available to the Department of Defense may be obligated or expended after the date of the enactment of this Act for the conduct of, or direct support for, law enforcement activities in the Republic of Bosnia and Herzegovina, except for the training of law enforcement personnel or to prevent imminent loss of life.

SEC. 1207. PRESIDENTIAL REPORT ON POLITICAL AND MILITARY CONDITIONS IN BOSNIA.

(a) REPORT.—Not later than December 15, 1997, the President shall submit to Congress a report on the political and military conditions in the Republic of Bosnia and Herzegovina (hereafter in this section referred to as Bosnia-Herzegovina). Of the funds available to the Secretary of Defense for fiscal year 1998 for the operation of United States ground forces in Bosnia-Herzegovina during that fiscal year, no more than 60 percent may be expended before the report is submitted.

(b) MATTERS TO BE INCLUDED.—The report under subsection (a) shall include a discussion of the following:

(1) An identification of the specific steps taken by the United States Government to transfer the United States portion of the peacekeeping mission in the Republic of Bosnia and Herzegovina to European allied nations or organizations.

(2) A detailed discussion of the proposed role and involvement of the United States in supporting peacekeeping activities in the Republic of Bosnia and Herzegovina following the withdrawal of United States ground forces from the Republic of Bosnia and Herzegovina pursuant to section 1205.

(3) A detailed explanation and timetable for carrying out the President's commitment to withdraw all United States ground forces from Bosnia-Herzegovina by the end of June 1998, including the planned date of commencement and completion of the withdrawal.

(4) The date on which the transition from the multinational force known as the Stabilization Force to the planned multinational successor force to be known as the Deterrence Force will occur and how the decision as to that date will impact the estimates of costs associated with the operation of United States ground forces in Bosnia-Herzegovina during fiscal year 1998 as contained in the President's budget for fiscal year 1998.

(5) The military and political considerations that will affect the decision to carry out such a transition.

(6) Any plan to maintain or expand other Bosnia-related operations (such as the operation designated as Operation Deliberate Guard) if tensions in Bosnia-Herzegovina remain sufficient to delay the transition from the Stabilization Force to the Deterrence Force and the estimated cost associated with each such operation.

(7) Whether allied nations participating in the Bosnia mission have similar plans to increase and maintain troop strength or maintain ground forces in Bosnia-Herzegovina and, if so, the identity of each such country and a description of that country's plans.

(c) STABILIZATION FORCE DEFINED.—As used in this section, the term "Stabilization Force" (referred to as "SFOR") means the

follow-on force to the Implementation Force (known as "IFOR") in the Republic of Bosnia and Herzegovina and other countries in the region, authorized under United Nations Security Council Resolution 1008 (December 12, 1996).

Page 371, line 25, strike out "(1)".

Page 372, line 8, strike out "(2) For purposes of this paragraph," and insert in lieu thereof "(b) COVERED UNITED STATES FORCES.—For purposes of this section,".

Page 372, line 15, strike out "(3) and insert in lieu thereof "(c) MATTERS TO BE INCLUDED.—".

Page 372, beginning on line 16, strike out "paragraph (1), for each activity identified in that paragraph" and insert in lieu thereof "subsection (a), for each activity identified under that subsection".

Page 372, line 18, strike out "(A)" and insert in lieu thereof "(1)".

Page 372, line 20, strike out "(B)" and insert in lieu thereof "(2)".

Page 372, line 23, strike out "(C)" and insert in lieu thereof "(3)".

Page 373, line 1, strike out "(4) The first report under paragraph (1)" and insert in lieu thereof "(d) SUBMISSION OF REPORTS.—The first report under subsection (a)".

The CHAIRMAN. Pursuant to the rule, the gentleman from Indiana [Mr. BUYER] and a Member opposed each will control 10 minutes.

The gentleman from California [Mr. DELLUMS] will control the 10 minutes in opposition.

The Chair recognizes the gentleman from Indiana [Mr. BUYER].

Mr. BUYER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I have enjoyed the substance of this debate. I would like to comment to the ranking member when he made mention that people have the capacity to evolve and that the human condition can change. I agree. What we are trying to do here is change the way the United States and our allies in Europe have had a relationship over the last 50 years.

They are in a comfort zone. They like the United States' security blanket. They like that. What we are trying to do here and say, as the United States is the sole remaining superpower, I believe as a foreign policy that we should be there to provide regional stability, and our regional allies should be there to ensure stability within their region when there is no possibility of destabilizing that region.

We can debate whether or not Bosnia in fact would destabilize Europe. That is debatable. But what we are trying to do here is evolve that human change the gentleman is talking about: How do we get our allies to be major players in this one?

When I mentioned earlier about an over the horizon, 18 months ago when we had this debate I also wanted durable peace in Bosnia. We can get into the moral obligation and talk about the peace. There is not anybody who wants the killing or the ethnic cleansing.

□ 1715

What we want is for Europe to take the lead. We have learned, and the gentleman from Pennsylvania [Mr. MURTHA] was very articulate, that Europe was not able to take the lead there. They were there with the United Nations and they felt inept.

So when the United States exercised some leadership, compliments to Bill Clinton. But I find myself in a very awkward position. I led the debate on the House floor saying no to ground troops. Now I come to the House floor saying, Mr. President, I will move to codify his date to withdraw. There are some Members on this side of the aisle and on that side of aisle that say, let us get them out in December. I now have to come to the House floor and say, whoa, time out. I think what we should do is be rational here. We want to send a message to our European allies, keep our commitments to our international agreements, and how do we move toward the President's date of June 30, 1998? It is the President's date. It is not my date. But I want to back up the President with his foreign policy and his commitments, and I want our allies in Europe to take the lead. You say, this is NATO. You are right. But over the horizon what I mean is for the U.S. presence, for us to be there with our air power, our sea power, our logistics by air and sea to provide our intelligence through our architecture. We are right there in Hungary.

But when we talk about what will we envision, two things I wanted to ask of this President. First, I want his plan for withdrawal. And second, after June 30, 1998, what is his plan for the follow-on force? What is there after SFOR? And under Dayton, it asked for an international police force. Are the U.S. troops going to participate in that? That gets into the mission creep issues at hand.

So I have got some pretty strong concerns. That is why we want that plan, and that is what the Buyer amendment is about, codifying, and for those two reports.

Mr. Chairman, I reserve the balance of my time.

Mr. DELLUMS. Mr. Chairman, I yield myself 30 seconds to respond.

The last comment the gentleman made, I totally agree. I think the report requirements here are important. I believe that there ought to be consultation. The President ought to be forthcoming with us about what is on the other side. What I am arguing is that we should not codify a date certain for both the political and the practical and the diplomatic reasons that I have already enunciated several different times.

I do not disagree with the gentleman's last statement. We ought to know what is on the other side of June 1998. I am simply saying, putting a date certain into legislation raises a number of significant and serious problems, but I think what the gentleman is trying to do is valid. I just think this particular vehicle is inappropriate. I am not challenging the gentleman at that level.

Mr. Chairman, I yield 4 minutes to the distinguished gentleman from California [Mr. LANTOS].

Mr. LANTOS. Mr. Chairman, I thank my friend for yielding the time to me.

I would like to put this debate in somewhat of a historic perspective. When the history of the 20th century will be written from the vantage point of 100 years from now, the Bush administration will deserve and will get a great deal of credit for its performance in the Persian Gulf. It represented American leadership at its best. And the Bush administration will get enormous blame for its pathetic failure in preventing this tragedy that has unfolded in Yugoslavia, following the great victory in the Persian Gulf war.

Publicly, publicly and privately, many of us cautioned the administration that what was called for in 1991 was to use the deterrent capability of NATO which would have prevented the death of a quarter million innocent human beings, the creation of 1½ million refugees, and material damage running into the tens of billions of dollars.

The Clinton administration, after a wobbly start, got it right. We are now in the process of destroying what has been gained since Dayton.

You do not telegraph your punches. This region is not inherently unstable. It is a misreading of history that these people have been at each other's throats for centuries. That is simply not the case. Throughout most of the period, there was stability and peace. There are ethnic complexities which create great difficulties, but it is a myth which is being perpetuated on the floor of the House today that these people simply cannot live together.

Just a few days ago, some of us advocated that one of the constituent republics of the former Yugoslavia, Slovenia, be admitted to NATO now. I look forward to the time that all of the former constituent republics of Yugoslavia will be admitted into NATO and they will be admitted into the European Union.

To telegraph our punch now, that on June 30, 1998, everything ceases, is guaranteed to undermine NATO cohesion, NATO solidarity, the participation of our friends and allies, and, the most likely, outbreak of violence, hostility, and bloodshed again.

Have we not learned enough from the tragedy of the last few years? Did we not see enough pictures on television of children being massacred in Yugoslavia in the very heart of Europe so as not to advocate neoisolationism, which this proposal is. It is obvious that all those who want to break the peace which exists in the region would love to see nothing more than every single American soldier withdrawn on June 30, 1998.

That would be the guaranteed commencement of the new outbreak of hostilities. To tell our NATO allies that this is your job completely misunderstands the nature of NATO. NATO is a collective security system. We do not unilaterally tell our NATO allies what we will and will not do. We have assumed some obligations when we joined NATO. It is now our responsibility to carry through with our obligation.

Mr. BUYER. Mr. Chairman, I yield 3 minutes and 30 seconds to the gentleman from Missouri [Mr. SKELTON], a member of the committee and a coauthor of this amendment.

Mr. SKELTON. Mr. Chairman, we have a very interesting and telling decision before us, the three choices that may be made in all of this Bosnia business today. The first is to adopt an amendment, which I oppose, to take our troops out by the end of December of this year. That would be wrong. No. 1, that is rushing to judgment. No. 2, that would be in violation of what our President has openly stated.

The other is to leave the commitment open. To do so raises the issue as to whether our European allies will be ready, will take up of gauntlet and perform the duties we have been urging them and wanting them to do and take care of the European problems themselves now that we have shown them the way and given them the leadership.

The other problem with the open-ended commitment is the operational tempo of our young troops, and I am immensely, immensely proud of them. But with the downsizing that we have already had of particularly the U.S. Army, the young soldiers will be meeting themselves going and coming.

The middle ground, I believe, is to accept the word of our President and to adopt the date that he suggested.

Mr. Chairman, over the past few years I have addressed this body no less than seven times regarding U.S. involvement in the region in southeast Europe. In March 1993, warning of the 1,000-year-old nature of tension in the region, I advocated American involvement in the form of organizing and leading a concert of nations for a regional peace. I called for a diplomatically focused coalition-building effort and advocated U.S. military involvement, involvement limited to the peripheral but essential roles of logistical support, intelligence, command and control, and communications; in the air and on the sea.

In December 1995, with the impending deployment of 20,000 American grounds troops to that region, I appealed to this body to remember the importance of impartiality. I quoted the U.S. Army Field Manual: "Peacekeeping requires an impartial, even-handed approach." I voiced my angst that, as American peacekeepers, our sons and daughters posited themselves inside a centuries-old, three-sided conflict, just as America pledged to assist, train and equip one faction.

During the spring and summer campaigns of 1995, parity was reached between the armor-heavy Serbs and the infantry-heavy Croat-Muslim Federation. The combined forces of the Federation pushed the enemy from the Bihac region back towards the Sava and the Drina Rivers.

We have been fortunate. In 1997, we can be proud of our military personnel for their efforts and accomplishments. They have been professional and dedicated in their military duties. We have overseen a separation of the warring parties and a cessation of hostilities. We have allowed political reform to begin and refugee settlement to occur. We have led as no other Nation than America can.

Keeping our troops there until the end of June 1998 will be the best and correct thing.

Mr. DELLUMS. Mr. Chairman, how much time remains on both sides in the debate?

The CHAIRMAN. The gentleman from California [Mr. DELLUMS] has 5½ minutes remaining, and the gentleman from Indiana [Mr. BUYER] has 3 minutes remaining. The gentleman from California [Mr. DELLUMS], has the right to close.

Mr. BUYER. Mr. Chairman, I yield the balance of my time to the gentleman from New York [Mr. GILMAN], chairman of the Committee on International Relations.

Mr. GILMAN. Mr. Chairman, I thank the gentleman for yielding time to me, and I rise in support of the amendment by the gentleman from Indiana [Mr. BUYER].

Mr. Chairman, in debating United States policy toward Bosnia, we have to begin with a candid assessment of where current administration policy is taking us. It is leading us apparently to another Cyprus.

Since 1974, U.N. peacekeepers have been deployed along the so-called green line in Cyprus, an artificial boundary separating Christian and Muslim communities that used to be able to live together as one nation. There is no end in sight of that peacekeeping operation.

Mr. Chairman, we do not want to be involved in another Cyprus, this time in the infamous tinderbox of Europe, the Balkan peninsula. As everyone knows, the President disregarded the deadline he initially set for the withdrawal of United States forces from Bosnia and predictably we now see signs that the second deadline is beginning to slip.

None of us should have any doubt that in the end the President may have to renege on his second deadline, just as he did on the first, unless we step in and hold him to his word. He will renege not because he is trying deliberately to mislead us but because he has become a prisoner of a policy that just will not work, a policy that can lead our Nation to only one place, to a Cyprus in the Balkans.

We need to help the President out of this quagmire. We need to help him remain true to his word. I know that some say that June 1998 is too far in the future. So the gentleman from Tennessee [Mr. HILLEARY] has offered a perfecting amendment to move the deadline up to January 1998.

While I am sympathetic to the Hilleary amendment, ultimately we must recognize that it is unrealistic. It is going to be very hard to enact any funding cutoff for United States forces in Bosnia. We do stand a reasonable chance of enacting the withdrawal date that the President himself has promised. An earlier date almost certainly could not be enacted.

□ 1730

We should not pick a fight that we cannot win. Instead, let us defy opponents of the June withdrawal date to explain to us today why the President must have flexibility to break for the second time his solemn commitment.

Accordingly, Mr. Chairman, I urge my colleagues to defeat the Hilleary amendment and approve the Buyer amendment.

Mr. Chairman, I rise in support of the amendment offered by Mr. BUYER, and I ask unanimous consent to revise and extend my remarks.

In debating United States policy toward Bosnia, we have to begin with a candid assessment of where the current administration policy is leading us. It is leading to another Cyprus.

Since 1974, U.N. peacekeeping have been deployed along the so-called Green Line in Cyprus, an artificial boundary separating Christian and Muslim communities that used to be able to live together in one country. Every day since 1974, soldiers from Britain, Austria, and other countries have patrolled the Green Line. Every day for the last 23 years, these soldiers have been exposed to great risks, and many have been killed.

Even though no U.S. forces have participated in this operation, American taxpayers have paid approximately $250 million over the years to keep the operation going. And worst of all, there's no end in sight. No one today can tell you when, if ever, the Cyprus peacekeeping mission will end.

Mr. Chairman, we not want to be involved in another Cyprus, this time in the infamous "tinderbox of Europe"—the Balkan Peninsula—and this time involving a permanent commitment of United States ground forces.

Many of us in this chamber have struggled mightily for many years to avoid precisely this outcome.

Four years ago last month, in May 1993, I was proud to join the gentleman from Illinois, Mr. HYDE, as an original cosponsor of the first bill to end the unjust and illegal international arms embargo of Bosnia. We offered that legislation because we believed that the only way to stop the aggression and the violation of

human rights that we were then witnessing in Bosnia was to create a military balance between the aggressors and the victims of aggression. We were confident that, in the absence of such a military balance, U.S. military intervention to stop the fighting would become inevitable.

For more than 2 years, we tried to pass that legislation. Finally, during the summer of 1995, we succeeded. Both we and the other body passed legislation ending the arms embargo, and in both bodies the legislation was approved by veto-proof margins.

So when the Congress left Washington for the August recess in 1995, the President had a problem. Congress had just repudiated his policy, and our legislation was sitting on his desk. Even though he had promised to veto it, he needed to do something to make sure that his veto would not be overridden.

His solution was to launch a simultaneous military and diplomatic offensive. NATO bombers were called into action in Bosnia, and Mr. Holbrooke was dispatched to bring the parties to the negotiating table.

The result was the Dayton Peace Accords.

The problem with the Dayton Accords was that they provided for precisely the result that so many of us had feared—a massive United States military intervention in Bosnia.

Many of us predicted that if our forces faithfully carried out their mandate under the Dayton Accords, they would end up in armed conflict with the parties and likely sustain significant casualties.

This prediction was never tested because in fact our forces never carried out those portions of their mandate that could have led to conflict with the parties, such as arresting war criminals and facilitating the return of refugees. Indeed, the failure to do these things, and similar things collectively referred to as "civilian implementation" of the Dayton Accords, is one of the main reasons why we are told that we cannot bring our forces home from Bosnia today.

Of course, many of us predicted at the time that once our forces went into Bosnia they would never get out.

The President solemnly assured us that we were wrong about this. He promised us that our forces would stay in Bosnia no more than 1 year. Indeed, in a letter to us dated December 13, 1995, he stated:

> IFOR's basic military tasks should be completed within six months. During the remainder of the year, IFOR will continue to facilitate implementation of the peace agreement while preparing for and undertaking an orderly drawdown of forces.

Of course, 1 year later, the President had to take all this back. In a letter to us dated November 27, 1996, he stated:

> . . . our achievements on the military side have not been matched by progress on the civilian side. It will take longer than we and our Allies anticipated for Bosnia's economic and political life to reach the point where an outside security presence is no longer required.

It would be necessary to extend the United States military presence in Bosnia by another 18 months, the President said, to June 1998. But this time he was serious about the deadline for withdrawing our forces. We know because he told us so in the letter: "The new mission in Bosnia should end in June of 1998, and the remaining forces will completely withdraw from Bosnia quickly thereafter."

We already see signs, of course, that this second deadline is slipping. The President's advisors are said to be in disagreement about whether and how to renege on the President's commitment. And none of us should have any doubt, that, in the end, the President will renege on his second deadline, just as he did on his first—unless we step in to hold him to his word.

He will renege, not because he is trying to deliberately mislead us, but because he has become a prisoner of a policy that will never work. A policy that can lead our nation to only to one place—to a Cyprus in the Balkans.

We need to help the President out of this quagmire. We need to help him remain true to his word, or at least his second word. That's what the Buyer amendment is about, and that's why I urge its adoption.

Now I know that some say that June 1998 is too far in the future. We would like to bring our forces home sooner than that. So the gentleman from Tennessee [Mr. HILLEARY] has offered a perfecting amendment to move up the deadline to January of 1998.

While I am sympathetic to the Hilleary amendment, ultimately we must recognize that it is unrealistic.

The fact is that we are embarked on a very difficult enterprise. Congress is understandably reluctant to impose mandatory deadlines on U.S. force deployments abroad. And the President is even more reluctant to accept them. This means that it is going to be very hard to enact any funding cutoff for United States forces in Bosnia.

We stand a reasonable chance of enacting the withdrawal date that the President himself has promised. Any earlier date almost certainly cannot be enacted.

We should not pick a fight that we cannot win. Instead, we should defy opponents of the June withdrawal date to explain to us today why the President must have flexibility to break for a second time his solemn commitment to withdraw United States from Bosnia by a date certain.

Accordingly, I urge my colleagues to defeat the Hilleary amendment and approve the Buyer amendment.

Mr. DELLUMS. Mr. Chairman, hopefully, using the same clock, I yield myself the balance of the time.

Let me make a very few observations, if I might have the attention of my colleague, the gentleman from Indiana [Mr. BUYER]. First of all, if we accept the argument by the previous speaker, then we would not be in the Sinai, we would not be in Korea. And if that is their position, step up to it and be real, step up to it and be consistent. But that argument is not a consistent argument. We are talking about keeping the peace, preventing war for tens of thousands of people not dying. That seems to me an appropriate role to play.

Now, Mr. Chairman, my position in this whole thing is we ought to stay there until the job is done. As Martin Luther King said, probably more eloquent than anyone, that peace is more than simply the absence of war, it is the absence of conditions that give rise to war. So our military people may only win a marginal role in the whole issue of peace, because peace is about economics and it is about human rights and it is about democracy and a whole range of things.

But sometimes people are so much adverse to each other that they need someone to come in to hold them off. Now the allies, my colleagues recall, we were all at some point in these chambers students of history, our allies tried to keep the peace on the ground; and it failed, not because the leadership failed, but because the circumstances did not provide for success.

What provides us with some opportunity for success? Because the parties to the killing and the dying came to this country, sat down, negotiated a peace plan, and said, as imperfect as it is, help us to achieve that peace. We do not trust each other. We have been killing and maiming each other. Give us a hand until we create the conditions that evolve a war and peace.

As I said earlier, we make peace with our enemies; we do not make peace with your friends. Peace is hard. Peace is difficult. I would like to say to my colleague, the gentleman from Indiana [Mr. BUYER], who I think is sincere and genuine in his effort, if he recalls on his reporting requirements in this bill. In this bill, on page 373, under the heading Presidential Report on Political and Military Conditions in Bosnia, "The President shall submit to Congress," I read in part, under section (2) paragraph (A), "the date on which the transition from the multinational force," and my colleagues all know that we only are providing 25 percent of the troops here, not all of them, no one said that in this debate, the multinational force known as the Stabilization Force to the planned multinational successor force to be known as the Deterrent Force. Now we asked for this report.

Further, paragraph (F),

> Any plan to maintain or expand other Bosnia-related (such as the operation designated as Operation Deliberate Guard) if tensions in Bosnia-Herzegovina remain sufficient to delay the transition from the Stabilization Force to the Deterrent Force and the estimated cost associated with each such operation.

What I am saying to the gentleman from Indiana [Mr. BUYER], I think in the context of the conference, we can take what is already in the bill before us and we can work this in order to accommodate the concerns of the gentleman and this gentleman. We meet on common ground.

The place where we do not meet is when you take the extra step of putting in the date certain into legislative form, for all the reasons that the Chair, the Joint Chiefs, the Secretary of Defense, I, and others have enunciated. The gentleman from Indiana

[Mr. HAMILTON], all have raised these questions.

I think that this can be accommodated. I know the gentleman is sincere in what he is attempting to do. But I think that there are other Members who, rather than, as I said earlier in the debate, Mr. Chairman, asserting our congressional prerogatives on the front end of the debate, where we should be, and that is should we go or should we not go. That is our responsibility. That is why we are getting paid. Step up to that constitutional responsibility.

But more often than not, in the 26-plus years I have been here, Mr. Chairman, we back off that, we do not have the heart or courage to stand up to that. We wait until the President walks out on a limb and then we come in the dead of the night, on the tail-end, saying no funds shall be used to cut off at a date certain on the end where we are micromanaging, putting troops in harm's way.

But I think we ought to step up to it earlier on and assert our constitutional prerogative. If you do not want troops some place, step up and say that. If we do, step up and say that. I came here opposing every military adventure that we engaged in. I am a man of peace. Now here I am advocating that we stay in Bosnia.

The world has turned completely in a flip. The people who wanted to go anywhere in the world bombing and killing and maiming do not want our troops in Bosnia. Now if people are smart, they realize that that means that the world has changed. Bosnia is about peacekeeping, not war-making.

The CHAIRMAN. The gentleman's time has expired. All time for debate on the Buyer amendment has expired.

It is now in order to consider amendment No. 9, printed in part 1 of House Report 105-137, as a substitute for the pending amendment.

AMENDMENT NO. 9 OFFERED BY MR. HILLEARY AS A SUBSTITUTE FOR THE AMENDMENT NO. 8 OFFERED BY MR. BUYER

Mr. HILLEARY. Mr. Chairman, I offer an amendment as a substitute for the amendment.

The CHAIRMAN. The Clerk will designate the amendment offered as a substitute for the amendment.

The text of the amendment offered as a substitute for the amendment is as follows:

Part one, Amendment No. 9 offered by Mr. HILLEARY as a substitute for Part 1, amendment No. 8 offered by Mr. BUYER:

Page 379, after line 19, add the following:

TITLE XIII—UNITED STATES ARMED FORCES IN BOSNIA AND HERZEGOVINA

SEC. 1301. SHORT TITLE.

This title may be cited as the "United States Armed Forces in Bosnia Protection Act of 1997".

SEC. 1302. FINDINGS AND DECLARATIONS OF POLICY.

(a) FINDINGS.—The Congress finds the following:

(1)(A) On November 27, 1995, the President affirmed that United States participation in the multinational military Implementation Force in the Republic of Bosnia and Herzegovina would terminate in one year.

(B) The President declared the expiration date of the mandate for the Implementation Force to be December 20, 1996.

(2) The Secretary of Defense and the Chairman of the Joint Chiefs of Staff likewise expressed their confidence that the Implementation Force would complete its mission in one year.

(3) The exemplary performance of United States Armed Forces personnel has significantly contributed to the accomplishment of the military mission of the Implementation Force. The courage, dedication, and professionalism of such personnel have permitted a separation of the belligerent parties to the conflict in the Republic of Bosnia and Herzegovina and have resulted in a significant mitigation of the violence and suffering in the Republic of Bosnia and Herzegovina.

(4) On October 3, 1996, the Chairman of the Joint Chiefs of Staff announced the intention of the United States Administration to delay the removal of United States Armed Forces personnel from the Republic of Bosnia and Herzegovina until March 1997 due to operational reasons.

(5) Notwithstanding the fact that the President, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff assured the Congress of their resolve to end the mission of United States Armed Forces in the Republic of Bosnia and Herzegovina by December 20, 1996, in November 1996 the President announced his intention to further extend the deployment of United States Armed Forces in the Republic of Bosnia and Herzegovina until June 1998.

(6) Before the announcement of the new policy referred to in paragraph (5), the President did not request authorization by the Congress of a policy that would result in the further deployment of United States Armed Forces in the Republic of Bosnia and Herzegovina until June 1998.

(b) DECLARATIONS OF POLICY.—The Congress—

(1) expresses its serious concerns and opposition to the policy of the President that has resulted in the deployment after December 20, 1996, of United States Armed Forces on the ground in the Republic of Bosnia and Herzegovina without prior authorization by the Congress; and

(2) urges the President to work with our European allies to begin an orderly transition of all peacekeeping functions in the Republic of Bosnia and Herzegovina from the United States to appropriate European countries in preparation for a complete withdrawal of all United States Armed Forces by December 31, 1997.

SEC. 1303. PROHIBITION OF USE OF DEPARTMENT OF DEFENSE FUNDS FOR CONTINUED DEPLOYMENT ON THE GROUND OF ARMED FORCES IN THE TERRITORY OF THE REPUBLIC OF BOSNIA AND HERZEGOVINA.

(a) PROHIBITION.—None of the funds appropriated or otherwise available to the Department of Defense may be obligated or expended for the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina after December 31, 1997, in connection with peacekeeping operations conducted by the Implementation Force, the Stabilization Force, or any successor force.

(b) EXCEPTION TO ENSURE SAFE AND TIMELY WITHDRAWAL.—The prohibition contained in subsection (a) shall not apply with respect to the deployment of United States Armed Forces for the express purpose of ensuring the safe and timely withdrawal of such Armed Forces from the Republic of Bosnia and Herzegovina, but such a deployment may not extend for a period of more than 30 days beyond the date specified in subsection (a) (or the date otherwise applicable to the limitation under that subsection by reason of an extension of that date pursuant to subsection (c)).

(c) EXTENSION OF REQUIRED WITHDRAWAL DATE.—The date specified in subsection (a) for the applicability of the limitation under that subsection may be extended by the President for an additional 180 days if—

(1) the President transmits to the Congress a report containing a request for such an extension; and

(2) a joint resolution is enacted, in accordance with section 1304, specifically approving such request.

SEC. 1304. CONGRESSIONAL CONSIDERATION OF REQUEST BY PRESIDENT FOR 180-DAY EXTENSION OF DEPLOYMENT.

(a) TERMS OF THE RESOLUTION.—For purposes of section 1303, the term "joint resolution" means only a joint resolution that is introduced within the 10-day period beginning on the date on which the President transmits the report to the Congress under such section, and—

(1) which does not have a preamble;

(2) the matter after the resolving clause of which is as follows: "That the Congress approves the request by the President for the extension of the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina for a period ending not later than June 30, 1998, as submitted by the President on ————", the blank space being filled in with the appropriate date; and

(3) the title of which is as follows: "Joint resolution approving the request by the President for an extension of the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina for a period ending not later than June 30, 1998.".

(b) REFERRAL.—A resolution described in subsection (a) that is introduced in the House of Representatives shall be referred to the Committee on International Relations and the Committee on National Security of the House of Representatives. A resolution described in subsection (a) introduced in the Senate shall be referred to the Committee on Foreign Relations and the Committee on Armed Services of the Senate.

(c) DISCHARGE.—If the committee to which a resolution described in subsection (a) is referred has not reported such resolution (or an identical resolution) by the end of the 20-day period beginning on the date on which the President transmits the report to the Congress under section 1303, such committee shall be, at the end of such period, discharged from further consideration of such resolution, and such resolution shall be placed on the appropriate calendar of the House involved.

(d) CONSIDERATION IN THE SENATE.—(1) On or after the third day after the date on which the committee to which such a resolution is referred in the Senate has reported, or has been discharged (under subsection (c)) from further consideration of, such a resolution in the Senate, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the Senate to move to proceed to the consideration of the resolution. A Member may make the motion only on the day after the calendar day on

which the Member announces to the Senate the Member's intention to make the motion. All points of order against the resolution (and against consideration of the resolution) are waived. The motion is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the resolution is agreed to, the Senate shall immediately proceed to consideration of the joint resolution without intervening motion, order, or other business, and the resolution shall remain the unfinished business of the Senate until disposed of.

(2) Debate on the resolution in the Senate, and on all debatable motions and appeals in connection therewith, shall be limited to not more than 2 hours, which shall be divided equally between those favoring and those opposing the resolution. An amendment to the resolution is not in order. A motion further to limit debate is in order and not debatable. A motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the resolution is not in order. A motion to reconsider the vote by which the resolution is agreed to or disagreed to is not in order.

(3) Immediately following the conclusion of the debate on a resolution described in subsection (a) and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the Senate, the vote on final passage of the resolution shall occur.

(4) Appeals from the decisions of the Chair relating to the application of the rules of the Senate, as the case may be, to the procedure relating to a resolution described in subsection (a) shall be decided without debate.

(e) CONSIDERATION IN THE SENATE AFTER CONSIDERATION BY THE HOUSE OF REPRESENTATIVES.—(1) If, before the passage by the Senate of a resolution of the Senate described in subsection (a), the Senate receives from the House of Representatives a resolution described in subsection (a), then the following procedures shall apply:

(A) The resolution of the House of Representatives shall not be referred to a committee and may not be considered in the Senate except in the case of final passage as provided in subparagraph (B)(ii).

(B) With respect to a resolution described in subsection (a) of the Senate—

(i) the procedure in the Senate shall be the same as if no resolution had been received from the House of Representatives; but

(ii) the vote on final passage shall be on the resolution of the House of Representatives.

(2) Upon disposition of the resolution received from the House of Representatives, it shall no longer be in order to consider the resolution that originated in the Senate.

(f) RULES OF THE SENATE AND HOUSE.—This section is enacted by the Congress—

(1) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a resolution described in subsection (a), and it supersedes other rules only to the extent that it is inconsistent with such rules; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

SEC. 1305. PROHIBITION OF USE OF DEPARTMENT OF DEFENSE FUNDS FOR LAW ENFORCEMENT OR RELATED ACTIVITIES IN THE TERRITORY OF THE REPUBLIC OF BOSNIA AND HERZEGOVINA.

None of the funds appropriated or otherwise available to the Department of Defense for any fiscal year may be obligated or expended after the date of the enactment of this Act for the following:

(1) Conduct of, or direct support for, law enforcement activities in the Republic of Bosnia and Herzegovina, except for the training of law enforcement personnel or to prevent imminent loss of life.

(2) Conduct of, or support for, any activity in the Republic of Bosnia and Herzegovina that may have the effect of jeopardizing the primary mission of the United Nations-led Stabilization Force in preventing armed conflict between the Federation of Bosnia and Herzegovina and the Republika Srpska ("Bosnian Entities").

(3) Transfer of refugees within the Republic of Bosnia and Herzegovina that, in the opinion of the commander of the Stabilization Force involved in such transfer—

(A) has as one of its purposes the acquisition of control by a Bosnian Entity of territory allocated to the other Bosnian Entity under the Dayton Peace Agreement; or

(B) may expose United States Armed Forces to substantial risk to their personal safety.

(4) Implementation of any decision to change the legal status of any territory within the Republic of Bosnia and Herzegovina unless expressly agreed to by all signatories to the Dayton Peace Agreement.

SEC. 1306. REPORT.

(a) IN GENERAL.—Not later than October 31, 1997, the President shall prepare and transmit to the Congress a report on the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina. The report shall contain the following:

(1) A description of the extent to which compliance has been achieved with the requirements relating to United States activities in the Republic of Bosnia and Herzegovina contained in Public Law 104–122 (110 Stat. 876).

(2)(A) An identification of the specific steps taken, if any, by the United States Government to transfer the United States portion of the peacekeeping mission in the Republic of Bosnia and Herzegovina to appropriate European organizations, such as a combined joint task force of NATO, the Western European Union, or the Conference on Security and Cooperation in Europe.

(B) A description of any deficiencies in the capabilities of such European organizations to conduct peacekeeping activities in the Republic of Bosnia and Herzegovina and a description of the actions, if any, that the United States Government is taking in cooperation with such organizations to remedy such deficiencies.

(3) An identification of the following:

(A) The goals of the Stabilization Force and the criteria for achieving those goals.

(B) The measures that are being taken to protect United States Armed Forces personnel from conventional warfare, unconventional warfare, or terrorist attacks in the Republic of Bosnia and Herzegovina.

(C) The exit strategy for the withdrawal of United States Armed Forces from the Republic of Bosnia and Herzegovina in the event of civil disturbances or overt warfare.

(D) The exit strategy and timetable for the withdrawal of United States Armed Forces from the Republic of Bosnia and Herzegovina in the event the Stabilization Force successfully completes its mission, including whether or not a follow-on force will succeed the Stabilization Force after the proposed withdrawal date announced by the President of June 1998.

(b) FORM OF REPORT.—The report described in subsection (a) shall be transmitted in unclassified and classified versions.

SEC. 1307. DEFINITIONS.

As used in this title:

(1) BOSNIAN ENTITIES.—The term "Bosnian Entities" means the Federation of Bosnia and Herzegovina and the Republika Srpska.

(2) DAYTON PEACE AGREEMENT.—The term "Dayton Peace Agreement" means the General Framework Agreement for Peace in Bosnia and Herzegovina, initialed by the parties in Dayton, Ohio, on November 21, 1995, and signed in Paris on December 14, 1995.

(3) IMPLEMENTATION FORCE.—The term "Implementation Force" means the NATO-led multinational military force in the Republic of Bosnia and Herzegovina (commonly referred to as "IFOR"), authorized under the Dayton Peace Agreement.

(4) NATO.—The term "NATO" means the North Atlantic Treaty Organization.

(5) STABILIZATION FORCE.—The term "Stabilization Force" means the United Nations-led follow-on force to the Implementation Force in the Republic of Bosnia and Herzegovina and other countries in the region (commonly referred to as "SFOR"), authorized under United Nations Security Council Resolution 1088 (December 12, 1996).

The CHAIRMAN. Pursuant to the rule, the gentleman from Tennessee [Mr. HILLEARY] and a Member opposed, [Mr. BUYER] each will control 10 minutes.

The Chair recognizes the gentleman from Tennessee [Mr. HILLEARY].

Mr. HILLEARY. Mr. Chairman, for the purposes of debate only, I yield 5 minutes to my colleague on the other side of the aisle, the distinguished gentleman from California [Mr. CONDIT] and I ask unanimous consent that he be permitted to control that time.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. HILLEARY. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, there are several different important differences between the two amendments on Bosnia that are being offered here today.

First, the Hilleary-Condit-Kasich-Jones-Frank amendment is a bipartisan compromise; and with all those names, we know it is a bipartisan amendment. It is a bipartisan compromise of the much tougher H.R. 1172, the U.S. Armed Forces in Bosnia Protection Act, which has 148 bipartisan cosponsors.

Our bipartisan compromise amendment would bring our troops home by December 31, 1997, but would still give the President some flexibility by allowing him to make a written request to Congress to extend the exit date to June 30, 1998, his present exit date.

Second, the Hilleary-Condit-Kasich-Jones-Frank amendment is the only vote we will have to show that we did everything we could to bring our troops home as soon as possible. Voting only for the Buyer amendment, although it is a worthy amendment, demonstrates that we are accepting the President's present exit date of June 1998, and accepting the responsibility for all the harm that may come to our troops the longer that they are there.

Think about this, Mr. Chairman: As it becomes apparent to the warring factions in Bosnia that the President has no intention of pulling our troops out, they will be increasingly motivated to perpetrate a heinous terrorist act on our troops to get our troops out, just like at Khobar Towers in Saudi Arabia or the car bomb in Beirut, Lebanon. The later we set the exit date and the longer our troops are in Bosnia, the greater the odds are that this type of act will occur.

This is serious business, Mr. Chairman. Let us get them out as soon as possible. Let us support the Hilleary-Condit-Kasich-Jones-Frank amendment.

Mr. Chairman, I reserve the balance of my time.

Mr. BUYER. Mr. Chairman, I yield 3 minutes to the gentleman from Missouri [Mr. SKELTON].

Mr. SKELTON. Mr. Chairman, I rise in opposition to the Hilleary amendment. To do so, to adopt that I think would be a travesty in this House and a travesty for our country. We have deployed our troops. And I might say I am immensely proud of what they have done in Bosnia. But we have been fortunate.

We should be proud that our military personnel and their efforts have been successful in their accomplishments. They have overseen a separation of warring parties. They have been professional. They have caused the hostilities to cease. We have allowed political reform to begin. Refugee resettlement is occurring, and we have led as no other nation can. We have relished support among Europeans and throughout other nations of the world to follow our deeds.

Today I ask my colleagues to help our uniformed personnel complete their mission in a timely, efficient, and professional manner. In doing so, we must follow in honor of the word of the President of our Nation. He said some time ago that we should be out of there by June 1998. To cut if off at this time would be improper for our troops, to rush them out and not give them sufficient time to make plans to leave, to cause us to break our word as a nation, and to not give the former warring parties the time to complete their reconciliation, which the end of June 1998 will do.

We should honor the commitments of our Nation. We should honor the commitment of our President. We should honor the commitment of his word when he said June 1998. We must stick to that. We, as this Congress, should back him up and allow our troops to remain until that time.

I oppose the Hilleary amendment. It would be wrong for this body. It would be wrong for our Nation.

Mr. CONDIT. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, as we stated, this amendment will require the withdrawal of our Armed Forces from Bosnia by December 31, 1997. In October 1995, the administration stated that our presence in Bosnia would last for 12 months.

Well, here it is a year and a half later, and the troops are still there; and now the withdrawal date is June 1998. Their mission is unclear. Their objective is uncertain. Our commitment changes as every deadline for withdrawal passes. Let us end the charade. If the troops cannot come home by December of this year, let the administration tell us why, let us execute our constitutional authority of either supporting the administrative policy or rejecting it. That is quite simple. Let them submit to us a plan. Let us approve it, or let us reject it.

This will force all of us to define our purpose and our objective in Bosnia. It will also force us to do something that is extremely important, and that is to have a discussion of what the role is of the Europeans, what role must they play in safeguarding Europe.

The Vietnam war, the Persian Gulf taught us a valuable lesson: Give our troops clear, definable, and achievable missions. To do less than this is to put them at risk, without full regard for the consequences.

Mr. Chairman, I reserve the balance of my time.

Mr. BUYER. Mr. Chairman, I yield myself 1 minute.

Actually, I would like to say to the gentleman from California [Mr. DELLUMS], earlier when he was referring to the ellipsis as the actual bill itself, some report language with the President, if he would note from the amendment that I have before the committee, it is now the perfecting amendment, we kind of beefed that up. In his request for the spirit to work that in the conference, I would join him to do that.

Mr. Chairman, I yield to the gentleman from gentleman from California [Mr. DELLUMS].

Mr. DELLUMS. Mr. Chairman, I believe the gentleman is absolutely correct, he has beefed up these provisions and I think appropriately. I would be more than happy to work with the gentleman in the context of the conference to move it in the direction of the gentleman, because I think it strengthens these report requirements.

Mr. BUYER. I thank the gentleman in that spirit.

Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. HOBSON], who had an important meeting and could not be here during the general debate.

□ 1745

Mr. HOBSON. I appreciate the gentleman yielding me this time.

Mr. Chairman, I rise today in support of the Buyer-Skelton amendment to terminate our mission in Bosnia by June of next year, the President's date.

Only through the leadership, good will, and commitment of our Nation has the fighting stopped in Bosnia. The peace accord that ended the Bosnian conflict was written and agreed upon in my district. I have made two trips to the Balkans and seen first hand the mess into which these people have gotten themselves.

Considering that the history of hatred in the Balkans dates back at least a millennium, 2 years of American presence there will not turn the situation around. We have been able to see a pause in this fighting that will hopefully endure, but the people of Bosnia, Croatia, and Serbia ultimately must be the architects of, frankly, their own peace.

I want to see our troops out of Bosnia as soon as possible, and I frankly was very disappointed when the President broke his word to all of us to have our troops out last year. This amendment that I am supporting will make sure that our troops come home by next June, and also ensure that sufficient planning takes place between now and then so that when they are withdrawn, it will be done in an organized fashion and a secure fashion.

If it were up to me, the troops would be out now, and I might not have sent them to begin with, but my first and foremost concern is their safety. Preserving that safety means that we get them out, and that our pullout is planned, organized, and well executed.

When I was last there, I met with the NATO Ambassador and some of their people. They said one of the problems they were having is getting the people to begin moving on with the accords in the civil side of this. We have done the military job. The longer they think we are going to stay there, the less they are going to move on the civil side.

That is why we need to set a date certain and get our troops out, get them home, let the people of the area get on with their lives, hopefully in a peaceful fashion. We are not going to solve this peace. We should get out, come home, and let the people do their job.

PARLIAMENTARY INQUIRIES

Mr. HILLEARY. Parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman will state it.

Mr. HILLEARY. Mr. Chairman, do I have the right to close this debate?

The CHAIRMAN. The gentleman has the right to close.

Mr. BUYER. Parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman will state it.

Mr. BUYER. As I understand, this is a perfecting substitute amendment to my amendment and I rise in opposition. Therefore, would I not have the right to close?

The CHAIRMAN. The Chair would advise that neither gentleman represent the position of the committee and, therefore, the sponsor of the substitute amendment would have the right to close.

Mr. BUYER. I thank the chairman.

Mr. CONDIT. Mr. Chairman, I yield 1½ minutes to the gentleman from Massachusetts [Mr. FRANK].

Mr. FRANK of Massachusetts. Mr. Chairman, I differ with some of those, and I support the Hilleary amendment, I differ with some of those who join me in supporting it. I think the mission has been successful. I think it was a good idea. I was glad the gentleman from California decried the argument that these are somehow subhuman people who cannot get along.

This is a mission that ought to be done but America should not be doing it. Where are our European allies? Yes; they are there with us. We are alone in South Korea with the Koreans, standing up to North Korea. We are essentially alone in the Middle East, standing up to Iran and Iraq. We do our part in Latin America and in Haiti. Is it never Europe's turn? Bosnia is in Europe. It is close to Germany, close to France. Can they do nothing by themselves?

We are the great enablers of dependency in this House, not of welfare but of a Europe that simply will not stand up for its own interests. Indeed, I think maybe we should send out an investigating committee, Mr. Chairman. I am not sure there is a Europe. I think that France and Germany and Italy and Denmark and Belgium, at least for military purposes, are a fraud that has been perpetuated on us. Because the fact is that when it comes to their own interests, when we are talking about problems 100, 200, 300 miles from their own border, this collection of wealthy, powerful democratic nations acts like a bunch of immature teenagers that have to hide behind the United States.

Yes; it was a good thing that the President did. Yes; it has been more successful than people thought. And there is a reason for people to stay. But with America in South Korea, America in the Middle East, America elsewhere, we have a right to tell our European allies this one is theirs.

At the recent summit meeting, the Europeans complained to the President that he was thinking of leaving. Sometimes people have to learn to do things on their own. This is a job for the Europeans. We should adopt the Hilleary amendment and let the Europeans show that they can defend their own interests.

Mr. BUYER. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from Indiana is recognized for 4½ minutes.

Mr. BUYER. Mr. Chairman, I rise in opposition to the perfecting amendment of my good friend because what I want to do is accept the President's date. That is June 30, 1998.

I am from Indiana. It is corn country. We accept people at face value. Your word is your honor, is your bond. You do that until somebody has a little slippage in their word. The President slipped once. He slipped twice. Our Secretary of State, Madeleine Albright, now is kind of hinting that there may be in fact a third slippage. Fool me once, fool me twice, but pretty soon it becomes shame on me.

What I have done is to step forward and codify the June 30 date. I have been a good listener to the gentleman from California [Mr. DELLUMS], the gentleman from Pennsylvania [Mr. MURTHA], and some others about codifying that date. I understand. It still is a little tough saying ill-defined, not providing flexibility and those kind of words, but I want to hold firm. I want to hold firm on the date and back up the President so he can move to our allies within the region so they can begin to accept those greater responsibilities, because I support the gentleman from California [Mr. DELLUMS] when he says, let us change human condition. I want to change human condition with our allies and how we interact. I understand also we are talking about NATO and U.S. leadership, I say to the gentleman from Pennsylvania [Mr. MURTHA]. But let us talk about what is happening. We always focus on the military. It is the civil implementation of the Dayton accords that has got us in this mess. The military always meets their deadlines. They do a great job. IFOR was highly complementary. SFOR will be highly complementary.

The concern and our focus should be on the civilian implementation. Right now when we look at the implementation of the subregional arms limitations, it is to be complete in November 1997. I do not know if we are going to make that date.

The train, arm, and equip of the Bosnian Muslims is only half complete. I expect claims of compliance to be contested. Verification will be necessary on the checking to ensure that the checks and the balances are there for the stability of the region. Who is going to do that? That is where I believe, yes, the United States still needs to have our presence in the over-the-horizon, but on the ground I actually want our NATO allies there. I want them to have a greater role and presence in the peace and the stability within their region, that is, the continent of Europe.

We also have the issue of war criminals. There are some that say that no lasting peace will be possible in Bosnia until the war criminals are brought to justice. Right now to date only 8 of 74 currently under indictment are in custody of The Hague. Only 2 of the 8 have been convicted. When we talk about two of the most prominent indicted persons, former Bosnian Serb leader Radovan Karadzic and former Bosnian Serb military chief Ratko Mladic, they are still at large. Who is going to go after them?

If we are talking about after the June 30, 1998, date and they are still in place and threaten the region's stability, what type of force? That is why I join with the gentleman from California to have it defined what will be the U.S. role and presence after the President's June 30 date. Let us not rush to judgment here.

We also have the concerns of the nation building. When I talk about that, it is the humanitarian, the political, and the reconstruction. The nationwide elections have been held, but what about the municipal elections? The multi-ethnic political institutions are still segregated. It is also, as I earlier had stated, and this is what pains me the most is it is questionable if the Dayton agreement has in fact created the durable peace because the only way I think that we can have the durable peace is because of this open-ended commitment.

The question is, how long will we be there? When I have heard this today, we have to be there until the job is done. It was Dayton that set up these parameters that has an open-ended commitment. What I want to do is set a date certain so we can work in mutuality with our regional allies in Europe, so we can have a plan to withdraw and we can have the assurance of a durable peace. That is in fact what we want.

Mr. Chairman, I yield back the balance of my time.

Mr. CONDIT. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. HALL].

Mr. HALL of Texas. Mr. Chairman, I rise today to voice strong support for the Hilleary amendment and for ending deployment of our United States ground forces in Bosnia.

I did not support the administration's decision to send troops to Bosnia a year and a half ago, and I would vote to bring our troops home today if I could.

The best we can do, however, is to bring them home as soon as possible. The administration has stated repeatedly that our troops would be in Bosnia for no longer than 12 months. It has been well over a year since our troops were deployed there—and there still is no end in sight. The amendments offered today will require a ate certain for troop withdrawal, require development of an exit plan, and require a defined policy concerning the

role of the United States and our allies in Bosnia following withdrawal of United States troops.

We have been most fortunate that in the past 18 months, no Americans have died from hostile fire in Bosnia. However, as frictions continue to get more heated and ethnic divisions continue to erupt in human rights violations, the dangers to our troops will intensify. Our mission in Bosnia still remains unclear—and without a clear policy, the future of our troop involvement also remains uncertain.

It is imperative that we have a clearly defined exit policy and that we stick to it. Today, we have an opportunity to express our support for our troops by voting our desire to bring them home, and I urge my colleagues' support.

Mr. CONDIT. Mr. Chairman, I yield 1 minute to the gentlewoman from Missouri [Ms. DANNER].

Ms. DANNER. Mr. Chairman, I rise in support of the Hilleary amendment.

Before United States troops were deployed to Bosnia, I expressed skepticism that we would be there for only 1 year and that it would cost $1.5 billion. We have been there 2 years already, we are up to $6.5 billion, and the whole object is escalating. We are going to be there now perhaps as many as 3 years, and we could be up to we do not even know how many billions of dollars.

I think this has become a quagmire that we have to withdraw from. The American public believes, and I totally agree with them, that our European friends should be handling this. It should be something that they do. It is on their continent, and it has been proven that they have the ability to provide for their own common defense and to handle the issue of Bosnia.

Mr. HILLEARY. Mr. Chairman, I yield such time as he may consume to the gentleman from Florida [Mr. STEARNS].

Mr. STEARNS. Mr. Chairman, I rise in support of the amendment to put an end to this unauthorized operation by creating a date certain.

Mr. HILLEARY. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. CAMPBELL].

Mr. CAMPBELL. Mr. Chairman, I rise in support of the Hilleary amendment.

Mr. CONDIT. Mr. Chairman, I yield the balance of my time to the gentleman from Tennessee [Mr. HILLEARY].

The CHAIRMAN. The gentleman from Tennessee is recognized for an additional 30 seconds.

Mr. HILLEARY. Mr. Chairman, I yield the balance of my time to close this debate to the distinguished gentleman from Ohio [Mr. KASICH] who has helped lead the effort to bring our troops home from Bosnia.

The CHAIRMAN. The gentleman from Ohio is recognized for 3½ minutes.

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

Mr. KASICH. I yield to the gentleman from Tennessee.

Mr. HILLEARY. I thank the gentleman for yielding.

Mr. Chairman, I am holding a letter from Maj. Gen. Jim Pennington, retired U.S. Army, president of the National Association of Uniformed Services, expressing his strong support for the Hilleary-Condit amendment to H.R. 1119.

Mr. KASICH. Mr. Chairman, let me just suggest to the Members that are listening, the President said that we should withdraw our forces in December 1996. The Hilleary amendment says that they can be there until December 1997. And at that point in time, our allies will assume the additional burden of patrolling the streets of the communities in Bosnia. We worked with them for 50 years to stop the advance of the Soviet military and an invasion of Europe. Surely they can in fact keep the peace and patrol the streets. If they have difficulty, we will help them, not with our soldiers but with all of our technical expertise and all of the logistics.

I look at the gentleman from Pennsylvania [Mr. MURTHA] who has been in the Chamber longer than I have, but I have been here now for 15 years, and I want to tell my colleagues when the U.S. military gets in trouble is when we send our troops into a circumstance that is not clear and a mission that is fuzzy and a mission that confuses the nature of what the mission is for our soldiers.

We have done our job. We went to separate the warring parties and we did it. It is not our job to build the infrastructure and the Government of Bosnia. We will not be successful in that. And so what I would suggest is if Members believe that the President has not made the case about the vital interests of the United States, if Members believe the President has not articulated a clear exit strategy, if Members believe that our allies should do more, if Members believe that the American people do not stand behind this mission, if Members believe that this entire role ought to be clarified, if Members believe we have done our job and we ought to come home, and if Members share the concern that our soldiers could find themselves in a fuzzy mission and the consequences that are related to that, they must support the Hilleary amendment.

□ 1800

And then what happens? The President should come to this House and make his case. He has not yet done it. The only way that we will force the President to spell out the mission, to give us the achievable objectives, to call to task our allies, and to prove to the American people and to prove to the American people that this is a just mission, then my colleagues must vote for the Hilleary amendment and force the President to come here and tell us precisely what we are doing in Bosnia, what the mission is. Anything short of that leaves our troops in a confusing role with a dubious mission, without the kind of total support we need from allies who we supported for 50 years.

This is a support to get us on the road to clarifying U.S. military policy in the post Cold War period. This is a chance for my colleagues to stand up for the men and women who have put their lives on the line in Bosnia, and let us bring them home, and if not in December, force the President to make his case.

Support the Hilleary amendment.

The CHAIRMAN. All time has expired.

Mr. DELLUMS. Mr. Chairman, I move to strike the last word.

The CHAIRMAN. Under the rule, the gentleman, as the ranking minority member, is entitled to 5 minutes and is recognized for 5 minutes.

Mr. DELLUMS. Mr. Chairman, I understand where the majority of this body is going on a date certain; that is the easy political thing to do. But I think we ought to be part of the educative process, and I choose to try to do that.

First of all, to this notion, Mr. Chairman. To this notion, Mr. Chairman, this is important to the Europeans; let them do it. Does that mean we do not care about human life, Mr. Chairman?

We had this debate this morning about China. We care about human life in China. A few years ago we were concerned about human life in South Africa. We had a discussion about that. What are we talking about it is only Europeans should be concerned about European life? If this had been in the context of Nazi Germany, would Members have gotten up and said let Europe do it?

Mr. Chairman, we have a moral obligation to stand up and to care about human life. A quarter of a million people were being killed, raped, maimed and murdered; 13,000 of them were children.

So we say let the Europeans do it, we have no responsibility?

I heard speeches down here when we talked about the Preamble to the Constitution, and they said it was not just about America. Read the RECORD tomorrow. We said that on the floor just a couple of hours ago. This is about the whole planet. Now, when we talk about people dying in another place, let Europeans do it.

I want my colleagues to recall history, Mr. Chairman. Europeans did try to solve this problem, and they died there. Historically they died. They left blood on the soil of Bosnia trying. They spent money trying. It did not work. But what did work is when we stood up as a moral leader in the world and we said to the parties:

"Come to the United States, come to Dayton; sit down around the table, work out a peace plan," and when they did, they came to us, they invited us. That is the difference.

This is not some Vietnam quagmire. This is the United States standing up, caring about thousands of children not dying, women not being raped, mothers and fathers not dying because people could not figure out how to solve a problem. And they came to us and they said:

"Look, help us. Help us be peacekeepers."

I challenge anyone in this Chamber with their commitment to peace. I am committed to it. Mr. Chairman, I have given my whole life to peace. Peace is my passion, and this is what we are trying to do in the context of Bosnia. Europeans, they did not do it. It was not because they did not try, and somebody ought to stand up here and set the record straight; I would do that.

Mr. Chairman, in just 1 second I will be happy to yield to my colleague from Massachusetts.

Mr. Chairman, I understand all the date certain business. I am simply saying let us be proud of being peacekeepers and peacemakers. As my colleagues know, it is like there are people in the Chamber who would like to paint a big sign on the Pentagon. Do my colleagues know what the sign would say? "Hey, we only do the big ones. We don't do the peacekeeping, the peacemaking. We don't do the humanitarian assistance. We do the biggies."

But I think that our war years are transitioning, and I think the world is changing, and I think war is not the paradigm, and maybe I am ahead of my time, but I think we are changing, we are moving, we are growing, we are evolving, and, Mr. Chairman, we need to learn about the Bosnias. We need to learn how to be peacekeepers.

As I said, we did not do well in Somalia. We did better in Haiti, we are doing better in Bosnia, and maybe in some other place where we are called to be peacekeepers we can do it.

Final point and I yield to the gentleman:

All I say to my colleagues is that both of these resolutions do not give us the flexibility to dial down the 25 percent of our troops. We can dial down to 5 percent, 2 percent, special group of people. The gentleman's resolution does not give us that kind of flexibility. Rational, intelligent people in a changing and transitioning world ought to always be committed to enough flexibility to learn to grow and to evolve. That is all I am saying.

Mr. Chairman, I yield to the gentleman from Massachusetts [Mr. FRANK].

Mr. FRANK of Massachusetts. Mr. Chairman, I agree that America should have gone in. I may differ with some of the others on this resolution. I think it was essential because only we could do it. But we have been in, and the fighting has stopped, and it is one thing to say, well, the Europeans should have been able to do it from the beginning. I never said that. The question is now are the Europeans capable of maintaining this kind of maintenance force?

And the point I make is this. Of course I care about Europeans, I care about a lot of people, but there are limited resources, and for the United States to continue to encourage on the Europeans the notion that they do not have to do very much while we do it all I think is ultimately damaging to the values the gentleman is seeking. I think precisely because America does have important roles to play in various parts of the world where the mission has now been reduced to a more easily accomplished one than originally when we had to go in, we have a right to ask the Europeans to do a hand-off from now.

The CHAIRMAN. The time of the gentleman from California [Mr. DELLUMS] has expired.

Mr. SPENCE. Mr. Chairman, I move to strike the last word.

The CHAIRMAN. Under the rule, as chairman of the committee the gentleman from South Carolina [Mr. SPENCE] is entitled to 5 minutes and is recognized for 5 minutes.

Mr. SPENCE. Mr. Chairman, I hesitate to do this because I hate to get 5 more minutes for one side in one amendment and the other amendment did not have that like amount of time, but that is the way things work out.

Mr. Chairman, I yield to the gentleman from Florida [Mr. STEARNS].

Mr. STEARNS. Mr. Chairman, the gentleman from California [Mr. DELLUMS] said this afternoon let us be proud to be peacekeepers.

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

Mr. SPENCE. I yield to the gentleman from California.

Mr. DELLUMS. Absolutely.

Mr. STEARNS. Mr. Chairman, I say to the gentleman from California let us also be proud to abide by the Constitution.

Mr. DELLUMS. Absolutely.

Mr. STEARNS. Where in the U.S. Constitution does a President have the power to unilaterally place U.S. troops in combat environment without any congressional approval, let alone without notifying Congress?

Mr. DELLUMS. Mr. Chairman, the Constitution is clear about war making. The Framers of the Constitution did not contemplate the post-cold war world where we are talking about peacekeeping, peacemaking, and peace enforcement, and I would dare say to the gentleman that the War Powers Act is an inept and impotent act in dealing with these conditions as well.

So the gentleman's point is not well-taken. The Constitution did not envision the Bosnias, the Somalias, and the Haitis of the world.

Mr. STEARNS. Mr. Chairman, I would say to the gentleman from California [Mr. DELLUMS] it is clear under Desert Storm when President Bush came here and asked Congress for approval for that conflict, and every President eventually came to Congress to do that, yet here we are, the law is not changed, the President does not have the constitutional authority to send U.S. combat troops into an indefinite situation, and even the President agreed they would be out far ahead of this time, yet it is not true.

Mr. MURTHA. Mr. Chairman, would the gentleman from South Carolina yield for 10 seconds?

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

Mr. MURTHA. Mr. Chairman, let me just state to the gentleman from Florida [Mr. STEARNS], President Bush did not ask for authorization. As a matter of fact, he did not think he needed authorization. The Congress forced that on the President.

Mr. STEARNS. Mr. Chairman, would the gentleman yield and let me reply to that?

Mr. SPENCE. I yield to the gentleman from Florida.

Mr. STEARNS. Mr. Chairman, I ask the gentleman from Pennsylvania [Mr. MURTHA], did not President Bush come here, get a vote?

Mr. MURTHA. I led the fight.

Mr. SPENCE. Mr. Chairman, I yield to the gentleman from Florida [Mr. STEARNS].

Mr. STEARNS. Mr. Chairman, the bottom line here is this is going on and on with no definite time when this is going to end.

Let me read quickly what Corp. Zechariah Gransbury of Orlando said. He is in Bosnia, he should know:

It is getting worse and worse. The repetition is awful. Morale in my battalion is terrible. Most soldiers do not do the job they are trained to do. No one is motivated. I think a lot of us concluded that we are not making any real change in Bosnia.

Now this is someone that is in Bosnia, not somebody on the House floor. It is time Congress put an end to this unauthorized operation by creating a date certain for the exit of United States combat troops on the ground in Bosnia, and that is why I support the Hilleary amendment.

Mr. DELLUMS. Mr. Chairman, will the gentleman yield 10 seconds to me?

Mr. SPENCE. I yield to the gentleman from California.

Mr. DELLUMS. Mr. Chairman, I took President Bush to court, I sued in the Federal court to guarantee Congress' prerogative in warmaking, and I went out there initially alone, my colleague. The gentleman was not there, there were no other people. I went alone initially to the courts of this country to

preserve Congress' warmaking prerogatives on the issue——

Mr. STEARNS. President Clinton, will the gentleman take President Clinton to court?

Mr. DELLUMS. He has not violated the Constitution as I envision it.

Mr. SPENCE. Mr. Chairman, I yield the balance of my time to the gentleman from California [Mr. CUNNINGHAM].

The CHAIRMAN. The gentleman from California is recognized for 30 seconds.

Mr. CUNNINGHAM. Thirty seconds to get us out of Bosnia.

Mr. Chairman, let me just say that the President told us a year ago that we are going to be out of Bosnia. Look at Somalia, the extension we got, 22 Rangers killed. Haiti; Aristide is still there, and so are the same problems. Billions of dollars.

Izetbegovic is aligning himself with Iran because he knows the United States is eventually pulling out. There are thousands of mujaheddin and Hamas sitting there.

Will there be peace in Bosnia? Not in our lifetime, nor the Middle East, and we need to let Europe do it and let us get out of Dodge.

Mr. LEVIN. Mr. Chairman, I rise in strong opposition to the Buyer and Hilleary amendments.

What is the purpose of these amendments? Why should Congress get involved at this point?

Clearly United States actions in the NATO-led Bosnia mission have saved lives and not lost lives.

A target date for withdrawal has been set. Yesterday, the President reiterated that he expects the mission should be completed on schedule by June 1998. Do we want to eliminate any flexibility, even though the Secretary of Defense and the Chairman of the Joint Chiefs of Staff say it would be harmful to both the military and civilian effort in Bosnia? Secretary Cohen and General Shalikashvili have stated that a fixed, statutorily mandated date for the withdrawal of U.S. forces could undercut the safety of our troops.

When the consequences of a false step could be severe, Congress should be extremely careful how and where it treads. In this case, the stakes are high: the danger of renewed genocide. We speak out on this floor about the horrors of genocide. Let's not take an action that might increase the chances of a renewed nightmare.

Mrs. FOWLER. Mr. Chairman, I rise in support of both of the pending amendments.

Both these amendments would merely compel the administration to live up to its pledge to withdraw United States ground forces from Bosnia by June 30, 1998, at the latest.

To date, we have spent some $6.5 billion on our peacekeeping mission in Bosnia. Meanwhile, we rob our training, maintenance, and other operational accounts to pay for this mission. Our service people must do more and more with less and less, while readiness suffers and our military families are strained to the limit by overseas deployments.

I strongly support peace in Bosnia, but we cannot perform the peacekeeping mission there indefinitely. Our forces have provided a significant period of tranquility for implementation of the Dayton accords. We have provided aid to help rebuild. Fundamentally, however, it is up to the people there to decide whether they will work for peace. If Bosnia's factions have not moved significantly toward resolving their problems by June 1998, how long will it take?

I urge my colleagues to support these amendments.

Mr. CAMPBELL. Mr. Chairman, article I, section 8, of the U.S. Constitution gives the Congress, not the President, the right to declare war. We will have learned nothing from America's experience in Vietnam if we allow U.S. military to take part in a war without the explicit approval of Congress. At the very least, the war powers resolution should be honored. That law permits the insertion of U.S. troops into a circumstance where hostilities are imminent only for a maximum of 120 days before the explicit approval of Congress is obtained. In open hearings of the International Relations Committee, I asked of the Secretary of State why the President had not complied with this law in Bosnia. She answered in a way that brought me great sorrow—she claimed that hostilities were not imminent in Bosnia. Yet, allied troops have died in Bosnia. United States troops have been subject to sniper fire, and wounded, in Bosnia. To say this is not a situation of hostilities is to play with words—and that we must not do when American lives and the terms of the U.S. Constitution are at stake. The President has not obtained approval of the U.S. Congress for our troops to be in Bosnia. The Constitution compels they be brought home.

The CHAIRMAN. All time has expired.

The question is on the amendment offered by the gentleman from Tennessee [Mr. HILLEARY] as a substitute for the amendment offered by the gentleman from Indiana [Mr. BUYER].

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. HILLEARY. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The CHAIRMAN. The Chair announces that pursuant to clause 2(c) of rule XXIII the Chair will reduce to 5 minutes the minimum time for any electronic vote on the underlying Buyer amendment.

The vote was taken by electronic device, and there were—ayes 196, noes 231, not voting 7, as follows:

[Roll No. 233]

AYES—196

Aderholt
Archer
Bachus
Baker
Ballenger
Barcia
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bereuter
Berry
Bilbray
Bilirakis
Bonilla
Boyd
Brady
Bunning
Burr
Burton
Calvert
Camp
Campbell
Canady
Cannon
Chabot
Chambliss
Chenoweth
Christensen
Coble
Coburn
Collins
Combest
Condit
Cook
Cooksey
Crane
Crapo
Cubin
Cunningham
Danner
Deal
DeFazio
DeLay
Diaz-Balart
Dickey
Doolittle
Dreier
Duncan
Dunn
Ehrlich
English
Ensign
Evans
Everett
Ewing
Filner
Foley
Forbes
Fowler
Frank (MA)
Franks (NJ)
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Goode
Goodlatte
Goodling
Goss
Graham
Granger
Green
Gutknecht
Hall (TX)
Hansen
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hobson
Hoekstra
Horn
Hulshof
Hutchinson
Inglis
Istook
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones
Kasich
Kelly
Kim
Kingston
Klug
LaHood
Largent
Latham
LaTourette
Lewis (KY)
Lipinski
LoBiondo
Lucas
Manzullo
Markey
McCollum
McCrery
McDade
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Mink
Moran (KS)
Myrick
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Packard
Pappas
Parker
Paul
Paxon
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Portman
Pryce (OH)
Radanovich
Ramstad
Riggs
Riley
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryun
Salmon
Sanders
Sanford
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Serrano
Sessions
Shadegg
Shays
Shimkus
Shuster
Smith (OR)
Smith, Linda
Snowbarger
Solomon
Souder
Spence
Stearns
Stump
Sununu
Talent
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Tierney
Traficant
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weller
Whitfield
Young (AK)

NOES—231

Abercrombie
Ackerman
Allen
Andrews
Armey
Baesler
Baldacci
Barrett (WI)
Bateman
Becerra
Bentsen
Berman
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonior
Bono
Borski
Boswell
Boucher
Brown (CA)
Brown (FL)
Brown (OH)
Buyer
Callahan
Capps
Cardin
Carson
Castle
Clay
Clayton
Clement
Clyburn
Conyers
Costello
Coyne
Cramer
Cummings
Davis (FL)
Davis (IL)
Davis (VA)
DeGette
Delahunt
DeLauro
Dellums
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Ehlers
Emerson
Engel
Eshoo
Etheridge
Farr
Fattah
Fawell
Fazio
Flake
Foglietta
Ford
Fox
Frelinghuysen
Frost
Furse
Gejdenson
Gephardt
Gillmor
Gilman
Gonzalez
Gordon
Greenwood
Gutierrez
Hall (OH)
Hamilton
Harman
Hastings (FL)
Hefner
Hilliard
Hinchey
Hinojosa
Holden
Hooley
Hostettler
Houghton
Hoyer
Hunter
Hyde
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (WI)
Johnson, E. B.
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kind (WI)
King (NY)

Kleczka
Klink
Knollenberg
Kolbe
Kucinich
LaFalce
Lampson
Lantos
Lazio
Leach
Levin
Lewis (CA)
Lewis (GA)
Linder
Livingston
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Manton
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McHale
McHugh
McIntyre
McKinney
McNulty
Meehan
Meek
Menendez
Millender-McDonald
Miller (CA)
Minge
Moakley
Molinari
Mollohan
Moran (VA)
Morella
Murtha
Nadler
Oberstar
Obey
Olver
Ortiz
Owens
Oxley
Pallone
Pascrell
Pastor
Payne
Pelosi
Pickett
Pomeroy
Porter
Poshard
Price (NC)
Quinn
Rahall
Rangel
Redmond
Regula
Reyes
Rivers
Rodriguez
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sandlin
Sawyer
Scott
Shaw
Sherman
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith, Adam
Snyder
Spratt
Stabenow
Stark
Stenholm
Stokes
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson
Thurman
Towns
Turner
Velázquez
Vento
Visclosky
Waters
Watt (NC)
Waxman
Weldon (PA)
Wexler
Weygand
White
Wicker
Wise
Wolf
Woolsey
Wynn
Young (FL)

NOT VOTING—7

Bryant
Cox
Schiff
Schumer
Torres
Weldon (FL)
Yates

□ 1833

Messrs. STOKES, MOAKLEY, OWENS, WHITE, Callahan, and FOX of Pennsylvania changed their vote from "aye" to "no."

Mr. ISTOOK and Mr. PACKARD changed their vote from "no" to "aye."

So the amendment offered as a substitute for the amendment was rejected.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. WELDON of Florida. Mr. Chairman, on rollcall No. 233, I was unintentionally delayed. Had I been present, I would have vote "aye."

PERSONAL EXPLANATION

Mr. BRYANT. Mr. Chairman, on rollcall No. 233, I was inadvertently detained. Had I been present, I would have vote "aye."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana [Mr. BUYER].

The question was taken; and the chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. BUYER. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The CHAIRMAN. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 278, noes 148, not voting 8, as follows:

[Roll No. 234]

AYES—278

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barcia
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Berry
Bilbray
Bilirakis
Bishop
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Boyd
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth
Christensen
Coble
Coburn
Collins
Combest
Condit
Cook
Cooksey
Costello
Cramer
Crane
Crapo
Cubin
Cunningham
Danner
Davis (VA)
Deal
DeFazio
DeLay
Diaz-Balart
Dickey
Doggett
Dooley
Doolittle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
English
Ensign
Eshoo
Evans
Everett
Ewing
Fawell
Filner
Flake
Foley
Forbes
Fowler
Fox
Frank (MA)
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Goss
Graham
Granger
Green
Greenwood
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson-Lee (TX)
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones
Kaptur
Kasich
Kelly
Kildee
Kim
Kingston
Kleczka
Klug
Knollenberg
Kolbe
LaHood
Lampson
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Livingston
LoBiondo
Lofgren
Lucas
Maloney (CT)
Manton
Manzullo
McCarthy (MO)
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McIntyre
McKeon
Menendez
Metcalf
Mica
Miller (CA)
Miller (FL)
Minge
Mink
Molinari
Moran (KS)
Morella
Myrick
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Ortiz
Owens
Oxley
Packard
Pappas
Parker
Pascrell
Paul
Paxon
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Poshard
Pryce (OH)
Quinn
Radanovich
Ramstad
Redmond
Regula
Riggs
Riley
Rivers
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryun
Salmon
Sanchez
Sanders
Sanford
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Linda
Snowbarger
Solomon
Souder
Spence
Spratt
Stearns
Stenholm
Stump
Sununu
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thompson
Thornberry
Thune
Tiahrt
Tierney
Traficant
Turner
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wolf
Young (AK)
Young (FL)

NOES—148

Abercrombie
Ackerman
Allen
Andrews
Baesler
Baldacci
Barrett (WI)
Becerra
Bentsen
Berman
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Brown (CA)
Brown (FL)
Brown (OH)
Capps
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Conyers
Coyne
Cummings
Davis (FL)
Davis (IL)
DeGette
Delahunt
DeLauro
Dellums
Deutsch
Dicks
Dixon
Doyle
Engel
Etheridge
Farr
Fattah
Fazio
Foglietta
Ford
Frost
Furse
Gejdenson
Gephardt
Gordon
Gutierrez
Hamilton
Hastings (FL)
Hefner
Hilliard
Hinchey
Hinojosa
Holden
Hooley
Houghton
Hoyer
Jackson (IL)
Jefferson
Johnson (WI)
Johnson, E. B.
Kanjorski
Kennedy (MA)
Kennedy (RI)
Kennelly
Kilpatrick
Kind (WI)
King (NY)
Klink
Kucinich
LaFalce
Lantos
Levin
Lewis (GA)
Lowey
Luther
Maloney (NY)
Markey
Martinez
Mascara
Matsui
McCarthy (NY)
McDermott
McGovern
McHale
McKinney
McNulty
Meehan
Meek
Millender-McDonald
Moakley
Mollohan
Moran (VA)
Murtha
Nadler
Neal
Oberstar
Obey
Olver
Pallone
Pastor
Payne
Pelosi
Pickett
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Rothman
Roybal-Allard
Rush
Sabo
Sandlin
Sawyer
Scott
Sisisky
Skaggs
Slaughter
Smith, Adam
Snyder
Stabenow
Stark
Stokes
Strickland
Stupak
Tanner
Tauscher
Thurman
Torres
Towns
Velázquez
Vento
Visclosky
Waters
Watt (NC)
Waxman
Wexler
Weygand
Wise
Woolsey
Wynn

NOT VOTING—8

Brady
Bryant
Cox
Dingell
Schiff
Schumer
Talent
Yates

□ 1840

Mr. WYNN changed his vote from "aye" to "no."

So the amendment was agreed to.

The result of the vote announced as above recorded.

PERSONAL EXPLANATION

Mr. BRADY. Mr. Chairman, on rollcall No. 234, I was inadvertently detained. Had I been present, I would have voted "aye."

PERSONAL EXPLANATION

Mr. BRYANT. Mr. Chairman, on rollcall No. 234, I was inadvertently detained. Had I been present, I would have voted "aye."

Mr. SAXTON. Mr. Chairman, I rise today to thank Chairman SPENCE and the committee for adding language to the Defense Authorization Act that would help resolve United States commercial disputes against the Kingdom of Saudi Arabia.

As many of my colleagues are aware, in the late 1970's and early 1980's, the Kingdom of Saudi Arabia refused to pay hundreds of millions of dollars owed to American firms. After years of inaction on the claims filed on behalf of these companies, language was included in the fiscal year 1993 defense appropriations bill establishing a claims resolution process for

these cases. It charged the Secretaries of Defense, State, and Commerce with issuing periodic reports on the status of pending claims.

While many of these claims were resolved under this process, there are still debts outstanding. The directive language included in this bill is intended to re-open the claims process set up in 1993 and require the Department of Defense to conduct a broad and comprehensive search into any remaining claims.

With Saudi Arabia now seeking admission into the World Trade Organization, I believe it unconscionable that they refuse to settle their debts with private businesses. over the years, at least 50 Members of Congress have urged the Saudis to pay their debt, but nothing has happened. Mr. Chairman, I am hopeful this directive and the ensuing report will illustrate to the Kingdom of Saudi Arabia the importance of honoring debts. I am also prepared to offer this language every year if necessary until each claim outstanding is resolved.

I want to thank Chairman SPENCE again for his time.

Mr. SPENCE. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker pro tempore [Mr. JONES] having assumed the chair, Mr. YOUNG of Florida, 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. 1119) to authorize appropriations for fiscal years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999, and for other purposes, had come to no resolution thereon.

PERSONAL EXPLANATION

Mr. GOSS. Mr. Speaker, on Friday, June 20, I was absent for rollcall votes 218 through 224. Had I been present, I would have voted "aye" on votes 218, 219, 220, 222, 223, and 224. I would have voted "no" on rollcall No. 221.

COMMUNICATION FROM STAFF MEMBER OF HON. JIM MCDERMOTT, MEMBER OF CONGRESS

The SPEAKER pro tempore laid before the House the following communication from Charles M. Williams, staff member of the Honorable JIM MCDERMOTT, Member of Congress:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, June 23, 1997.

Hon. NEWT GINGRICH, SPEAKER,
U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: This is to formally notify you pursuant to Rule L (50) of the Rules of the House that I have been served with a subpoena issued by the United States District Court for the District of Columbia.

I will make the determinations required by Rule L.

Sincerely,

CHARLES M. WILLIAMS.

COMMUNICATION FROM STAFF MEMBER OF THE HONORABLE JIM MCDERMOTT, MEMBER OF CONGRESS

The SPEAKER pro tempore laid before the House the following communication from Wilda E. Chisolm, staff member of the Honorable JIM MCDERMOTT, Member of Congress.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, June 23, 1997.

Hon. NEWT GINGRICH, SPEAKER,
U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: This is to formally notify you pursuant to Rule L (50) of the Rules of the House that I have been served with a subpoena issued by the United States District Court for the District of Columbia.

I will make the determinations required by Rule L.

Sincerely,

WILDA E. CHISOLM.

□ 1845

APPOINTMENT AS MEMBERS OF COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The SPEAKER pro tempore (Mr. JONES). Without objection, and pursuant to the provisions of section 3 of Public Law 94–304, as amended by section 1 of Public Law 99–7, the Chair announces the Speaker's appointment of the following Members of the House to the Commission on Security and Cooperation in Europe:

Mr. HOYER of Maryland,
Mr. MARKEY of Massachusetts,
Mr. CARDIN of Maryland, and
Ms. SLAUGHTER of New York.

There was no objection.

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

TRIBUTE TO DR. BETTY SHABAZZ

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. DAVIS] is recognized for 5 minutes.

Mr. DAVIS of Illinois. Mr. Speaker, I rise today to pay tribute to Dr. Betty Shabazz, a woman of great courage, strength, and tenacity.

On Monday, June 23, a great presence in the lives of countless citizens of the world left this Earth. She was not just an inspiration to the African-American community, or just an advocate of equality for women or primarily a proponent of children's rights. She was so much more than that. Dr. Betty Shabazz was an inspiration to the human community, she was an advocate of equality for all people, indeed she was a proponent of every ideal upon which this Nation was founded, but often had difficulty adhering to.

Therein lies the inherent greatness of Dr. Shabazz. Despite the firebombing of her home in 1965 and the brutal murder of her husband, civil rights leader Malcolm X less than 3 weeks later, she refused to turn what must have been inconsolable anger into motivation for retribution against those who took the father of her children. Instead, Dr. Shabazz turned inward, furthering her education and strengthening her resolve as she embarked upon her mission to raise six children alone.

Dr. Shabazz possessed hope even in the midst of hopelessness. She refused to quit, and epitomized the American spirit. And what Dr. Shabazz accomplished should encourage all of us to greater heights. She lived her life making a difference, and she died trying to make a difference.

She received her undergraduate, master's and doctoral degrees from the University of Massachusetts. She became a college professor and radio talk show host, all the while providing a stable and sheltered home for her six daughters. She was the model of motherhood, without calling attention to her actions. She turned tragedy into triumph. Dr. Shabazz led by example and exemplified what we all might be able to do if we were willing to make sacrifices, which she did.

Soon after the death of her husband, and for many years thereafter, Dr. Shabazz was viewed by many as an extension of Malcolm X and his views. Someone who, like Coretta Scott King and Myrlie Evers, could be called upon to tender an opinion on what Malcolm's views on various issues of the day might be. But something happened along the way. Dr. Shabazz herself became the authority, and the questions initially directed toward the widow of Malcolm X became inquiries of Dr. Betty Shabazz. Only a woman of this intellectual and academic magnitude could overshadow the mystique of such a historical figure as Malcolm X.

Mr. Speaker, a college bearing the name of Malcolm X is located in the Seventh Congressional District of Illinois. I came to know Dr. Shabazz very well during her many visits to Chicago. She was truly one of the most dynamic and engaging people that I have ever met. Her command of the issues affecting the many different people of the world was, in a word, extraordinary. Her passing at this time and in this way is terribly unfortunate. It speaks to the human condition in a way that only an event this tragic and unwarranted can. It begs for another figure like Dr. Shabazz to stand and say something to put right this egregious wrong. Yet she is still gone, and it seems that we are without recourse.

When her husband was murdered, he was eulogized by Ossie Davis, the great African-American actor. Mr. Davis referred to Malcolm X as our shining

black manhood. Mr. Speaker, I submit to you that Dr. Betty Shabazz, through her countless achievements, has transcended Mr. Davis's description of her husband. She belongs to all of us and stands as a tribute to what we all must strive to become. While she may have left this Earth on the 23d of June, her legacy lives on and will undoubtedly influence many more generations to come.

I ask all of us to join today in paying tribute to Dr. Betty Shabazz. Having known her is an honor which words cannot convey, and her earthly presence will be sorely missed.

THE POINT REYES NATIONAL SEASHORE FARMLAND PROTECTION ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. WOOLSEY] is recognized for 5 minutes.

Ms. WOOLSEY. Mr. Speaker, I rise today to mark the introduction of a bill that is crucial to my district. It is very important. It is the Point Reyes National Seashore Farmland Protection Act, H.R. 1995.

Just 45 miles north of San Francisco lies the Point Reyes National Seashore, a peninsula containing 71,000 acres of the most beautiful vistas and pristine wilderness in America. Across Tomales Bay from the seashore lie 38,000 acres of privately held land that is used for agriculture, primarily for dairy ranching.

In Marin and Sonoma Counties, we like it that way, since we know that farmland makes our community economically strong and economically diverse. The national seashore likes it that way because the careful stewardship of these lands by ranchers has helped to safeguard the seashore and the bay, keeping it one of the most pristine areas in our Nation.

The ranchers like it that way because ranching is their livelihood, and they like what they do.

And the community likes it that way, because local residents know that agriculture plays an important role in the mix that gives the north bay a strong economy and makes it a wonderful place to live.

No one, Mr. Speaker, absolutely no one in the community wants to see the land turned into housing developments or casinos, except possibly developers who are putting pressure on the area to change.

So that is what I have set out to do in the Point Reyes National Seashore Farmlands Protection Act, keep everything the way it is now. That means keeping those 38,000 acres in private ownership and productive agriculture, safeguarding the livelihood of the farmers who live there along with protecting the park and the bay that are nearby.

The way we would do this is through a public-private partnership, a partnership to purchase conservation easements, instead of outright purchase of the land, an innovative and cost-effective, cost-saving method that can serve as a model for farmland protection around this Nation.

My bill establishes a boundary, a boundary that allows Federal matching funds to be available to willing local farmers who volunteer to sell their conservation easements.

Participation in the program is 100 percent voluntary. The easements would be managed by a local nonprofit land trust or open space districts. These are groups that already have experienced managing 11,000 of the 38,000 acres in question, meaning that the Federal role will be limited and administrative costs will be kept low.

Now, I knew that the local landowners would have some concerns about a proposal that involved the Federal Government. So I sat down with them, not the Federal Government, but with the local farmers. I sat down one on one at their ranches, around the kitchen tables, and we talked the program through. I listened carefully, and the results of those talks is the bill that I am confident will fully protect the private property rights.

In fact, the way this bill is crafted, ranchers who do not choose to participate in the program will go on living their lives exactly as they do now, and those who do choose to participate will also see little change, except that their land, once they have negotiated their easements, will be protected as farmland in perpetuity.

This idea, Mr. Speaker, is so powerful that it has already attracted some very influential bipartisan supporters, and it has also attracted some serious interest at the committee level. I am proud to announce that the original cosponsors of my bill are the gentleman from Maryland [Mr. GILCHREST], the gentleman from Michigan [Mr. DINGELL], the gentleman from California [Mr. CAMPBELL], the gentleman from California [Mr. DOOLEY], and the gentleman from California [Mr. CONDIT].

Mr. Speaker, H.R. 1995 is a way to preserve farmland and protect neighboring park land at the same time, in a private-public partnership with a very limited Federal role. It is a win/win solution for my district, and it is a win/win solution for the Nation. H.R. 1995 makes a difference. I urge all of my colleagues to join me in supporting it.

DISNEY VERSUS THE BAPTISTS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Mr. PAUL] is recognized for 5 minutes.

Mr. PAUL. Mr. Speaker, I was recently asked who is right, the Southern Baptists or Disney, in their argument regarding homosexuality. The question was pointedly directed to me because it is known that my political positions do not exactly conform to Washington's conventional wisdom.

As a Congressman, the answer for me was easy: both. Neither party is incorrect in stating their position. Both are permitted their viewpoint and neither has violated the other's rights.

Disney has chosen to use its own property to express a view. Although not endorsed by everyone, Disney has every right to do so. The Government did not tell them they must nor did Disney ask for any Government pressure to be applied to those disinterested in Disney's message. Moreover, no Government money was involved. Disney's right of free expression is achieved in this case through its constitutional right to own and use its own property. This is an easy call when private property is involved and property rights are acknowledged.

If this incident occurred using governmental funds or on Government property, as in a Government school, and only the concept of free speech was taken into consideration, it would have been virtually impossible to satisfy everyone's demands.

□ 1900

One set of taxpayers claiming free speech on public property only opens the floodgates of controversy in an attempt to permit everyone to express any viewed desire. But it is this very fuzziness injected by government control of property that today is the source of so many hard feelings and difficult problems.

Some argue that the freedom to express the views of secular humanism and even communism are perfectly acceptable in government schools, while at the same time, it is necessary to exclude voluntary prayer and all religious programs. Recognizing that atheistic humanism is a substitute for religious beliefs, this argument falls far short of satisfying any group desiring to use government property for religious reasons.

Such conflicts do not occur on private property. No one argues the right of Protestants to invade Catholic-owned premises to preach the Protestant doctrine as a right under the first amendment. The access to a newspaper, television station, or radio station should only come with the permission of the owner. Who owns the property becomes the overriding issue and the right of free expression is incidental to that ownership.

Essentially, all conflicts as to who could say what could easily be resolved with a greater respect for private property ownership. This is this principle that protects us in our homes from those that would lecture us in the name of free speech in public places.

Thus, it is easy to argue for the Baptists' right to boycott. They are expressing their disgust by withholding their support and their property, that is, their money. And that is perfectly appropriate. As far as I am concerned, the more voluntary nonviolent boycotts, the better. The boycott is the free society's great weapon and was well understood by Martin Luther King. The evil comes when a boycott or any objection is made illegal by the State and the participants are jailed. When laws such as these exist, only jury nullification or even civil disobedience can erase them if the legislatures and the courts refuse to do so.

Quite clearly, both sides of the Disney flap are correct in asserting their rights. The proper view on homosexuality and tolerance is a moral and theological question, not a political one.

Problems like this can be voluntarily sorted out by the marketplace, but only when property rights are held in high esteem and there is an acknowledgment that government and individual force have no role to play. Imposing one's view upon another, through any type of force, should always be forbidden in a free society.

Actually, the Disney-Baptist skirmish is a wonderful example of how freedom can work without Congress sticking its nose into each and every matter. Both sides have a right to stand up for their respective beliefs.

By using the rules of private property ownership to guide our right of free expression and religion, it is not difficult to find an answer, for instance, to the conflict between unwelcomed speeches in privately-owned malls and mall owners. Because most of the difficult and emotional problems occur on Government-owned and Government-regulated property, we should, here in the Congress, do whatever we can to reinstate the original intent of the Constitution and honor and protect property ownership as an inalienable human right.

LA MUJER OBRERA: THE WORKING WOMAN

The SPEAKER pro tempore (Mr. JONES). Under a previous order of the House, the gentleman from Texas [Mr. REYES] is recognized for 5 minutes.

Mr. REYES. Mr. Speaker, first a few remarks in Spanish.

(The following paragraph was delivered in Spanish.)

Mr. Speaker, a lot of people have come to this floor in recent weeks to talk about NAFTA. And several of those Members have talked about what is going on in my district, El Paso, TX. Tonight, I want to talk about my district.

The reason I have opened my remarks in Spanish, Mr. Speaker, is because it is important to the story that I want to tell my colleagues this evening. The district that I represent, El Paso, TX, has experienced more NAFTA-related job losses than any other community in the country, more than 5,600 jobs.

This week, a delegation of dislocated workers from my district, who call themselves the La Mujer Obrera, or The Working Woman, are here in Washington, DC to tell their story and share it with Members of Congress and administration officials. They are here this evening in this House to listen to my remarks.

La Mujer Obrera is a community-based, nonprofit organization dedicated to working to improve the social and economic conditions of low-income Hispanic workers and their families in the El Paso area. Many of these workers had jobs in El Paso in the garment industry. And as most of my colleagues know, a lot of those jobs have now gone to Mexico, leaving these workers and others like them without jobs and without the skills needed to get new ones.

When Congress passed NAFTA, it provided training assistance for workers dislocated by NAFTA. The workers of the La Mujer Obrera in El Paso were eligible for training assistance. What they got instead was remedial English lessons. It is important to understand that many of the people I am talking about have been working and paying taxes for 20 and 30 years.

While you and I probably agree that the ability to speak English will help, it will not by itself secure jobs for these workers. Since I became a Member of Congress 6 months ago, I have been working with La Mujer Obrera and the Texas Workforce Commission to provide the kind of assistance that will make a difference.

As a result, a pilot project was launched in El Paso that we hope should effectively address the needs of dislocated workers. This pilot project will provide bilingual job training and prepare dislocated workers for new jobs. Approximately 1,200 dislocated workers will benefit from this project. Some Members of this body will listen to the story of La Mujer Obrera and conclude that NAFTA is bad. Others will point to the fact that the new jobs have been created by NAFTA and conclude that NAFTA is good.

I think the truth lies somewhere in between. NAFTA was and is a bold initiative. But as with all great experiments, we should not be surprised when we hit some problem spots. We must be willing to make corrections along the way. This is especially true when it affects people like Armida Arriaga, a 56-year-old woman in El Paso who worked in the garment industry for 18 years before losing her job. Ms. Ariaga has used the NAFTA benefits, but she would rather have a job.

In a recent report, the Forum for International Policy, whose members include Brent Scowcroft, Carla Hills, Colin Powell and Robert Strauss, said it best:

"Increased international trade may well lead to U.S. job losses for certain companies in certain sectors. The response should not be to impede greater trade, but rather to develop effective programs to provide American workers with training to acquire new skills and develop new business. Of course, meeting this challenge cannot be underestimated. Some workers may find developing new skills difficult, if not impossible. But dealing creatively with job transitions is preferable, for the people concerned and society as a whole, to denying ourselves increased trade opportunities."

I think it is appropriate that on this date in 1647 Margaret Brent proclaimed herself as America's first feminist by demanding a voice and vote for herself in the Maryland Colonial Assembly. Brent came to America in 1638 and was the first woman to own property in Maryland.

Mr. Speaker, the workers of the La Mujer Obrera are here today to demand a voice in the decisions that we make that affect their lives. As this body ponders serious policy questions, I encourage all of my colleagues to listen carefully to the voices of these people, the dislocated workers, and remember that what we are here to do is the people's business. They expect and deserve this.

RECOGNITION AND COMPENSATION FOR FILIPINO VETERANS

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. ROYBAL-ALLARD] is recognized for 5 minutes.

Ms. ROYBAL-ALLARD. Mr. Speaker, in my district, on June 14, at MacArthur Park, located in the heart of downtown Los Angeles, three brave, elderly, former soldiers renewed a battle first begun in World War II.

In an unprecedented display of determination, Percy Javellana, age 74, Angel De La Cruz, age 71, and Orcencio Salem, age 71, chained themselves to the statue of their former commander, General Douglas MacArthur. They have vowed to remain there for 24 hours a day in protest of our Government's denial of benefits for Filipino veterans of World War II.

Mr. De La Cruz took his personal sacrifice one step further by beginning a hunger strike he has promised will not end until Federal legislation to restore these promised benefits is enacted.

Let there be no mistake, their symbolic act of protest, which is gaining national media attention, is not merely motivated by a desire for monetary compensation. Instead, their struggle is about honor, dignity, and respect for

their sacrifices as soldiers. More importantly, it is about the moral obligation of our Government to live up to its promises once made.

In 1941, recognizing the critical strategic value of the Philippines to the allied forces, President Roosevelt called upon Filipino soldiers and civilians to join United States forces in retaking the Philippines. In exchange for their volunteer military service, they were promised pay and benefits equal to that provided to United States troops.

In response, during almost 4 years of the most intense and critically important phases of World War II, more than 200,000 Filipinos fought side by side with allied forces and won a strategic forward position vital to our success in the Pacific Theater.

Willingly, these brave men sacrificed their well-being and their lives in defense of freedom. They fought, believing in our country's promise that they would earn the right to the same compensation and benefits given to American men and women with whom they fought side by side in defense of the free world.

To the ultimate shame of our Nation, not one promise was honored. Instead, in 1946, the United States Congress passed legislation severely restricting the veterans' benefits that members of the Phillipine Commonwealth Army and the Special Scouts could receive. Ever since that betrayal, Filipino veterans and their survivors have fought an uphill battle to restore these hard-earned benefits.

In their support, I am proud to be a cosponsor of H.R. 836, a bipartisan bill introduced by the gentleman from New York [Mr. GILMAN] and the gentleman from California [Mr. FILNER] to extend full benefits to these Philippine veterans.

I support not only its passage but the efforts of the Filipino veterans to have congressional hearings to illuminate the unkept promises and the impact it has had on the lives of these aging veterans.

As our Nation focuses increased attention on World War II through the creation of a memorial recognizing the contributions of all World War II veterans, and as we continue to celebrate the recent dedication of the Franklin Delano Roosevelt Memorial, a great portion of which focuses on his leadership during the Second World War, there is no better time than now to correct this injustice.

Clearly, the Filipino veterans who fought, bled, and suffered alongside American troops deserve the recognition and compensation they were promised and then denied for over 50 years. I urge my colleagues and the American public to recognize that correcting this injustice is a matter of national honor.

REMARKS ON THE RENEWAL OF CHINA'S MFN TRADE STATUS WITH THE UNITED STATES

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. MILLENDER-MCDONALD] is recognized for 5 minutes.

Ms. MILLENDER-MCDONALD. Mr. Speaker, let me tell you why the resolution to disapprove China's Most-Favored-Nation status failed today on this House floor. This Congress did its homework and learned from the past how such protectionist action can backfire on a strong nation such as the United States.

The United States has been in a trade posture with China since China's trade liberalization policies in the early 1980's, with the exception of the period after the Tiananmen Square incident when China briefly retreated into a period of isolation.

Historically, China has taken protectionist action against the rest of the world. During the period from 246 to 209 B.C., China built the "Great Wall" to defend its northern frontier against outsiders. Now, the wall serves no purpose except as a tourist attraction. In the 1950's China's inward-oriented development policies culminated in the Great Leap Forward, a disastrous attempt to create a self-sufficient economy. That failed as well.

Today, China is experiencing the Great Awakening, where a plan for enterprise reform, trade reform, and tax reform as well as a fundamental restructuring of the country's macroeconomic management is being pursued. This kind of action is working.

China's economy is booming, and the United States is taking advantage of our trade relations to boost our own economy.

America was built not only on the ideal of freedom and democracy, but on the economic base of free enterprise from which such ideals flow. Remember the Boston Tea Party? The Stamp Tax? Only by opening our minds and our markets can we help China reform its human rights policies, its intellectual property rights infringements, and its arms sales. Should we turn our heads to these practices? Certainly not. Should we have turned our back on them? Certainly not. Only through continuous engagement in dialogue will we have an opportunity to affect change.

From 1990 to 1996, U.S. exports to China rose by 90 percent, the fastest growth rate of any major export market. This has been a direct benefit to Southern California given its recovery from a recession.

China's economy is expected to be the world's largest by the year 2012. We cannot afford to turn our backs on the opportunities offered through trade with China, particularly in light of the higher paying jobs directly supported by trade opportunities. That is the kind of protectionist action that would isolate the United States from the incredible market that is China. That would be cutting off our nose to spite our face.

China is in need of 750 billion dollars' worth of infrastructure, most of which they will buy from the United States. Those who argued today for the revocation of MFN status by reason of a trade deficit—I ask you, how are we going to reverse the current trade deficit by blocking chances for U.S. export growth? The simple fact is, we cannot.

A full one-quarter of all cargo entering the United States comes from China. My 37th Congressional District benefits from the Ports of Los Angeles and Long Beach, two of the biggest ports in the United States. In 1996, the Port of Long Beach alone handled $15.2 billion in United States-China trade. Companies such as Jackson Aerospace in Gardena, Alson Manufacturing in Compton, and Fisher Forging in Carson are all dependent on continued trade with China to maintain growth in the tremendous aerospace industry within Southern California.

Exports of U.S. goods and services now total about $14.4 billion and support over 200,000 American jobs. My fellow Americans, these are a lot of jobs which would have been in jeopardy should we have not renewed China's MFN status.

This House did the right thing by renewing China's MFN status today, and I applaud all of my colleagues who voted with me to sustain it.

TAX FAIRNESS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts [Mr. OLVER] is recognized for 5 minutes.

Mr. OLVER. Mr. Speaker, I had spoken earlier today and got part way through some data that I was trying too give out, so I am going to pick up somewhere close to where I had been at that time because I did not have time to finish what I had been talking about.

Let me go back and point out that, in the next few days, we are going to be entering into an extremely important debate; and in those next couple of days, we are going to learn a good deal about tax fairness in America and we are going to learn something about the heart and soul of the two major parties, mine, the Democratic Party, and the Republican Party, the other party here in this body of Congress.

□ 1915

We are going to find out who the two parties are willing to defend, who each of the parties serves and who each of the parties is willing to fight for.

The debate is going to be a long and very controversial, very acrimonious one, I would guess, because it has to do with exactly how we reach a balanced budget in this country.

I thought it would be instructive to speak about something that had appeared in USA Today, on the front page of USA Today, the weekend edition, where the front page cover story of the weekend edition is entitled, "So How Much Money Does It Take To Be Rich?"

Basically, it is a story of what it is like, the struggle that families at the upper end of the scale have to go through in order to become wealthy in this country. They use a number of examples. I would just like to mention some things out of this story.

One of the things that really struck me as quite remarkable is that in 1997 there are now 3.5 million American families who have assets of $1 million or more. That is 3.5 percent of all families. Only 20 years ago, there were only 350,000 families who, in inflation-adjusted dollars, had that kind of income.

In any case, I want to just mention several of the families who were given as examples here. One is a gentleman from California who has $1 million in stocks and bonds, and who lives in a $500,000 house and drives a Lexus and takes several expensive vacations, the paper lists that he takes several $8,000 vacations each year. He comments that it is not yet to the point where he can take a trip to Europe or Canada for a whole summer. "A real millionaire would be able to do such things."

And then there is another, a couple from Oregon who have about $2 million in liquid assets, plus $2 million in a 6,000-square-foot city house and a beach front home as well. Each year they take vacations. The gentleman in that family says with another $2 million in assets, he would worry less and travel a bit more and do more charitable work.

And then there is a family, as an example, who happen to be in South Carolina, who sold their personnel staffing company last year and now have about $3.5 million in investable assets, plus $3.5 million in nonliquid stock, and they own two homes, one a beach home. They own a Porche, a BMW, and a $120,000 sailboat. The man in this family says that they do not consider themselves rich. They are just not there yet. He says he probably would reach that magical mark where he could admit that he was rich when he could afford a $5 million jet.

And then there is another family where the gentleman here had $7 million worth of stock and bought a $3 million custom built yacht, and then a year later he sold his stock for $35 million and bought a $2.5 million personal jet.

That is an indication of the people who are in that upper 3.5 percent, those people who have million-dollar incomes. I use that as an indication merely to highlight the fact that the Republicans and the Democrats have very different ways that they would give their tax reduction.

The two parties have agreed that we should balance the budget by 2002. The two parties have agreed what the total amount of tax reduction ought to be. What is now the question is how we would distribute those tax breaks.

The fact of the matter is that if we break it down to six families, with one of those families being a family that has over $100,000 a year in income, and that includes all of the examples that I gave, out of those six families, the Republican plan would give one family two-thirds of all the tax reduction. Those other five families, two of those families have incomes of less than $25,000 a year. Under the Republican tax plan, they would get exactly zero out of the tax reduction program.

The remaining three families, with incomes lying between $25,000 and $100,000, the great middle class in this country; and, by the way, a lot of us believe that we are middle class if we have lower income than $25,000, and some believe they are in the middle class if they have income above $100,000. But that half of the total population between $25,000 of income and $100,000 of income would get one-third of the total tax cut.

That is what the argument is about. Because on the part of the Democratic proposal as opposed to the Republican proposal, the one family which in the Republican plan gets two-thirds of all the tax cut, all those families which have over $100,000 of income a year and include the hundreds of thousands of millionaires in this country, the 3.5 million millionaires, that one family under the Democratic plan would get 25 percent of the tax reduction. They would get $1,500 on average per year.

The two families at the lower end of the scale, with income less than $25,000 a year, and they pay all kinds of taxes, they pay payroll taxes and sales taxes and excise taxes and gasoline taxes and all sorts of things, they would get, those two, one-third of the American population with incomes under $25,000 a year, they would get about 20 percent of the tax breaks that come from the Democratic plan.

And the three, the great middle class between $25,000 an $100,000 of income per year, under the Democratic plan that group of half of the American population, that group would receive 55 percent of the tax reduction that would come from the agreed-on tax plan that both parties have agreed, but we are just arguing about who should get it.

I have to ask America, because this question is going to be asked again and again and again over the next few days, whether we should give two-thirds of all the tax breaks to the families with more than $100,000 of income per year; or whether we should give the middle, the great middle class, between $25,000 and $100,000 a year, 55 percent of the tax breaks that are to be given under the plans that are going to be debated over the next few days; and whether in fact it is fair for us to give no tax break at all for the one-third of all Americans who have incomes below $25,000 a year but represent working families with kids, young families, families and households that are headed by women, whether it is fair to give them nothing as the Republican plan would do, or whether it is fair to give them some of the tax break as well.

EXTENDING ORDER OF THE HOUSE OF MAY 7, 1997, THROUGH TUESDAY, JULY 15, 1997

Mr. HASTERT (during special order of the gentleman from New Jersey, Mr. PALLONE). Mr. Speaker, I ask unanimous consent that the order of the House of May 7, 1997, as extended on June 12, 1997, be further extended through July 15, 1997.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

DEMOCRATIC TAX CUT PROPOSAL

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey [Mr. PALLONE] is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, following up on the gentleman from Massachusetts who just addressed the House previously, I think that I need to stress that the unfairness of the Republican tax scheme really has not gone unnoticed out in the real world, beyond the city of Washington. People have really caught on to the fact that the Republican plan is blatantly skewed to help the rich, and the bad news for the Republican leadership here in Washington is that the grassroots really understands what is happening and what we will be voting on in the next 2 days here in the House of Representatives.

The people are asking us to do the right thing. I would maintain that the Democratic tax cut alternative is far superior when you deal with the concerns of the average American working family.

This week as Democrats we are trying to illustrate in human terms the implications of the Republican tax scheme since we are going to be voting on this over the next 2 days. I wanted to start out this evening by using the example of a woman from New Jersey, Debra Hammarstrom, who is a resident of Toms River, NJ, in Ocean County. She is a divorced mother of two children living on a single income. I actually have photographs of her daughter here and also of her son. These are her two children, Ms. Hammarstrom's two children. She recently wrote, and I want to quote a section from her letter, the reason was, quote, to stress the importance of how a child tax credit would help to offset some of the financial burdens that come with raising a family on a single income.

She is concerned that the child tax credit that the Republicans have proposed here will simply not help her even though it should. Ms. Hammarstrom earns $21,500 in her job as the benefits coordinator for Visiting Home Care Service of Ocean County, NJ. She pays for child care, $105 a

week, or $5,460 a year, so that she can work.

To quote again from Ms. Hammarstom's letter, she says, "Unfortunately the Republican child tax credit proposal is targeted against those who need it most, those who are just one step away from falling into the welfare system. We are working poor who work to pay for child care, food and a roof over our family's head and nothing more. The child tax credit should be given to financially benefit the child, and I think a child from a lower income family would benefit greatly by receiving the credit. However, my family would receive no benefit at all from the proposed child tax credit."

That is the Republican tax credit. They do not give it to her in her case, another member of another working family.

The Republican bill denies the $500 child tax credit to more than 15 million working families because it does not let them count the credit against their payroll taxes. These payroll taxes are the taxes that are deducted from a worker's paycheck. Everyone understands that. But some of our Republican colleagues, including Speaker GINGRICH and the chairman of the Committee on Ways and Means, the gentleman from Texas [Mr. ARCHER] have claimed that working families who qualify for the earned income tax credit are welfare recipients.

Mr. Speaker, I maintain this is an outrage. The people who qualify for the earned income tax credit are working people as the words "earned income" attest. No less a conservative than President Ronald Reagan himself praised the EITC program as a great incentive for helping people make the transition from welfare to work. To call these families welfare recipients is simply dishonest. To deny the $500 child tax credit to these families who need it the most is cruel and shows that the Republicans do not care about giving tax relief to millions of moderate income families. We are going to be highlighting some of these families like Debra Hammarstrom and her children tonight and over the next 2 days as this Republican tax proposal comes forward.

Mr. Speaker, I am very pleased to see that our Democratic leader the gentleman from Missouri [Mr. GEPHARDT] is here tonight to join with this special order and I would like to yield to him at this time.

Mr. GEPHARDT. I thank the gentleman from New Jersey and appreciate the opportunity to be able to participate in his special order on this very important question.

As the gentleman knows, we are here today to illustrate why the vote we will cast on the Republican tax cut plan this week is one of the most important votes that will be taken in this Congress and for many years.

When the House takes up the Republican vision of tax relief, we will oppose it because well over half the benefits go to the top, or wealthiest 5 percent of taxpayers.

We ask the Republicans to simply listen to the words of the people that they profess they are helping, the hard-working, middle-class taxpayers instead of wealthy contributors and corporate special interests.

There is a different way to provide tax relief than rewarding traders of stocks and bonds for a bull market brought on by the Democrats' economic recovery. The Democratic tax cut targets tax relief to the people who are raising children and agonizing over how they will be able to send them to college when they are ready.

□ 1930

The Democratic tax cut targets tax relief to people who are selling their homes, the biggest investment, I might add, for most middle income taxpayers.

The Democratic tax cut gives tax relief to families who are struggling to keep the family business and the family farm in the family to succeeding generations, and the Democratic tax cut responsibly holds down the cost of this targeted tax relief that our children and our families will not have to bear the burden for paying for it later. We do not want to explode the deficit down the road as we once did. We want to keep the budget in balance.

Beyond all of the complex statutory language that goes into the Tax Code, the spread sheets and the revenue estimates from congressional scorekeepers, we have to ask ourselves what this bill is really for, what is it all about? Is it an economic experimentation giving the wealthy, who already have a huge advantage over middle class taxpayers, the lion's share of the benefit with the hopes that it would trickle down eventually to the rest of the people in the economy, or should it be about offering average ordinary taxpayers a helping hand by putting more money back in their pockets to raise their kids and send them to college?

I think the Democratic tax cut is fair because it targets tax cuts on those who need them the most. More than two-thirds of the Democratic tax cut goes to the truly struggling middle income and lower income families who make less than $57,000 a year.

In sharp contrast, 57 percent of the tax cut in the Republican bill goes to the top 5 percent; that is, people making over a $109,000 a year. Let me repeat that: 57 percent, more than two-thirds, in fact 66 percent, of our tax cut goes to families who earn less than $57,000 a year, but 57 percent of the Republican tax cut goes to the top 5 percent of wage earners; that is, people earning over a $109,000 a year.

The Democratic tax cut alternative is better for working families, as the gentleman from New Jersey [Mr. PALLONE] has said. For example, it targets the per child tax credit on hard pressed families making less than $57,000 a year and ensures that millions more children will qualify for the credit than under the GOP bill.

The Democratic tax cut is better for education. It provides $37 billion in education tax credits for working families compared to only $22 billion in the GOP bill and larger education tax credits for millions of working families than the GOP plan.

The Democratic tax cut alternative is better for the deficit. Unlike the GOP bill, the Democratic alternative does not have a lot of backloaded provisions such as the indexing of capital gains and backloaded individual retirement accounts that will explode the deficit in later years.

The Republican rush to a vote this week leaves precious little opportunity for the American people to react to these competing visions for tax relief, but before we cast this vote I really believe that every Member should engage in a dialog with our constituents and ask them how these two very different tax plans would help them. If we would do that, I am confident that the majority of those in the middle class and at the lower income levels who comprise 90 percent of America's taxpayers will find that the Democratic tax cut plan offers the greatest tax relief for America's middle-income families.

Now before I end I would like to pay attention for a moment here to a gentleman who lives in my district. His name is Ben Naes. He is an impressive young man from Barnhart, MO. He is a 21-year-old student. He graduated just a couple of weeks ago from Jefferson Community College. He majored in chemistry and hopes to pursue a career in either chemistry or biochemistry. He worked his way through community college over the past 2 years with the support of his parents, his father Roger, who is an iron worker, and his mother Tony is a retailer at Grandpa's Department Store. His parents are very proud of him, as they should be because he worked summers as an iron worker's apprentice, and while his parents financially supported him he earned a 3.9 grade point average and recently was accepted to Southeast Missouri State University so he could go on and get his 4 year degree.

The question we ask tonight is how would Ben Naes fare under the two tax proposals that will be before the House later this week. As a community college student Ben's family paid $1,500 a year for 30 credit hours to the community college. Under the Democratic alternative tax cut proposal Ben's family would have received $1,100 a year tax credit this year if it had been in effect to defray Ben's education costs. The Republican plan would have only given $750 a year credit. So under the Democratic plan, $1,100 for Ben Naes and his

family; under the Republican plan, $750 for Ben Naes and his family. The Democratic plan would mean that Ben's family would have more money for school supplies, expenses and ultimately more time to spend together as a family because they would not have to go out and earn that $600 difference.

Now when Ben begins attending Southwest Missouri State this next fall, his family will pay $2,900 a year for tuition to that State institution. Under the democratic tax cut proposal Ben's family would receive a tax credit of $580 toward that $2,900 of tuition, but under the Republican plan there would be no benefit at all because, as the gentleman knows, under the Republican plan there is no help for the third and fourth years of college, only for the first two.

Now as a parent of several children who are attending college right now I can tell you that $600 a year is a big deal. It makes a significant impact in paying for higher education and assuring that your child is going to get that much needed educational degree which has a direct benefit in terms of how much money they can earn after college.

So the contrast, I would conclude to the gentleman, could not be clearer. For Ben Naes the Democratic bill is much, much better. For community college, for going on to State college, he gets real tangible benefits, as does his family. The Republican bill, much less advantage, and in the third and fourth year of college, nothing, absolutely a big goose egg while people at the top who are earning $200,000 and $300,000 and $400,000 a year would get thousands of dollars of tax benefits that frankly they have not asked for and that certainly they do not need as much as Ben Naes and his family in Barnhart, MO.

So the gentleman is, I think, bringing a very clear and cogent and important message tonight in this special order to the American people and our constituents who really need to know the difference between these two competing tax cut visions, the Democratic tax cut or the Republican tax cut, and I certainly hope that we can convince a majority in the House to vote for the Democratic tax cut plan which would be much, much better for my constituents back in the Third District of Missouri.

Mr. PALLONE. Mr. Speaker, I certainly want to thank our Democratic leader for being here tonight and pointing out the major differences between this Republican tax cut plan and the Democratic alternative tax cut plan, and what we are really trying to do tonight, which the gentleman from Missouri did very well, is to bring this home and explain how it affects real people, and I think that the word is getting out to the country about the differences here and why this Republican tax plan is basically bad for the average working person.

I just want to say briefly, and then I want to yield to the gentlewoman from Connecticut, I just received a letter today from the president of Rutgers University, which is the State university in New Jersey, the major university in the State and the main campus of which is in New Brunswick in my district, and the president, the Rutgers president, expressed deep concern over the Republican bill, the one that came out of the House Committee on Ways and Means, and if I could just read a couple lines from this? He goes into very great detail about how it impacts a lot of students, but he says, and I quote, "that the higher education community was encouraged by the bipartisan budget agreement reached by the President and congressional leaders because it put the country on track to a balanced budget while targeting tax relief to families struggling with the cost of higher education. Chairman Archer's bill, however, reduces this tax relief and imposes new burdens on students and families," and he goes into the details which I will not get into at this point.

But it is real. These are real people. There are thousands of students at Rutgers in my home State of New Jersey who are impacted by this and really had hopes based on what was agreed to that this was going to be something that was really going to help the average working family meet the costs of a college education, and now the President and many others are very disappointed when they read what the Republicans have in mind here.

I yield now to the gentlewoman from Connecticut.

Ms. DELAURO. Mr. Speaker, I thank my colleague from New Jersey, Mr. PALLONE, and I am proud to be here before the House of Representatives with you tonight and the minority leader of the House, Mr. GEPHARDT and my colleague from Texas, Ms. JACKSON-LEE, and we also have the gentleman from Massachusetts, Mr. OLVER here, and there may be several others joining.

I think it is important to keep repeating over and over again that in fact there are two tax cut proposals that are on the table that are up for discussion. There is a Democratic proposal and a Republican proposal, and it is important for the country, and I was happy to hear my colleague from New Jersey say, because I, too, believe that the word is beginning to get through of, in fact, who benefits from these two tax cut proposals, working middle class families, which are the center and the core of what the Democratic tax cut proposal is all about, or the wealthiest 5 percent of the people in this country, which is where the Republican proposal focuses its time, its attention and the bulk of its resources.

And I am delighted that the minority leader focused on the issue of education. It is my firm belief that any budget proposal that is passed by this body should help working middle class families, families who are striving or those families who are striving to make the leap into the middle class. These are families who are working hard, they do play by the rules, they scramble every week to pay their bills. They want what every family wants in this country, that shot at the American dream. That is what all our parents looked at and worked so hard for, a chance to make their kids' life a little bit better than their own, and the center of all of that, and I know in so many families, was the ability to be able to get your child an education, a decent education. It was the great equalizer. It could make a difference in what your child's future would be all about because it is education that opens doors to people in this country. It is the key to the opportunity. And it is more probably, particularly more important now in this global economy which requires up-to-date skills and lifelong learning so that when American families are looking for tax relief, they are hoping for a few more dollars to help send their kids to school and give them the shot at that American dream.

The Democratic Members of this body are in favor of tax relief, and I am going to repeat that over and over and over again. We support tax cuts that would mainly benefit the folks who need them, working American families, and that is why the bulk of benefits under the Democratic tax proposal go to families making under $75,000 a year and why we are committed to giving average families the tools that they need to be able to afford to send their kids to school.

We have talked a lot on this floor in the last several months, in the last couple of years in fact, that government cannot do everything for people. But in fact what government can do is to help to provide the tools to working families in this country to help them to meet the challenges that they face in their lives. And education of their kids is one of those challenges. Republicans talk the talk on education tax cuts, but they simply do not walk the walk.

In the balanced budget agreement the Republicans agreed to $35 billion for the President's education initiatives. Instead, they have provided $22 billion to education proposals to help middle class families. The remaining funds are reserved for families who can already afford to set money aside for their kids' education.

Let me just tell my colleagues about one of these American families who needs help in sending their kids to school.

This picture here is of a young woman who lives in my district, Angela Salay. Angela comes from a middle class family in a small town in my

district, Durham, CT. Angela graduated from high school just last week, and she is looking forward to attending Middlesex Community College in the fall, and she plans to transfer to a 4-year college after her first year. Angela and her family are looking forward to the help that she might be able to get from a HOPE scholarship, $1,500 to help pay for the cost of college.

□ 1945

Angela's mom has already paid to send Angela's two older sisters to college. The family estimates that the cost of her tuition will be approximately $1,800. Under the Democratic bill, when the law is fully phased in, Angela would get a HOPE scholarship for $1,500. Even next year, when the bill is partially phased in, Angela would receive an $1,100 HOPE scholarship.

Under the Republican bill, Angela's scholarship would only be $900, $600 less than what she could receive under the Democratic proposal.

Let me also show my colleagues another photograph. How about these young people celebrating that they graduated from high school. From left to right they are Gill Hissan, Sara Hansen, Darcey Knoll, Stephanie Morris, Eiador Ciatta, and Tony Capiello, and they graduated last week from high school. They are now beginning to plan, and their families are trying to plan, for how to get them to college.

The average tuition for a 2-year public college in Connecticut is $1,646. Ninety-one percent of the cost of this tuition, $1,500, would be covered under the Democrat's plan and the HOPE scholarship. Under the Republican bill, the average student in Connecticut would only be eligible for an $824 tax credit, which is only 50 percent of the cost of tuition.

Mr. Speaker, these differences might not seem that big to my friends on the other side of the aisle or their wealthy friends, but a few hundred dollars is a lot of money to their parents, to Angela Salay's parents, especially teenagers who are spending their summers working, trying to make some money for college. These are the kids who are flipping burgers, bagging groceries, and probably only making the minimum wage. These are the people that we need to be helping.

When we take a look at why our colleagues on the other side of the aisle are only willing to pay half the cost on the HOPE scholarship, on an education tax cut, it is because what they want to do is to be able to phase out an alternative minimum tax, the alternate minimum tax, which allows the richest corporations in this country to come out with a zero tax obligation, the richest corporations.

That is what they have proposed, and the bulk of their tax breaks are focused on the 5 percent of the richest people in this country, people who make over $250,000 a year. That is why the tax cuts for working middle-class families have been cut back or restricted in order to be able to make it easy for the people at the higher end of the scale. That is wrong. It is simply wrong to do that.

We need to be providing working middle-class families with those tools that they need to help their kids and themselves meet the challenges in their lives. These folks, quite honestly, they are not asking to wipe out their tax obligation. That is not what they want. Some of the richest corporations in this country would like to have a zero tax obligation. They want to pay their fair share of taxes. They want the opportunity to get some help, to make sure their kids can compete and succeed.

Like my parents and the parents of my colleagues who are here tonight, someday they might see Gill or Sara or Angela have the opportunity to serve in the House of Representatives and be able to represent people and be able to pass on and give some help to others. That is what they want for their kids. We owe them no less, to pass the Democratic alternative on a tax cut plan.

Mr. Speaker, I want to thank my colleague, the gentleman from New Jersey [Mr. PALLONE] for this special order tonight.

Mr. PALLONE. Mr. Speaker, I thank the gentlewoman. I notice that she and our Democratic leader constantly refer to the working middle class, and that is really what this is all about. The Democratic tax cuts would basically target the working middle class. That is the way it should be.

We have mentioned, the gentlewoman has mentioned over and over again, this is a balanced budget bill where we have limited resources, because we are trying to balance the budget. Those resources need to go to the working middle class, not to the big corporations, not to the top 1 percent of the people in this country.

One of the things that really bothers me, and I just wanted to mention it, and then I will yield to our friend from Texas, is that the strength, if you will, of America, I was always taught, was the fact that we have a large and growing middle class; that we do not have this huge gap, if you will, between the rich and the poor. And I think that we need to encourage the middle class. We need to help people who are working in the middle class.

One of the things, if I could just mention briefly, because again I think that now the media is giving this Republican tax plan some very serious analysis, there was an article that appeared in yesterday's New York Times under the headline, "Study Shows Tax Proposal Would Benefit the Wealthy," with the subhead, "Wider Gap Is Seen Between Rich and Poor."

In that editorial, or in that article, the Times reports that the 5 million wealthiest families in our country would gain thousands of dollars, while the 40 million families with the lowest incomes, now these are still working people, that those 40 million at the lower end of that middle-class spectrum would actually lose money, with the effect of widening the already growing gap between the richest and poorest families.

That has been one of the real problems we have had in the last few years, is this gap between the rich and the poor keeps getting bigger and people drop out of the middle class. We cannot let that happen.

Ms. DELAURO. Mr. Speaker, if I could make one more comment, because my colleague is right, the press is beginning to report these stories and to show this Republican tax proposal for what it is.

Just so that people do not think that it is just from a Democratic perspective that this tax proposal is being described, I just would like to quote a conservative political commentator, Kevin Phillips. This is what he has said, and he said this just last week on June 19:

> Republicans are determined to slash the capital gains tax, the estate tax, the corporate alternative minimum tax and some other provisions important to the people who write the campaign checks.

I thank my colleague for letting me get that in.

Mr. PALLONE. Mr. Speaker, I yield now to the gentlewoman from Texas [Ms. JACKSON-LEE].

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentleman from New Jersey. I am going to ask as we proceed with this debate, I am going to ask the American people to do something that we always try to encourage our children not to do, and that is I am going to encourage them to leave their television sets on for the next 48 hours. If I could, I will ask them to stay tuned to this debate. This is one of the most important discussions in this century.

I want them to reflect as we debate on the gentlewoman from Texas, the West, New Jersey and Connecticut, Massachusetts, and the Midwest; I do not want anyone to perceive this as a narrowly defined discussion of your special interests or my special interests.

One of the things that has concerned me greatly as we have proceeded to work on this tax bill, and let me give great compliment to the process of the Democratic Caucus under the leadership of the gentleman from Missouri [Mr. GEPHARDT], our leader, and the gentleman from New York [Mr. RANGEL] on the Committee on Ways and Means and that team, there was a definitive effort to come out on the side of all working Americans.

What has saddened me in this debate, even Members that I have had the opportunity to talk with, define this as

Democrats not wanting to work with those individuals who have made themselves prosperous, and that is not correct. I want to set the record straight. The record is very, very clear. The economy is booming. The deficit is down. A Member was quoted as having stated that, if we do nothing, the deficit will continue to go down.

Many of our large corporations are extremely prosperous, and I am not envious; I am gratified that we have proven under the Democratic President that our economic policies do work. Let me emphasize that, a Democratic President with Democratic policies, we have come together to balance the budget. But yet, now, we have a time to move away from the class warfare that has been defined, categorizing people in one pocket versus another, instead of respecting them for working.

We have now set aside those who make a certain income and have classified them as on welfare. I know there are people in the midwestern belt, the western belt who go to work every day and make $22,000 and are proud, working, middle-income Americans. We need to applaud that.

In the Republican bill, those folk are not being helped. If we just simply look at the Republican bill, 19 million families making over $100,000, that is who gets the bulk of the money. And the poor folk that are working, and when I say poor folk, I am saying the ones who are out there every day making the engine of this economy work, right over here, not getting the benefit of a tax cut.

Mr. Speaker, I am saddened when we say that working Americans making less than $15,000 a year, there are 15 million of them, they are taxpaying wage earners. They pay Social Security tax. How many of us have opened our envelope and said, my goodness, I cannot take it anymore. Those folk who work are paying Social Security taxes, payroll taxes.

Our Republican friends think these folks are not credible, are not worthy of a tax cut, that they should not be given the $500 per child tax credit and that those who make over $250,000 a year should get the benefit. And I am not trying to suggest that we should not be complimentary, if you will, of those who have toiled and may have benefited by investments or benefited by tenure on their job and making $250,000 a year, but we should not take away from those hard-working folk, wage earners.

This Democratic alternative responds to them; 91 million families benefit under the Democratic alternative, individuals making under $100,000 a year, and over here we see where the balance really comes.

The Republicans' math is not really good, for those who make less than $15,900, they say, they do not need a $500 a year child tax credit, but those making $250,000 should get it.

Let me personalize this. In my own district, in the 18th Congressional District in Texas, the median household income is about $22,000 a year, but these are hard-working folk who go to our colleges and our community colleges. Will the Republican bill help them? No, it will not. Will the tax cuts they are proposing help the majority of my constituents? Will the Republican cuts help the majority of Americans? How much and how long do we have to call out for Republicans to stand with Americans?

This is where the American people must leave their television sets on and they must forcefully and effectively decipher what the engine is that drives this economy. It is including all of the people. It is putting everybody inside the bowl. It is letting everybody come to the table. That is the distinction between what we have.

The Democratic alternative calls for three-quarters of their tax breaks going to people making less than $100,000 a year. There are tax cuts for small businesses, there are tax credits for parents for all of our children. There are tax breaks for families that are trying to send their children to college.

Interestingly enough, one of my universities, colleges that serves the working constituents in my district, the University of Houston downtown campus opened up a new facility today. How excited Dr. Max Costelia was that he was going to have greater opportunity for youngsters from working families to go to the University of Houston downtown campus.

□ 2000

But yet, the Republican plan does not allow for the benefit of the $1,500 HOPE scholarship, which would help a college like the University of Houston downtown, and most of our other community colleges.

This is a time when we have to listen. I am asking that that television set dial stay on this debate, and that we explore this together as Americans.

I am gratified to be working with some 59 Members who are part of the Congressional Children's Caucus that I am privileged to now chair. I realize that education is the equalizer in America; that once we take away the opportunities of education, once we say those working families making $22,000 cannot get the kind of HOPE scholarship, the kind of $1,500 infusion of capital to help their young people rise up the ladder of success, then, yes, we are bending, yielding, being crushed under the class warfare that is being raised up by the Republican tax bill.

I want a bipartisan approach. With that, I would ask that my Republican friends begin to look at the discrepancy: 91 million families with the Democratic alternative, the complete opposite with the Republican alternative. Do not turn your television sets off. Join us in this debate. I thank the gentleman from New Jersey for his leadership, but I am crying out for those to listen. This is now a time when we can debate for the future, but we can move forward together.

I would hope that this Democratic alternative would be the one that my Republican friends will see is the one that really carries America over into the 21st century across the bridge, but it carries us together. I think that is the key of what we want in passing tax legislation and keeping this economy going.

Mr. PALLONE. Mr. Speaker, I want to thank the gentlewoman from Texas, and particularly because she really is pointing out the distinction between these two plans. I think it is important to stress that Democrats want tax cuts, but we want them to benefit the working middle class. That is what this debate is all about, because the Republican tax cuts are mainly going to the wealthy.

Mr. Speaker, I yield to the gentleman from Massachusetts [Mr. OLVER].

Mr. Olver. Mr. Speaker, I thank the gentleman for yielding. I appreciate that very much. I wanted to follow, because my colleague, the gentlewoman from Texas, has raised some issues here on the fairness aspect.

It has to be stressed again and again, people do not understand here that this debate is not about whether we are going to have a tax cut or not going to have a tax cut. It is a debate about who it is that is going to get the tax cut. The balanced budget agreement, the agreement, that has been reached. The two alternatives that will be before us in the next couple of days have equal amounts in terms of tax cuts over a 5-year period. It comes to roughly $100 billion of tax cuts available for roughly 100 million families in total. The charts that the gentlewoman from Texas has show 110 million, but that is in roughly the right form.

We are both for the tax cuts, the size of the tax cuts, but not as to exactly where it goes. We need to stress again, though, that of that 19 million families that have over $100,000 a year, that represents one out of every six families in this country.

Every one of us, and everyone who is watching here tonight and everyone who is in the gallery still at this hour, knows families whose incomes fall across the scale, families who have over a $100,000 income available, and families who have, at the other end of the scale, between $25,000 and that $100,000, and families who are below the $25,000 of income.

What is hidden in that Republican chart there is that while one out of six families get two-thirds of the tax break that would come, among the 91 million families, and the gentlewoman from Texas has already mentioned it, there

are 40 million families among those 91 million families who get zero, they get no tax cut at all, and in many cases they are going to end up with a tax increase.

Mr. Speaker, those are working Americans, in most instances. They are families that are headed by women, with a single parent. They are young families starting out at early jobs with relatively low wages who would like to raise a family, who would like to have children, and give those children the best of everything that America has to offer. They are blue collar families. They are families with under $25,000 of income a year. They get exactly zero.

Mr. GEPHARDT. If the gentleman will continue to yield, Mr. Speaker, on the point the gentleman from Massachusetts is making, a lot of people in this debate have said that the Democrats are calling for class warfare in the way we argued this tax bill.

If Members think about what the gentleman just said, that we have people earning $20,000 and $18,000 and $17,000 a year, and under the Republican bill they would not only maybe not get a tax cut, it would even increase their taxes, while families earning over $200,000, $300,000, and $400,000 a year would get the lion's share of the tax cut, I say that is class warfare. We are not raising class warfare, we are commenting on the class warfare that exists in the Republican bill.

It is mindless to me that in 1997, after the last 10 years of economic history in this country when the top 1 percent have seen huge increases in their income, and God bless them, I am happy they have been able to earn that income, but when they have had that kind of income increase, to say they get the lion's share of the tax cut, but people at the bottom and in the middle who have been working very hard and standing in place over these last 10 years and have not seen income increases, they should get very little or nothing, that is class warfare. That is what we are trying to comment on and bring to the attention of the American people.

As the gentlewoman from Texas has said, we are going to make a big decision here in the next 48 hours. It is a decision that will affect every American family in a profound way. Often we say what we do here does not have a direct connection to the people. The decision that is made in this Congress in the next 48 hours will have a direct connection with families all over this country, and we are up on our feet tonight because we want the American people to be engaged in this dialogue.

If people who are watching this and listening to it will simply talk to their Representatives in the next 48 hours, they can have an impact on the outcome of this bill. This bill is not decided. The Democratic alternative might pass. It might get more votes than the Republican alternative. So if people want to be part of representative government, they have a chance in this 48-hour period to be part of making this decision which will affect every one of their lives in a profound way.

I think the gentleman from Massachusetts has made a very profound point, and I thank him for it.

Mr. OLVER. To follow up on that, Mr. Speaker, to go back to where I was, in fact, polling, which is something that is continually being done, the people at the top do not express with any strength that they need great tax cuts. They are already making very large incomes, doing extremely well in the economy that we have been seeing.

The people who are telling us that they really need tax cuts are in fact those folks with under $35,000 a year of income, under the middle income in this country, and particularly young families trying to start out, and particularly those who are working mothers, who are the heads of their own households. Those are the families that need the tax reduction, the tax break, the tax cuts that we have.

Our plan, the Democratic plan, among those five out of six families that fall into the 91 million families, our plan gives to those 40 million families that have less than $25,000 or so of income, we give them a substantial tax cut that will help them, exactly the people who need it the most.

Really, I had to smile at the leader's comment about this being class warfare. In fact, it is exactly the opposite. It is the Republican plan which is conducting class warfare, and we have merely, as the gentleman said, commented on it. We have made it public, in essence.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I see other colleagues have joined us, if the gentleman will yield for a moment.

I think that the singular mark we would make in these 48 hours, I would just simply like to emphasize the people we are trying to help, they work, they work, they work. I think it is unfair that people who shop in stores that we may not shop in, or may not shop in because you are at certain levels, but buy groceries where you do not have to buy groceries, live in places where you may not have to live, but pay their rent, buy the groceries, and buy the clothes for their children, should not be considered people who work every single day, even though their salaries are under $25,000. They contribute to the economic engine of this Nation. I think that is very important.

Mr. Speaker, I rise today because we are about to take up a bill called by the Republicans the Taxpayer Relief Act. If you look closely at this bill, a better name would be the Rich get Richer Act.

This is no secret, Mr. Speaker. It's in all the newspapers, it's Republican payback time. It's no secret who the Members on the other side of the aisle represent. More than half the benefits of the Republican tax plan go to people who make an average of $250,000 a year. The next 25 percent of their tax breaks go to those making more than $100,000.

And who gets the crumbs, Mr. Speaker. Who is shortchanging the American working families? As is the usual case when the Republicans talk about relief, they talk about helping their wealthy friends. They are now working to cut the taxes on the profits made from the sale of stocks and bonds beyond the amount of taxes paid on wages, they are working to end the corporate alternative minimum tax, they are working to give IRA tax preferences to the top 20 percent of taxpayers, and they are working hard to cut the taxes on estates that would benefit the top 2 percent of estates.

Mr. Speaker, the numbers are clear for the Republicans. Help the high incomes, help those in the highest tax brackets and the Republicans know that they can help themselves. They know that the big corporations will help them if they end the alternative minimum tax so some of our largest corporations can avoid paying any taxes again. We closed this loophole some time ago and now they want to open it up again. It is no secret who is dancing with the Republicans, where their bread is buttered.

This is the part that cuts out working Americans making less than $15,900, 15 million working, tax paying wage-earners who the Republicans say are getting welfare if they are given the same $500 per child tax credit that Republicans say their friends making more than $250,000 should get.

Let's do the Republican math—make less than $15,900 and you don't need a $500 per child tax credit—make more than $250,000 and you do need the same tax credit. It doesn't take a rocket scientist to see where the Republicans are coming from.

In my own district, in the 18th Congressional District in Texas, the median household income is about $22,000 a year. Will the Republican bill help most of them? Will the tax cuts they are proposing help the majority of my constituents? Will the Republican cuts help the majority of American? How much do the Republicans think the American people will stand for?

This is where the American people can see the clear differences between the Democrats and the Republicans. The Democratic plan—the plan authored by the distinguished ranking member of the Ways and Means Committee, Representative CHARLES RANGEL—is a plan that gives tax relief where it is needed—to working families, hard working taxpaying families.

The Democratic alternative calls for three-quarters of their tax breaks going to people making less than $100,000 a year. There are tax cuts for small business owners, there are tax credits for the parents of all of our children, there are tax breaks for families that are trying to send their children to college. Sure, the Republicans have their education tax plan, but it wouldn't help those going to our community colleges much.

Democrats have a fairer plan for capital gains cuts—the Republican plan now means

that for wealthy investors, they will pay a lower effective rate on the profits of the sale of their stocks than a moderate income family pays on their wages. Democrats would allow those who are forced to sell their home at a loss some tax relief—the Republicans don't. Democrats target a fairer capital gains cut for small businesses and farmers. Our estate tax relief is aimed at giving families who want to pass on their small businesses a break rather than the well off who don't really need these kinds of tax cuts.

Mr. Speaker, it is time for the American people to draw the line in the sand. It is time for the working families out there to be heard. It is time to stand up and be counted. Who does this House of the People stand for? There is nothing more basic than taxes and the difference between the Republican tax package and the Democratic tax package is plain for Americans to see. It is time to stand up and really be counted.

Mr. PALLONE. I just wanted to stress again, all this is in the context of balancing the budget. We have very limited resources here because we are trying to balance the budget. It is a question of fairness. We have to be helping the middle class. We have to be helping working people, not primarily the wealthy, because we have limited resources.

Ms. DELAURO. Mr. Speaker, if the gentleman will yield, just to add about the importance of the debate and the critical nature of it and why we ought to be spending a lot of time talking about this and debating it is because those tax cuts that are going to be provided to the wealthiest 5 percent, people making over $250,000, or to the largest corporations in this country, some of the capital gains taxes that are talked about, not targeted to a small businesses and small farmers, small farmers that the Democratic alternative talks about, these are irreversible.

So that the gains for these folks at the top end will keep exploding, as the leader pointed out a little while ago, and they cannot be changed midstream. So that it would then continue and follow that those folks who are not at that level, who are making $25,000 or under, they are going to be frozen in ways in which we can never help them to move from, because we have, from this tax cut proposal that the Republicans have offered, locked in these enormous profits for people at the other end of the scale. It is indeed a very critical debate that is going to occur here in the next several days.

Mr. PALLONE. It could, in effect, result in the budget, the deficit, ballooning, once again. So we would actually defeat the very purpose of this bill, which is to balance the budget.

Mr. Speaker, I yield to the gentleman from Ohio [Mr. STRICKLAND].

Mr. STRICKLAND. I do not come to this Chamber for special orders very often, Mr. Speaker, but there are some times when I think those of us who have been sent here to represent our constituents have a responsibility to speak out. This is one of those times.

My friend, the gentleman from New Jersey, indicated that the Republican plan could explode the deficit. We have worked hard as Democrats. In 1993 in this Chamber, Democrats took the tough action that reduced our deficit from nearly $300 billion a year down to less than $60 billion a year now. Democrats did that. We were the fiscally responsible party. If the Republicans have their way with this tax bill, after the year 2002 the deficit can explode. These are irresponsible plans that the Republicans have.

I come from a poor district. The average family income in my district is less than $22,000 a year, and the Republican plan will do almost nothing for the people that I represent. Not many of my constituents earn $200,000 or $300,000 or $400,000 a year, and yet tomorrow in this Chamber we will make decisions that will redistribute wealth.

The rap on Democrats has been that we want to redistribute wealth, just as they have called us the party that engages in class warfare. But as my friend, the gentleman from Missouri [Mr. GEPHARDT], has said, this is not class warfare, but the fact is that the Republican plan will redistribute the wealth of this country, and this growing gap between the super rich and the rest of America will get ever greater, and it will be accelerated.

So I am here tonight to join with my friends just to say that I am very concerned about this tax plan that the Republicans have put forth, because it is deceptive. It is attractive in certain ways, and they can stand on this floor and they can say we are giving a tax break to the American people, but they are not specific about who benefits.

I think as Democrats we have a responsibility to talk about the fact that we need to advocate and work for and stand up for America's working families, those families in my district. Represented by the pictures here tonight are people who deserve a break, and they need Representatives who will be willing to stand for them. So I am here tonight just to say that I am proud to be a Democrat tonight. I am proud that when we compare our tax plan to the Republican tax plan, it is very clear that our tax plan gives tax breaks to working Americans, and their tax plan will give most of the benefits to the super rich, and that is just simply unfair.

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Mr. PALLONE. Mr. Speaker, I appreciate the gentleman's comments.

I yield to the gentlewoman from California [Ms. MILLENDER-MCDONALD].

Ms. MILLENDER-McDONALD. I came in to speak on the special orders about one thing, but when I got here and I looked at these charts, I am forced to speak with my colleagues and the Democratic leader in support of the Democratic tax cuts. I am so proud that the Democrats put forth a tax cut that spoke to tax cuts for the working-class families, those families I represent in California. My families do not make much more than $26,000 a year. The Democratic tax cut speaks to that. But these charts really do show the disparity between the Democratic tax cuts and the Republican tax bill that absolutely does not speak to the working-class families who I represent.

I was really taken aback as I looked at the Republican tax bill and saw that they had really snuffed out the $16 billion that we had put in for the children's health plan to really support at least half of the 10 million children who are uninsured. And we had initially said the $16 billion would at least help 5 million of those children. Now the Republican tax bill has taken that away, and the amount of money that will go for the few uninsured children, which is only about 100,000, will be sent to the States to let the Governors take hold of this. That is criminal at best because the Governors will not give that money to the children who need the health care.

I am proud to stand with my colleagues today to look at the disparity of these two tax plans. The Democratic tax cut speaks to the working-class families, the ones whom I represent. The Republican tax bill is a disaster, not only for those working-class families in my district but for the country as well. I stand with the Democrats on our tax cut bill, and I will be here to vote against the Republican tax bill.

Mr. PALLONE. Mr. Speaker, I thank the gentlewoman and yield again to the gentleman from Missouri [Mr. GEPHARDT], the Democratic leader.

Mr. GEPHARDT. Mr. Speaker, I want to go back to the issue of education for a moment and say that in my view, and I think in all Democrats' views, and I hope in many Republicans' views, education is the most important issue in front of our country. I was recently talking to some people from Silicon Valley, and they told me that they are right now unable to hire the people that they need. One executive told me he has had an ad in the paper all over the country to find people who are computer literate and can work in their plants, and he has not gotten an answer for the ad.

He is now going to high schools because he needs college graduates. He is literally going to high schools and trying to find well-qualified high school students to try to draft them into his company before they can go to college. It is kind of like with basketball players that are drafted into the pros before they can go to college.

I have labor unions in St. Louis that are going into the high schools and recruiting young people to come to apprenticeship programs, something that

has not happened in our country, certainly in St. Louis, in probably 40 years, maybe longer. We have a 4.9 percent unemployment rate nationally. In some States we have a 2-percent unemployment rate right now tonight in June 1997.

The great shortage in the country is not tax breaks for people who have done very well and are doing well. The great shortage in the country is mentally capable human beings who can take the productive jobs in our companies and create more economic growth and productivity so that our economy does even better in the future. And so the reason the President feels so strongly about these education tax cuts is they go to the heart of what is most needed in our country. And to go back to our people that we have talked about tonight, we, the kids in the middle class, kids trying to get in the middle class need tax breaks in order to go to college and to go to community college so they can get the mental capabilities, so they can be productive citizens and take these jobs that our corporations so desperately are looking for talent to fill.

When the President said that he would not sign a tax bill, that does not have $35 billion of education tax cuts, he said it because of that fact. Our bill has $37 billion of tax cuts for education. The Republican bill has $22 billion of tax cuts for education. It is not going to be signed by this President because it should not be signed.

Again, the No. 1 need in the country is education, education, education is what we need. And we need our tax cuts to go to people so they can get education.

When I was a young person, my dad was a milk truck driver in St. Louis. We were of those lower middle income families. My mom was a secretary. Every month they would take their money and put it in a savings account so my brother and I could go to college, the first ones in our family that had been able to go to college. When we finally got into college, we had to borrow money from the church, Third Baptist Church in St. Louis.

I will never forget, my mother and I went down and saw the pastor of the church and we asked for a loan. They had a little scholarship fund, and they gave us a loan so that I could pay my tuition at the university. We did not have tax cuts then. And we did not have student loans, and we did not have Pell grants then. It was a long time ago. I am getting up there. But the only way we could do it is if we go to the church and borrow the money. And tuition at Northwestern University, where I went, was $1,500 a year.

What does a family today who is earning $25,000 and $20,000 and $30,000 and $17,000 do to get their child even to community college or to State college, much less a private university that might cost 5 or 10 or 20 or $30,000 a year?

When we are talking about this conversation that we are having, I say to the gentlewoman from Houston, with the American people tonight, and I hope we will have over the next 48 hours, this is what is at stake. It is whether or not the kids of this country who come from middle income and lower middle income and poor working American homes will have the ability to go borrow the money and get the money together to go to college so they can be productive citizens. That is what is at stake.

There are not enough churches out there to do what happened to me. I hope there are some and I hope they can give loans to kids like I got a loan, but I am sure that there are not enough out there to get this done.

This is a big deal. It is a big deal for the future of the American economy and the American people. I hope and pray that we can get this point across to the American people in these next 48 hours, and they will stay tuned in, as the gentlewoman from Houston has said, and that we will get their attention and they will respond. They will pick up the phone and they will write or they will send e-mail or they will send a letter or they will go to the office of their Congressperson, whether they are Republican or Democrat and say, we want a tax bill that helps average families and helps education and really helps the future of this country.

I thank the gentleman.

Mr. PALLONE. Mr. Speaker, I want to thank our Democratic leader for saying it so well. I think we only have another minute or so left. I yield to the gentleman from Ohio [Mr. STRICKLAND].

Mr. STRICKLAND. Mr. Speaker, I want to respond to my friend from Missouri. I taught at a small State school before I was elected to this body. Under the Democratic plan, students going to that school would qualify for $1,500 per year for the first 2 years of college which would basically pay for the cost of tuition at that institution. But under the Republican plan, that student would get probably $600. That just simply is wrong. It is breaking the agreement. As I understand it, the President was assured that we would have a $1,500 per year tax credit for the first 2 years of college. I urge my colleagues to make an issue out of the fact that education is important and the education part of this deal has been broken by the Republicans.

THE ECONOMY

The SPEAKER pro tempore (Mr. Jones). Under the Speaker's announced policy of January 7, 1997, the gentleman from Wisconsin [Mr. NEUMANN] is recognized for 60 minutes as the designee of the majority leader.

Mr. NEUMANN. Mr. Speaker, I planned on rising tonight to talk about our debt and deficit and how we will balance the budget and how important it is to our children's future that we do balance the budget and talk also about a bill that we will be introducing about paying down the debt, but before I do that, I have been listening to the debate here tonight and I would like to open this evening by reminding the American people that 3 or 4 short years ago this debate was not about how much we could reduce taxes.

In 1993, I hope everyone remembers, the other side was in control. But the discussion was not about how much and which taxes should be reduced. In 1993, we passed the largest tax increase in American history. This debate has changed entirely. And whether we agree or disagree with all the different aspects of the tax bill, I think it is very, very important that when we look back on 1993 and we remember the other side was in control at that time, the debate was about entirely different topics.

It was not about how much or which taxes to cut. Instead it was about which taxes to increase and how far should we raise them.

You remember the gasoline tax? They said it was only a tax increase on the wealthy, but you were wealthy if you had an automobile and you stopped at the gas pump and filled up your car. Or if you were on Social Security earning $34,000 a year, your taxes were increased.

Somehow in this debate tonight we have totally lost sight of the fact that a few short years ago, with the other side in control, the entire debate was about how much higher taxes had to be to even begin to reduce the deficit. The debate tonight is about which taxes we should reduce and how much should they go down as we reach a balanced budget.

How far we have come in 4 short years, really since 1995, when there was a change out here. The American people dictated that there was to be a change. I think in the next election the American people should really remember this difference and remember this debate tonight and remember the entire discussion out here and think about whether they want to go back to the 1993 model, where the debate is about how much your taxes should be raised and which ones should be raised, or whether they like this 1997 debate much better.

As we get into this debate and even as we may disagree with each other a little bit, would you prefer the 1997 debate? We are actually balancing the budget. And at the same time we are balancing the budget, we have curtailed the growth of government spending to a point where we can both balance the budget and reduce taxes at the same time.

So in my opinion this is a great debate to have and we should be having this sort of debate before the American people. Which taxes should be reduced and how far should they be did reduced.

I heard a lot of numbers over there. They talked about 91 million and this million and that million and these people and those people. I guess I have to look at the tax cuts in a little different way. When I go to church on Sunday and I talk to my friends on the way out from church and they have got three kids, one of them is heading off to college, we had this discussion recently, one of them is heading off to college and when they go to college they qualify for the college tax tuition credit. They get half of up to $3,000 of the tuition. That means $1,500 coming back in their family. They have still got two kids at home.

These are middle income folks that get up every morning and go to work for a living. They are earning $40-, and $50,000 between the two incomes in their house. They get that $1,500 to send the oldest to college, but the oldest is still expected to work and earn part of the money that it costs to go to college. That is called personal responsibility. And for the two kids they still have at home, they are going to get another $1,000 back.

I do not understand all that stuff about 91 million or this many million or that many million. But I sure as shootin' understand that when I am talking about folks back home that are getting up every morning and going to work with $40- or $50,000 or $30,000 coming into their house, the concept of being able to keep $1,500 to send that oldest kid to school and another $1,000 for the other two that are still at home, they understand that they are going to get to keep $2,500 more, and they do not understand all this class warfare rhetoric about who is rich and who is not rich. But they sure understand that their hard work is going to pay off by being allowed to keep more of their own money in their own pocket instead of sending it on out here to Washington. That really is the framework this whole debate should be in.

Part of this debate also tonight, and I think it is real important for the American people to understand, we were hearing things like if you are earning $20,000 a year that you are not going to get a tax cut. There is a very good reason that a family of four earning $20,000 a year is not going to get a tax cut. They do not pay any Federal taxes.

This entire debate is about whether or not people who pay no taxes can get a tax cut. In Wisconsin we have a little hard time with this. When we think about this situation in Wisconsin and when I ask the people back home, do you think somebody who is not paying any Federal taxes can get a tax cut? And they start laughing at the question, because they understand that if you are not paying any taxes you cannot get a tax cut.

So what is this debate really about? This debate is really about whether or not people who are paying no taxes to start with should receive an additional check. Some people would say if you are not paying any taxes to start with and you get a check that, in fact, that is not a tax cut but that is a form of welfare.

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So I have to put this debate again in the proper context. There are some people in this country, as a matter of fact, if you are a family of four and you are at minimum wage or thereabouts earning over $12,000 a year, not only do you not pay tax into the Federal Government, but the Federal Government writes your family a check for $2,500 already.

So when we put this debate into proper context, the debate is not about who qualifies for the tax cut but the debate is rather about, if you are not paying any taxes to start with, is it reasonable to think you are going to get a tax cut? And forgive me, I am here in Washington, this question is being asked. Out in Wisconsin, we kind of laugh at that question. Because it is pretty obvious, if you are not paying any taxes, it is pretty tough to get a tax cut. So again, I think we need to put that part of the debate into proper perspective.

I think I have heard a lot about children and how important the children are in this Nation, and I am going to devote a lot of the rest of the hour to that particular discussion. Because when I look at this picture and I think of our families of five today, with our national debt being what it is, being responsible to pay $580 a month to do nothing but pay interest on the Federal debt, let us think that number again. It is $580 a month to do nothing but pay interest on the Federal debt.

I feel a lot of people out there going "I do not pay that much in taxes." But the reality is, every time you walk in a grocery store and buy a loaf of bread, the store owner makes a small profit on that loaf of bread and part of that profit gets sent on out here to Washington.

So one way or the other, when you add up all the taxes you are paying between the gasoline tax and when you buy your groceries at the store and store owners makes a small profit, you send some of that profit out here to Washington, when you are done adding all that up, one way or the other, you are in fact, as a family of five, are paying $580 to do nothing but pay interest on the Federal debt.

So when I think about the children of this Nation, I like to think about our kids as they start their own families, as they get married and start having their own families; and I think the best thing we can do for this Nation is pay off the Federal debt so they do not have an interest payment.

So instead of sending that money down here to Washington to do nothing but pay interest on the Federal debt, instead they can keep it in their own homes and maybe buy a better home or better car or provide a better education for their children.

I was just talking, too, to a single mother who happened to be here on the House floor this evening, and she is in the room just off the House floor, and she was just telling me her story. Single mom, raised her kids by herself. And she was looking at this tax bill and she was saying, "I am not sure there is anything in this tax bill that is going to actually benefit me."

She is not 55 yet, so she is not at retirement age. Her 21-year-old means she does not qualify for the $500-per-child tax credit. And she said to me, "Mark, what I really want to do is I want to sell my house, because with my son gone, I no longer have to own that house and I can cut back on my expenses and start saving up for my retirement. That is really what I want to do. I wish the tax package would have done something for me."

When I talked to her and I noted the fact that if you are in that case, where you raised your children and maybe they are gone now but you decided you are not 55 but maybe you would like to sell your home and you feel kind of trapped in that home because if you sell the home, you got to pay the tax on the profit and if you wait until 55 you do not have to.

And I explained to her in this tax bill, the way it is currently written, instead of having the 55 age bracket in there, where the Government dictates what year you can have this tax benefit, you can now sell it at any age. And she perked up considerably, understanding that this tax bill would have something for her too.

And I would suggest she has got a pension plan, and in that pension plan there are probably some mutual funds; and when she cashes that pension fund in, those mutual funds are going to have gained a profit of some sort. We are not talking about wealthy people here. We are talking about hard-working people.

I know how many hours they put in back there. We are talking about the hard-working people that come to work every day of the week and they have got a pension fund of some sort. So when they reach retirement and they sell that pension fund, the capital gains reduction, of course, is going to benefit them directly.

There is one other thing that I think we ought to turn our attention to, and that is that discussion before about whether people not paying taxes should in fact receive a tax cut. I think, instead of having that debate, what we

should have a debate about is whether it is fair for people that get married should pay more taxes than people who do not get married.

Did you know that, in the United States of America today, if you have got four people working in the same job, earning exactly the same money, and two of those people are married to each other, and the other two people are not married to each other, the two people that are married to each other earning exactly the same money pay more taxes than the two people that are not married to each other. There is something wrong with that.

So if we want to talk about reallocating this, I will give you one of my personal preferences; and that would be that we eliminate the marriage tax penalty. So rather than talk about giving tax cuts to people who are not giving any taxes, why do we not talk about strengthening the family ties in our Nation and end the marriage tax penalty. If we can improve on this bill, certainly that should be one we ought to think about improving upon.

I could spend the rest of the night talking about tax cuts, but I really came over this evening to talk about some other issues that are really very, very important to the future of this country.

This chart really shows why I left the private sector and came out here. Before 1989, I had never been to a political event. I voted pretty regular, but really was not actively involved in politics at all. But we started watching the growth of the Federal debt, and that is what this chart shows.

My colleagues will notice that from 1960 to 1980, the debt did not grow very much. But from 1980 forward, that debt just started growing right off the chart. I would point out that we are about here in this picture right now tonight as we speak. It is a very serious situation.

By the way, for all the Democrats listening tonight, when I said 1980 and you all started nodding your heads and you said that was the year Reagan took over and for all the Republicans listening and I said 1980 and you started nodding your heads and said that is when the Democrats were still in control of this place, well, I would like to point out that in 1980 we did have a Republican President and a Democrat Congress. And rather than pass the blame to one party or the other, do my colleagues not think it is time that we, as the American people, recognize this problem and do something about it?

And that really is what I would like to devote the rest of my hour here this evening, or at least most of it. This is a very serious problem. I would like to point out how big that number is to help us comprehend just exactly how large and how significant the problem is.

We currently stand $5.3 trillion in debt. The number looks like this. And that number is too big for anybody to understand, it really is. So what I did, and this is what we used to do in my old math class back when I was teaching math, I divided the debt by the number of people. For every man, woman, and child in the United States of America, our Government has borrowed $20,000. For a family of five, like mine, they borrowed $100,000.

Let me put that another way. Our Federal Government has effectively spent $100,000 more than it collected in taxes, basically, over the last 15 years for a family of five, like mine. They have spent $100,000 more than they collected in taxes, basically, over the last 15 years.

Here is the kicker. I mean, those are still all numbers on this board. This bottom one is what really means something. This is what we mentioned before. A family of five in the United States of America today, to do nothing but pay the interest on this debt, needs to send a check to the Federal Government, $580 a month.

Again I go back to, a lot of folks do not think they are paying that much. But every time you walk in a store and buy anything, whether it is at a gas station and you are buying gas or whether at a clothes store and you are buying an article of clothing or at a food store and you buy a loaf of bread, when you buy something, that store owner makes a small profit on what you bought. And when they make that profit, part of that profit gets sent out here to Washington. One you way or another, this Government is collecting an average of $580 a month to do nothing but pay the interest on the Federal debt for an average family of five.

Well, what has been done about this? I think that is a reasonable question for folks to start asking. And I want to start with the past. Then I want to move into the present. And then I want to talk about the future. And I want to start talking about the past.

I heard my colleagues on the other side of the floor this evening doing an awful lot of class warfare and demagoguing. I am going to start talking about the past and what is going on here, and I will define the past this evening to be before 1995, because in the 1994 election, they sent a whole new group of people here in 1995. So what we are talking about here in the past is pre-1995. Think about pre-1995.

I suspect most everyone listening this evening remembers Gramm–Rudman-Hollings. In middle of the late 1980s, the Gramm–Rudman-Hollings bill promised the American people a balanced budget and they laid out a deficit stream. The deficit stream is this blue line in the chart. They promised the American people they would get to a balanced budget, and that deficit stream would follow the blue line.

The problem is, when they followed that deficit stream, what actually happened is the deficits ballooned and they did not keep their promises to the American people. And, for some reason, the American people got upset. So the people in Washington knew what to do about that. The people in Washington said well, since we cannot keep that one because the deficit is ballooning and we want to keep spending the taxpayers' money because we here in Washington know how to do that better than the people know how to do it for themselves, so what we will do is give them a new Gramm–Rudman-Hollings bill. And they gave us a new one in 1987 and that promised to get to a balanced budget following this blue line and reaching balance in the year 1993.

Except the same thing happened. So you see, when we look at past promises made to the American people, those promises were not kept. And, in fact, while they promised a balanced budget, the deficits exploded and the promises just absolutely were not kept to the American people.

You know what really puzzles me out here in this community. For some reason, the people in Washington have a hard time understanding why the people in America are cynical. I do not have any problem at all. This is what was going on in the late 1980s, when we were making a decision to leave the private sector, to leave a very good business, and to leave a very happy family life, where I could actively be involved in all the things my children were doing. When they went to a basketball game or volleyball game or track meet for Tricia, I could go to those things.

This is what was going on out here in Washington. I was one of those people who got very upset as they promised one thing and did something different. The American people do not believe in Washington because the promises that have been made from Washington have repeatedly been broken in the past. And again I emphasize, this is a picture of the past.

So let us bring us up a little more current. Let us go to 1993. Because in 1993, there were a lot of people who started talking seriously about trying to reduce the deficit. And the discussion in 1993 was this deficit has to be brought under control. And they started wringing their hands in this city, because when the deficit was going to be brought under control, there was really only one of two things they could do. They could either raise taxes, taking more money out of the pockets of the American people and getting it here in Washington so they could control more of your life, that was one option, or they could curtail the growth of Government spending.

We all know what happened in 1993. In 1993, by a single, solitary vote here in the House of Representatives, they passed the largest tax increase in

American history. And over in the Senate it went. And in the Senate also, by one single, solitary vote, they again passed the largest tax increase in American history.

So what are we saying the past is all about here? The past is about a series of promises that were made to the people and they were broken. The past is about a decision that, rather than curtailing the growth of Government spending in Washington, we would allow that Government spending to keep growing and take more money out of the pockets of the people and try to achieve a balanced budget. That is the past, and that ended in 1994.

Because after they have passed that tax increase on the American people, by a single vote in the House and a single vote in the Senate, after they passed that tax increase, the American people said, we have had enough of this. We do not think Washington should take more money out of our pockets. We think Washington already has enough of our money. And, in fact, we honestly believe that, instead of sending the money to Washington we kept it in our own homes, we could do a better job deciding what is in the best interests of our own families and we can make better decisions about education and about what we should be doing to help our children.

So this change that occurred, it occurred in 1994 when the American people said enough is enough. They were sick of the broken promises, and they were tired of the concept that the only way to do anything about the deficit was to reach into their pockets and take more money out.

And I have got to believe that every time they stopped at the gas pump and filled up with gas, knowing that the Government had raised their taxes at the gasoline pump, that they figured out this whole tax debate that you heard so much about earlier this evening about whether this was a tax on the wealthy or not, I think they figured out in 1993, when they said they were only going to raise taxes on the wealthy people, and the wealthy people were anybody that stopped at a gas pump to fill their car up because they paid higher gasoline tax, I think they figured out way back then what this is all about.

What it is all about is getting to a point where, instead of breaking promises and raising taxes, taking more money out the pockets of people and getting it here in Washington, it is all about keeping promises and seeing if we cannot both balance the budget and reduce taxes on the American people by curtailing the growth of Government spending.

They could have done that in 1993. Make absolutely no mistake about it. In 1993, they could have done that. So as we move forward now, 1980s, 1990s, promises made, we were supposed to get to a balanced budget, it did not happen. 1993 conclusion: Raise taxes on American people instead of curtailing the growth of Government spending. That is the past.

Let me kind of move, then, to what we inherited in 1995, when I first was elected and came out here. I see I have been joined by my good friend from Colorado [Mr. BOB SCHAFFER]. The American people have done a great job sending us some wonderful freshmen this time around, also.

But this is what we inherited when we got here. When we got to Washington, we inherited this deficit line. If we had come out here and played golf and basketball instead of doing our job, this is where the deficit was headed if we did absolutely nothing. In the first 12 months, in 1995, we had the 100 days, we had the Contract, we had all of those good things going on; and through the fights that we went through, it came down to this yellow line.

□ 2045

That is if we had done nothing after 1995, the yellow line is where we were going. The green line, that was our promise made to the American people. I would call Members' attention back to this because the American people have almost forgotten that in 1995 the group of people that are here today, we also made a series of promises to the American people. We said we were going to get to a balanced budget because we knew how important that was if we were going to preserve Social Security and Medicare. We knew how important that was to future generations of Americans to not let this debt continue to explode. So we laid a plan into place to balance the budget. It is this green line. But there is a big difference between the Gramm-Rudman-Hollings of the past and what started happening in 1995. The blue line is what actually happened. My colleagues will notice the red line up here where we were. This is where we got after 12 months. This is what we hoped to do. But my colleagues will notice this line is below the green line. It is absolutely different than the Gramm-Rudman-Hollings. In Gramm-Rudman-Hollings the targets were not met and the people were misled. We are in our third year of a 7-year plan to balance the budget and we are not only on track, we are ahead of schedule. Something is different in this community.

I want to show this in another way to make this as crystal clear as I can possibly make it. This red column that I am showing here, this is how much money we promised the American people the deficit would be down to in the year 1996. So when we laid out this plan in 1995, we projected a deficit in fiscal year 1996. That is this red column. This blue column is what we actually achieved. I again point out the difference. This is what was promised, this is what the deficit actually was. Notice in the first year of our 7-year plan to balance the budget, we were not only on target but we were actually about $50 billion ahead of schedule. This is the second year of our plan to balance the budget. What we promised. This was a promise we made back in 1995 to the American people. This is where we said it would be. This is where it is. In fact we were not only $50 billion ahead of schedule in year 2, we were over $100 billion ahead of schedule in year 2.

Let me put this in perspective so it makes little more sense. When the government did not spend this extra $100 billion, that meant that instead of going into the private sector and borrowing this money and getting it out here in Washington, that the money stayed available in the private sector. When there is more money available in the private sector, in this case the $100 billion the government did not borrow, when that money is available out there in the private sector, what happens is the interest rates stay down. In an average State like Wisconsin, 1/50th of that is $2 billion. Translation, 2,000 million dollars was available floating around out there in the State of Wisconsin. With more money available, of course the interest rates stayed down. When the interest rates stayed down, people started buying more houses and cars. When they bought more houses and cars, of course someone had to go to work building the houses and cars. That meant there were job opportunities so they did not have to stay on the welfare rolls. That is the Republican model that was initiated in 1995. Instead of going the route of reaching into your pockets, taking more taxes out here to Washington, the idea was curtail the growth of government spending, and when they spend less, of course, they borrow less. When they borrow less, there is more money available in the private sector. More money available means lower interest rates. Lower interest rates meant people bought more houses and cars. That meant they left the welfare rolls and went to work. That is why we see in year 2 we were ahead of schedule as well.

Here is where we are right now. We are in year 3. Again the red column is what was promised to the American people. The blue column is what is actually happening. My colleagues will notice again in year 3, the third year of this plan, we are once again ahead of schedule. Think back to how different this is from 1988 and the Gramm-Rudman-Hollings bill. We are not only on track but we are ahead of schedule in balancing the budget. Again our model, different than the idea of reaching into the pockets of the American people and getting more money out here in Washington to make it look good, was a

very different model. This red column here shows how fast spending was growing before, in the past, before 1995. My colleagues will notice the red column is 5.2 percent. It is bigger than the blue column. We have in fact curtailed the growth of government spending. This is how fast it was growing before. This blue column shows how fast it is growing now. We have in fact curtailed the growth of government spending to get this monster called the deficit under control. Very, very different than what was going on in 1993.

Again think back to 1993. Into your pockets, how much more money can we send to Washington, DC because, after all, Washington, DC could not possibly curtail the growth of government spending. The new people, 1995 and forward, and I am happy to have a freshman join me here, this is the new Republican, the new Republican has balanced the budget by curtailing the growth of government spending. In fact it has been so successful that we are now not only on track to a balanced budget by 2002, we will probably balance the budget even sooner.

Let me translate this into real meaning for real people in the United States of America. What this means for our folks in Wisconsin is that we can not only balance the budget but because we have curtailed the growth of government spending, not draconian cuts like the other side would have my colleagues believe but curtailed the growth of government spending, because we have curtailed the growth of government spending we can both balance the budge and reduce taxes on the American people at the same time. In fact it is happening right now as we speak.

Mr. Speaker, I yield to the gentleman from Colorado, [Mr. BOB SCHAFFER].

Mr. BOB SCHAFFER of Colorado. I thank the gentleman for yielding.

Mr. Speaker, I have been listening to the debate and came over here on the floor because I really wanted to get to this whole issue that we have been hearing day after day after day about how our tax plan supposedly only benefits a small sector of the economy, the taxpayers, and those somehow are the rich. I really wanted to focus in on that because I think when the American people begin to understand the numbers and the statistics that underlie that whole flawed philosophy, this silly notion that our tax cuts benefit only the rich, I think when the American public begins to understand that, first of all they get a glimpse of how things work in Washington, how the deception and the deceit is at an all-time high around here by those on the far left who are really afraid of this tax cut package because they understand the real numbers, I believe, they understand that we really are moving ourselves as a Nation toward a balanced budget, we are doing it not only by exercising fiscal sanity when it comes to balancing and spending but we are also focusing on ways to improve the performance of the economy by allowing those who work hardest and those who are able to apply the principles of the free market and the principles of success, those individuals are in fact becoming more productive, becoming more energetic and they really are becoming liberated by a tax policy which taxes them less and rewards greater productivity, be it in home businesses, small businesses or in the workplace.

Our tax package, the one the gentleman described just a moment ago, distributes 75 percent of those tax cuts to the middle class. These are people who earn $75,000 a year or less. Those are the individuals who are the target of our plan.

Mr. NEUMANN. If you are a family of 5 and you are earning, say, $35,000 a year and let us just say you have got one headed off to college that is going to pay about $5,000 a year, could the gentleman help our colleagues this evening to understand if you are in a family of 5, 3 kids and got one headed off to college, how much would they benefit under this tax package?

Mr. BOB SCHAFFER of Colorado. With the one going to college.

Mr. NEUMANN. That is half of the $3,000, or about $1,500 if they are paying that much, assuming they are paying that much.

Mr. BOB SCHAFFER of Colorado. I actually have the whole rundown here under this paper somewhere. I would love to go through that.

Before I do that, though, and move on from that, I want to focus in on how it is that middle-class taxpayers are considered rich by the liberals and the Democrats here in Washington, because then I think it makes it easier for us to apply the Republican tax package to the average family. Realize that we really are talking about average families in America.

There is a term that we are beginning to hear here. I heard it just a few weeks ago. It is called family economic income. This is an important one for taxpayers to remember, because this is not the income that we earn or that pay taxes on. This is a calculation that is an invention, really, by the Treasury Department, which has been adopted by the liberal Democrats here in Washington because family economic income suggests that we make more money as taxpayers than we really do.

Here is how they do that. Again, I have only learned about this last week when I began looking into this term and this number and hearing these wild statistics that we are somehow only providing tax benefits, tax relief, for the rich.

This category, family economic income, is a way to magically transform a family making $45,000 a year into a family making $75,000 a year. This is how they do it. My father used to warn me about these get-rich-quick schemes; overnight you become wealthy or you become a millionaire. Usually they are not true. In this case it is also the case that it is just not true.

Here is how they do it. They take that $45,000 that a family may make and they add $12,000 for the rent you could get if you did not live in your home and you rented it out. It is $12,000 a year. Since your home, again, may generate $12,000 a year in rental income if you moved out and somebody else moved in, that $12,000 is added to your $45,000 in real income. That is the first step.

Mr. NEUMANN. If you moved out of your house and rented it out so you collected that $12,000 more a year, so that your income went up by $12,000, where would you live? And would that not cost you money?

Mr. BOB SCHAFFER of Colorado. This is a question that did not occur to the Treasury Department, apparently. It is really the fallacy in these numbers. This is imputed income, or imputed rent as they call it. This is just one way they bump up your income.

Right now we are up to $57,000. The $45,000 family now, according to the Treasury Department and liberal Democrats, makes $57,000 a year because they may be able to get rental income on their house if they moved out and rented their home to somebody else. Bear in mind this is not money they are really making; it is just an estimate. I am not kidding. I first thought they were kidding when I heard about this. But let me continue. $12,000 for rent you could get if you did not live in your home. That is the first addition.

Next they add $5,500 for the family health insurance that your employer provides. Again, if you are working and your employer provides a health insurance benefit, they assume that you are making an additional $5,500 over what your paycheck suggests you make.

Next, they add $1,000 for something that they call unreported or underreported income. It is unclear as to what underreported or unreported income might be. It is never really assumed. They just throw that additional $1,000 in to bump the number up more. I continue. There really is more here.

Next they add $10,000 for your share of the Wall Street paper profits. How is that for money you did not even know you had?

Next they add another $5,000 for your teenager's part-time summer job. If the student that you mentioned before happens to work in the summer, that is added to what the Democrats believe to be your family income.

Mr. NEUMANN. Would the gentleman give us the $10,000 Wall Street one again? I have not heard this list before.

Mr. BOB SCHAFFER of Colorado. Paper profits.

Mr. NEUMANN. A pension fund, maybe?

Mr. BOB SCHAFFER of Colorado. Could be pension funds. Could be the savings account that you have or the checking account that you have at home, the notion that there is some financial value in the various savings of the income that you have already earned and paid taxes on. If you save it or invest it in one place or another, just the financial services that you are receiving, the fact that you have got dollars invested, there is an imputed value associated with just finances in general that may or may not affect a family.

Again, it is not treated as income anywhere else except in this tax discussion here on the floor. These are invented revenues that a family supposedly has, according to the liberal Democrats, who are very frustrated that the American public loves our tax relief package that the Republicans are planning.

Next they add $2,000 for your IRA deduction. They add $3,000 for the unrealized buildup in your pension or IRA. Who needs smoke and mirrors when you can just make this stuff up? They add $1,500 for unrealized buildup in your life insurance policy. Unrealized buildups. This is income that you really have not even built up in these funds, but you have the potential to do that over time, so they impute that into your present day income.

Here is the real kicker, proving that those who like to suggest that these tax cuts only occur to the rich have no shame. By taking a family's $45,000 income figure, adding all of the above numbers, and then add on that a final $600 into the calculation for things like your parking space at work, because there is presumably some value associated with a parking space that you have out there. It goes on.

But this is how the Democrats come to suggest that the $45,000 in a family's income is over and above $75,000 in income, and, therefore, you are rich. Everybody who went to bed last night thinking they were middle-class taxpayers wakes up today and finds out that many people in their government believe them to be the beneficiaries of some kind of obscene wealth and therefore unworthy of a tax break. But we really are talking about middle-class families.

People know what their income is. They can see the paycheck when they bring it home. It is those individuals, the middle-class hardworking Americans who go to work every day, who toil to pay their taxes, stay within the confines of the law, go to see an accountant just to make sure they did not make some mistake on their IRS tax form because they are in fear of an IRS tax agent showing up at their homes, those are the folks we have in mind as Republicans.

Those are the folks we want to assist, the folks we want to allow to keep more of their hard-earned income and wealth, not steal it from them and confiscate it from them and bring it here to Washington D.C. so it can be spent on all these goofy programs that we spend millions and billions on every day. We really are concerned about the middle-class families. Seventy-five percent of the individuals who benefit from our Republican tax package are middle-class wage earners earning $75,000 a year or less of real income.

□ 2100

Mr. NEUMANN. Could we talk a little bit more about that family earning $45,000 a year that actually gets paid $45,000 a year, but with their imputed tax under the liberal Democrat plan that goes all the way to $75,000? Would it be fair to say that they would have a very difficult time finding the $75,000 in cash?

Mr. BOB SCHAFFER of Colorado. Well, it does not exist. It truly does not exist.

Now you know people who think I am joking, I would urge them to just call the Treasury Department and get a calculation of their explanation of family economic income. This is the term they use. They have a full description of it. All of these items that I went through, the costs of the parking space, the imputed rent on the home that you do not rent, the $12,000 that they assume you benefit from, things like that; all of that is described and listed there. I would encourage people to call the Clinton White House, the Treasury Department and see it for themselves because I know there are many people who really do not believe it, but when you see it, it is a sad occasion, I assure you.

Mr. NEUMANN. Can I go back again?

I keep going back to this family who has actually got $45,000 a year. It probably means both spouses are working in the house and are probably getting up in the morning and doing everything they can to get those kids off to school and in the summertime maybe getting the kids off to work, and they are the folks that we were talking about before where if they got one headed off to college and two kids still home, and I see these families in church every Sunday. I mean they are sitting there with three kids and one of them is off in college and two of them are still home. If their college tuition is $3,000 a year, they get $1,500 tax credit under this proposal, and in addition to that they get to keep $500 per child for the kids that are still at home. The net impact for a family earning 30 or 35 or $40,000 a year, the families that are working, probably both spouses, the net effect is they get to keep $2,500 a year more of their own money in their own home instead of sending it out here to Washington where people here in Washington control what they do with it.

And see, this is really the difference between that discussion you heard earlier this evening from the other side and the liberal Democrat view and the new people that are here, the present, as I was talking about before. The past; we are in the present now, since 1995.

The view goes like this. People are better able to spend their own money in their own homes themselves than people out here in Washington are able to do it for them. It is a very, very simple concept: Who is best able to spend the money that the people at work every day earn? And one side believes that it is the people back there in their own homes, and that is why there is $2,500 a month coming to this $45,000 a year family that we are talking about, this family with 2 kids, that they are working hard to make sure they get a good education and the third one headed off to college. That is why the tax cut is aimed at those folks, and they can talk about millions and billions and all the different people and everything else, but I know for a fact that when I talk to people who are in this middle income, they know they are in the middle income, they understand earning 30 to 45 or $50,000 a year, and they know good and well that when they get to keep an extra $2,500, that is $200 a month, they know that means better things for themselves and their family, that means they can afford a better education for their kids and it means they can afford maybe a better car or better house.

It is all part of the American dream. It is a very basic fundamental belief that the people out there in America are better able to make good decisions of what to do with their own hard-earned money than the people out here in this community in Washington, DC, and that is what this is all about.

Mr. BOB SCHAFFER of Colorado. I met a young woman just right over here off to the side of the Chamber. She is from North Carolina. She is 16 years old. And I asked her—she was observing this debate and watching the whole discussion on tax, on the extent to which Congress ought to provide tax relief to the American taxpayers, and I asked her. I said what do you think about this whole debate? She said that if people are willing to work hard and earn more money and apply themselves in a way that allows them to provide for their family that they ought to be permitted to keep more of their income for themselves.

That is quite a statement. She is 16 years old. She says she expects to major in English and maybe be a writer, possibly a teacher and has hopes and dreams like many 16-year-olds across this country, and she happens to be from North Carolina, and there are millions of young people just like this in Colorado and in your State, I am

sure, and throughout the country who really do look forward to a day when they are going to be self-sufficient, be able to work hard, be able to bring home the majority of the income that they earn, put it toward their family, their self-sufficiency, buying a home, buying a car, living the American dream and contributing to our economy.

It is their ambition, it is their hope for the future that helps us get to this balanced budget quite frankly, and I think after generation after generation after generation of people who have entered the work force to be taxed more and more and more, is it any wonder that there are those who choose not to work? Is it any wonder that there are those who in the end do the calculation, as all Americans do, and come to the conclusion that sometimes it is easier not to work than it is to apply yourself and use your God-given talents to bolster an economy like ours?

I think the greatest thing we can do for the future generation is restore hope, restore the energy and the enthusiasm for being a participant in a free market economy by taxing families less by allowing people to keep more of what they earn, to send less money to us here in Washington and allow them to keep it at home and spend it on the private charities of their choice at home, spend it on their church or synagogue, spend it in their school, spend it on their children, spend it in a way that reinvigorates and restores the American dream to all young people and all individuals throughout our country.

Mr. NEUMANN. You know you have kind of moved into a discussion of the future, and earlier this evening before you got into the Chamber here we were discussing the past and the Gramm-Rudman-Hollings and this vision of Republicans of what we do not want right now, Gramm-Rudman-Hollings promises that were not kept, and the deficits exploded, and the promises were not kept to balance the budget in 1993 where the decision was made not to lower taxes or have tax cuts, and it is amazing to see the fight now on both sides of the aisle about which taxes should be cut because in 1993 before that change in 1995 in that past they raised taxes, they did not lower taxes, and the discussion is about which taxes are now high.

That was the past, and then we moved into the present, and we talked about the fact that we are in the third year of a 7-year plan to balance the budget, and we are not only on track, but we are ahead of schedule, and you have kind of turned the discussion now to the future. In the present here we have curtailed the growth of Government spending to a point where we are virtually at a balanced budget or very close to it right now, and we are able to both balance the budget and reduce taxes because we have curtailed the growth of Government spending. This is a Republican vision where we do not want to go back to the broken promises of the past and the tax increases. We are in the present where we have got both a balanced budget, we are on track and ahead of schedule, in our third year here now and we are also reducing taxes at the same time as the President.

Now let us move to the future a little bit and let us talk about this Republican vision for the future of this great Nation we live in. You see even after we balance the budget, after we get it to a balance, whether it is 2000 or 2002, we still have this $5 trillion debt hanging over our heads, and if we do not do anything about that, that means we pass this Nation on to our children with a $5 trillion debt knowing full well that when they have their families, they are going to have to send $600 a month on out here to Washington to pay interest on the debt just like our families today have to do.

Let me give you a new vision for the future. Present vision: Balance the budget, reduce taxes. Vision for the future: Let us pay off the Federal debt. And a lot of people out here go, well, we cannot pay off the Federal debt, but let us just talk about this vision for a minute.

It is a vision of a balanced budget paying off the Federal debt so we can pass this Nation on to our children debt free, and when we pass this Nation on debt free and we pay that debt back we are also putting the money back into the Social Security trust fund. So this new vision is a restored Medicare, a balanced budget and a future that is debt free for our children.

Now a lot of people say I cannot do that, that is not possible, that cannot happen out here. Well, I would like to spend a little bit of the rest of the time here this evening pointing out that we have introduced a bill. It is called a National Debt Repayment Act, and I believe you are an original cosponsor with me on this. The National Debt Repayment Act is a relatively simple bill. It says that after we balance we will simply cap the growth of Government spending at a rate 1 percent below the rate of revenue growth. So once we are in balance we cap the growth of Government spending 1 percent below revenue growth.

Well, if we are in balance and revenues grow by 5 percent, that would mean spending could only grow by 4 percent. That little bit of extra in there, that is the surplus we are talking about, and that surplus is going to allow us to literally pay off the entire debt by the year 2026. So if we just cap the growth of Government spending 1 percent below the rate of revenue growth, we can literally pay off the entire debt by the year 2026 and give this Nation to our children debt free.

The second part of the National Debt Repayment Act, it defines what exactly to do with that surplus. First part, it caps the growth of spending 1 percent below revenue growth. That creates our surplus. The second part of the bill says that one-third of that surplus goes to additional tax cuts. It recognizes that even after this tax cut bill is through the American people are still sending too much money out here to Washington.

So the second thing this bill does is it takes one-third of that surplus and provides for additional tax cuts to our American families, and I would like to suggest that the next tax cut we make, it should be to eliminate the marriage penalty taxes we discussed earlier this evening.

So the first thing then that it does in the second part of the bill is it reduces taxes. One-third of the money goes to additional tax deductions, two-thirds goes to paying off the Federal debt.

So one more time through the National Debt Repayment Act, it caps the growth of Government spending at a rate 1 percent below the rate of revenue growth. If we do that, there will be a surplus. With the surplus we take one-third for additional tax cuts, two-thirds to pay off the Federal debt. If we do this by the year 2026, the entire Federal debt will be paid and we in our generation, the people that have run up this debt, will have done what is right and responsible for future generations of Americans. Since we ran up this bill we are also going to fulfill our obligation and pay it back.

And again under the National Debt Repayment Act we would develop the surplus, one-third for additional tax cuts, two-thirds goes to paying off the debt. The debt would be repaid in its entirety by the year 2026, and we can pass this Nation on to our children debt free.

There is another side thing here that happened that I think is very important. The Social Security system collects more money today than what it pays back out to our senior citizens in benefits. That extra money is supposed to be in a savings account. When it is not collecting enough, it can still make good on its payments to seniors. Well, that money that is supposed to be in a savings account, it is not really theirs, it has been spent, and I guess that is no real surprise to folks that look at Washington, D.C. When Washington saw this extra money coming in, more than what were paid out to seniors in benefits, what they did is spent the money on other Government programs and put IOU's in the trust fund.

Now the trust fund, that IOU is all part of the Federal debt, so under the National Debt Repayment Act, as we are paying off the Federal debt, we would also be restoring the solvency of the Social Security trust fund so our seniors could once again rely on the

solvency of the Social Security system and know they are going to keep getting their Social Security checks.

So again I kind of go to the future now on this whole discussion, and we look past the balanced budget. I mean all of the good things that are happening right now, restoring Medicare for a decade, reducing taxes on the American people, a balanced budget; let us move to the next phase now on the Republican vision. Beyond the next phase is to pay off the Federal debt. By implementing the National Debt Repayment Act it caps that. Once we reach balance, it caps the growth of Federal spending at a rate 1 percent below the rate of revenue growth. That creates a small surplus. That surplus, one-third goes to tax cuts, two-thirds goes to repaying the Federal debt. If we enact this bill, we pay off the entire Federal debt by the year 2026 and we get to give our children a nation that is debt free, and what is most important about that is by then they will be having their own families, and they will have a few kids, too, I hope. I hope they will get married, and I hope they are happily married, and I hope they have kids, and instead of sending their money down here to Washington to do nothing but pay the interest on the Federal debt, they will be able to then keep that money because we will have paid the debt off.

Seventeen percent of the entire budget does nothing but pay the interest on the Federal debt. We will not need that money. They can keep it in their own homes and get a better education case for their kids or buy a nicer home, live the American dream.

That is what this should be all about.

So we have got this vision. We have looked at the past, the broken promises of Gramm-Rudman-Hollings and the tax increases of 1993. We have rejected that, and when people rejected that, the American people rejected that in 1994. The new group that came here in 1995 said enough of that stuff. We are going to balance the budget by curtailing the growth of Government spending.

We are now in the third year of our 7-year plan to balance the budget, and we are not only on track, we are ahead of schedule. We have curtailed the growth of Government spending to the point where we are not only going to balance the budget but also reduce taxes on the American people, and that is what this tax cut debate is all about this evening.

The third part of this vision is for the future, and it envisions a future in this great Nation we live in that is debt free, where we pass this country on to future generations without this burden of a debt hanging over their heads, and it envisions a nation where when we collect money for the Social Security system, the money is actually there in the Social Security system as opposed to spent on other programs.

So this vision is passed. We do not want it. Present, it is going pretty good when the third year of a 7-year plan and we are on track and ahead of schedule. We have curtailed the growth of Government spending to a point where we can both balance the budget and reduce taxes in a future where we do not stop at a balanced budget, but we also pay off the Federal debt so we can give this country to our children debt free.

Mr. BOB SCHAFFER of Colorado. Let me contrast that future that you just described to what would happen if we do nothing, if we really do what the left wing in Washington wants, which is no tax cuts, which is not to balance the budget, which is to continue running this Government on auto pilot as if there is not a care in the world and no problems down the road.

You know the statistic that I hope Americans remember is that a child born today owes approximately $20,000 to the debt that we have today. Now as with the Federal debt, it is no different than any debt that anybody has on the mortgage on their home or their car loan or whatever. You have to pay interest on that, the cost of the cash that you use for whatever purpose. There is a cost associated with the debt that we have now, and the interest on the debt just continues to build and build and build unless we decide now to get serious about it.

□ 2115

That $20,000 that a child born today owes to the Federal debt, over the course of that child's working life becomes a debt of upwards of $200,000 once we calculate the interest associated with that.

Now, think of that. A child born today, with the budget scenario that we have in the current law, has an obligation to the Federal Government of $200,000. That is what they are faced with.

Mr. Speaker, we talked a little earlier about the hope and the opportunity and the excitement that we hope to build into the future of every young American, and getting at reducing that $200,000 debt over the course of a child's working life is something that we are very serious about here in Washington. This new wave of conservative budgeting, conservative tax policy that the gentleman mentioned, started in 1994 and really got to work here in 1995; I think was reinforced in the 1996 election with those of us who came in my class; is offering the real prospect of getting a budget balanced.

The numbers that we have seen are very clear. They are very exciting. By seeing these charts and graphs which show us that we are on a glidepath toward not only balancing the budget, but a plan beyond that, even beyond that, to start looking at what do we do with the savings, what do we do with the economic prosperity in America after that? Getting that burden off of every child's back, that $200,000 obligation to the debt, and removing that by 2026, is something that is great cause for optimism to, I am sure, everybody who has children, every middle class family, and certainly those of us here who are dedicated and committed to working so hard, to seeing these three stages of our tax relief, our balanced budget relief and our debt repayment relief plan enacted.

Mr. NEUMANN. Can the gentleman imagine, just go back to the past here for just a second, and let us say that in the past they envisioned a surplus occurring. What does the gentleman suppose the first thought in Washington would have been in the past if a surplus occurred?

Mr. BOB SCHAFFER of Colorado. Where do we spend it?

Mr. NEUMANN. And what new government program can we enact, and how fast can we get it into place to make sure we get the taxpayers' money spent? Because we know if they spend it in Washington, the people in Washington can do a much better job spending the people's money than the people could if they kept it in their own pocket.

Now, contrast that past to where we are today. Instead of talking about spending that money on other government programs, we are here this evening saying that as the surplus develops, one-third for additional tax cuts and two-thirds to do the responsible thing, to start paying down the Federal debt so that our children can inherit this Nation debt-free, and so that the money that is supposed to be in the Social Security Trust Fund actually gets there, that is what this is all about.

What a stark contrast in vision from where we were in the past and what would have happened, to where we are today in our vision for the future that includes a balanced budget, a restored Medicare system; not only a balanced budget, but paying off the Federal debt so that our kids inherit this Nation debt-free, and the hope and the opportunity and all of the things that go with this vision for the future. That is what the future of this country is about, and that is what our service here in Washington should be about. What a wonderful change it is from a couple short years saying.

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, it really is. Again, I have to say, the way we see certain folks responding to this plan, once they realize that it really is going to work, that the numbers are real, that the glidepath towards a balanced budget is something that we really can touch and get our hands around, those who oppose that notion, those who really do want us to spend more and tax more and continue business as usual, they are

screaming like a bag of cats on the way to the river, because they realize the power of this particular plan and that the American people really do embrace it.

That is why they come up with these phoney numbers about how our tax cuts only benefit the rich. They do not. They benefit middle class. Those numbers are very clear, very solid. The Joint Committee on Taxation tells us very directly, 75 percent of these tax cuts go to households with incomes below $75,000 in real income, the income that people bring home from their jobs and their work everyday and as calculated from their paychecks, not some phoney income that makes us all millionaires overnight.

Mr. NEUMANN. Mr. Speaker, that is also why in this tax cut package, and we heard the debate earlier in the evening to try to provide tax cuts for people who are not paying any taxes. They have somehow lost sight of this, and we see as this is all developing and we have this bright picture and this very large change from what was going on in the past, from the broken promises and the mistargets and no hope of a balanced budget and the tax increases, we have now moved into the present where we are actually going to balance the budget and we have curtailed the growth of government spending, so that we are not only balancing the budget but reducing those taxes, that change is so substantial and they are struggling to get back to that old way.

So while we do not want to cut taxes for people who are not paying any taxes, they want to create a new social welfare program and give them a check even if they are not paying taxes. Somehow there is something not quite right about that. It just does not flow that one cannot get a tax cut if one is not paying taxes.

Mr. Speaker, one more thing. A lot of the folks viewing this, our colleagues viewing this this evening are struggling to understand just how far we have come from the old Gramm-Rudman-Hollings days and the tax increases, to the present where we are not only on track, we are in the third year of our plan, and we have in fact curtailed the growth of government spending so that we can provide both tax cuts and a balanced budget.

I have brought another chart here with me this evening, and I am going to make another prediction that the budget is balanced by the year 2000, maybe even 1999 unless we go into another recession. To show just how far we have come, the revenue to the Federal Government has grown by an average 7.3 percent. If we look at how much came in last year and then this year, the average growth over the last three years was 7.3. Over the last 5 years the average growth was 7.3. Over the last 10 years it was 6.2, and over the last 17 years it was 6.8.

I throw all of these numbers out there just so the folks can see how fast revenue has been growing. In the budget we are projecting we are only projecting growth, not 7.3 or 6.8, only 4 percent. So I ask the question, the question goes like this: What if revenues grow by 6 percent? Still not as fast as they have been growing at 7.3, but what if revenues grow by 6 percent and we hold the line on spending. We do the spending projections on what we have just agreed to. In fact, if revenues grow by 6 percent and we meet our spending targets, we will in fact have a balanced budget and run our first surplus in the year 2000. What that means, if we can get the National Debt Repayment Act passed, that means in the year 2000, two-thirds of that $40 billion goes to debt repayment and another one-third goes to additional tax reductions.

So the tax cuts are not over. We have the possibility to go the next step and provide additional tax relief to the American people. I personally believe that anything we can do to allow the American people to keep more of their own money in their own homes and in their own decision-making realm, instead of sending it out here to Washington where it gets in the hands of people here to decide what to do with that, the more we can leave it in their own hands to make their own decisions, the better off we are going to be. That is why I find this so exciting, because by the year 2000 if we can get the National Debt Repayment Act into place, and I think we are going to, we can look at the next round of tax cuts for our working families in this great Nation we live in.

That is exciting to think about. I challenge the people that are going to get up early tomorrow morning and go to work, I challenge them to think about the next paycheck that they get, being able to keep an extra 50 bucks for the week in their own home because we reached this goal, because that is what this really means. We are now ready to go the next step and allow the American people to keep even more of their hard-earned money instead of sending it here to Washington. This is a tremendous change from where we were in the past and it is a very bright future for the future generations of America.

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, it is a powerful plan for the Republican Party that is moving this forward. It signals a day when we have moved the politics of pork out of Washington and put the American family first.

We are going to balance the budget in short order. If we have a strong economy, my colleague is right, we are going to see this budget balanced before the turn of the century. We are going to provide tax cuts for middle class families, we are going to offer hope and prosperity for those young children who are saddled today with a $200,000 obligation, long-term, to the current Federal deficit. We are going to resolve that for them before they get into their 30s.

It is a very powerful plan and program that the Republican Party has moved forward, and I hope that those handful of Democrats who are sincere about putting American families ahead of pork barrel politics find the courage to join us in this plan. Mr. Speaker, I am confident that some of them will, but we just need to keep talking about this over and over and over again. The American people are smart enough to figure out that this is to their advantage and they are going to be with us.

Mr. NEUMANN. Mr. Speaker, will it not be great as we go forward now toward the next election cycle, instead of having the discussion of class warfare that we heard earlier this evening, if instead of having that discussion, we talk about the failures of the past and how different it is today.

We are in the third year of our plan to balance the Federal budget. We are not only on track, but we are ahead of schedule. We have in fact curtailed the growth of government spending rather than raising taxes, and by doing that we are now in a position where we reach a balanced budget, probably sooner than projected, probably even sooner than the year 2002, and we are reaching the balanced budget while at the same time letting the American people keep more of their own money that they have earned. This is not a gift from Washington, it is their money.

What a wonderful vision. We have balanced the budget, we have preserved Medicare for future generations, and we are looking at additional tax cuts as we go forward. We look forward to a Nation where we not only have a balanced budget and reduced taxes, but we also pay off the Federal debt so we can pass this Nation on to our children debt free. I can think of no higher goal for our service here in Washington DC.

TAX RELIEF FOR AMERICANS AND SPENDING PRIORITIES FOR AMERICA

The SPEAKER pro tempore (Mr. PEASE). Under the Speaker's announced policy of January 7, 1997, the gentleman from New York [Mr. OWENS] is recognized for 60 minutes.

Mr. OWENS. Mr. Speaker, I suppose I would really be continuing the dialog that was began more than an hour ago by my colleagues in the Democratic Party and was just continued by two of my colleagues in the Republican majority. Nothing is more important than a discussion of the reconciliation package that will be voted on tomorrow, we hope, and the tax package that will be voted on. The budget and appropriations and taxes are the meat of government. Nothing is more important than

what we do with the money of the taxpayers, and we cannot discuss it too much. I hate to be redundant, but I think we have to give due attention to that which is most important and hope that the American people understand that the final decision is in their hands.

It is a matter of common sense as to what we want to do with our money. It is the American taxpayers' money. The taxes do belong to them, my colleagues in the Republican majority are correct, and they ought to have more of their money to spend. The taxpayers should have their money.

It is very interesting, though, that my colleagues that were talking a few minutes ago from the Republican majority about guaranteeing that future generations will not be saddled with debt, guaranteeing that we will reduce the large size of government and the size of the budget, they voted for the continued funding of the B–2 bomber.

We just had an historic vote yesterday on the floor of this House where the B–2 bomber, which at a minimum will absorb about $27 billion away from domestic programs in future years, and force us to keep the budget at a higher level than it really should be, force us to give less money back to the American public, the B–2 bomber was discussed, debated on this floor for several hours. It was pointed out that the President says we should not spend our money on the B–2 bomber. The Joint Chiefs of Staff said we should not spend our money on the B–2 bomber. The Air Force says we should not spend our money on the B–2 bomber. The goals, the objectives that would be met by the B–2 bomber program can be met in cheaper ways. We have B–1 bombers, we have other ways to accomplish the same purposes.

All of it was stated quite clearly. But nevertheless, a majority voted to continue spending money on the B–2 bomber, the same people who said they want to save our children from having to live in a world where the Federal debt burdens them unduly.

We have contradictions here. Everything that is said here relates to everything. We cannot separate the statements about protecting children from future debts from the almost phenomenal intent to continue funding the defense budget at levels which are almost as high as they were in the cold war. We are spending more than all of the other nations put together for defense, and that certainly is driving a situation which denies a greater amount of tax relief for the American taxpayer.

On the matter of tax relief, we saw a clear statement here when my Democratic colleagues were on the floor. They had charts here which were really compelling in their simplicity.

□ 2130

They say one picture can say more than a thousand words. Well, those two charts said more than 1 million words. They had two charts here, one which showed the nature of the Republican tax cut package, and the other the nature of the proposed Democratic tax cut package. You would think you were looking at some piece of modern art by Andy Warhol or some other experimental artist, and that some kind of trick was being played when you looked at those two charts. The two charts were mirror images, mirror images of each other.

The figures 91 and 19 stick out, 91 million and 19 million. If you look at the Democratic chart you can see a large chart on one side which says that most of the Democratic tax cut, as opposed to the tax cut package, most of the money goes to the 91 million Americans who are in the middle class. The 91 million who are in the middle class will receive most of the tax cut proposed by the Democrats. Only 19 million of the richest Americans would benefit greatly by the Democratic proposed tax cut package.

When you look at the Republican tax package, it is just the opposite. Nineteen million of the richest Americans would receive two-thirds of the tax cut, and 91 million in the middle class will receive only one-third; one-third, two-thirds, mirror images. For the Democrats two-thirds of the tax cut goes to the middle class, one-third to the richest Americans. The Republicans, two-thirds goes to the richest Americans, one-third to the middle class.

We could not get a more dramatic contrast than that. We could not get a simpler contrast than that. The contrast is obvious. The difference between the two parties, if you want it in summary form, you can see it in summary form right there without going into the details. But of course, there are more details to go into in terms of how do we spend that.

That is how we get the revenue. The tax package talks about revenue that will be no longer be collected. On the other hand, we have a reconciliation package which includes the expenditure side: How should we spend the money that will be spent in this year's budget. Again, we get a display of the difference between the two parties.

But I am not going to be redundant and repeat all of the things that have been said by the previous speakers in the previous 2 hours, but I do want to make it clear that what I have to say is related. It is related very much to it.

I have a hodge-podge of concerns tonight. One is the fact that today, in the New York Times, there were photographs of two very important African-American women, photographs of two very important African-American women. Both are related to very sad occasions.

We are saddened by the death of Betty Shabazz, whose photograph was on the front page of the New York Times today. Betty Shabazz was the wife of Malcolm X, and her life in the last 10 years or perhaps her life since the death of her husband has been like a Greek tragedy. She saw her husband gunned down in front of her eyes while her daughters were sitting there with her, in the great assassination that took place in Harlem when Malcolm X was killed. She has seen a lot of adversity since then.

Finally, the adversity reached its climax when she had received third degree burns over 80 percent of her body. She fought for her life for the past few weeks, and finally she gave up. It is most unfortunate. It is like, as I said before, a Greek tragedy. You would not believe it if you did not see it unfold before your very eyes, the incidents that led up to Betty Shabazz' final death related to her grandson and her daughter.

I will not go into all the details there, but she was a great lady. We will hear a lot about her in the coming next few days and weeks. The things that will be said about her by other people are not quite the same as the things that I have said.

She was a great lady because I saw her in a lot of places where there were no cameras, places where she got no credit, no glamor. There was no glamor there. I saw her in places where very few people bothered to go, for good cause. If there was a good cause there and she could do something to help, she showed up. Little people relied on her to do certain kinds of things, and she was always there.

You can praise people for their intelligence, for their education. She had a Ph.D. She educated herself after her husband's assassination. She raised her daughters, a model mother and all that. You can praise people for many reasons: intellect, education, integrity. There are a number of things you can praise people for.

I am impressed by all of those, but most of all I am impressed when people are good, basically good at heart. She was the kind of person who was basically good at heart. Deep in her fiber she wanted to do the right thing. You do not meet many people like that. Her motivation was to do good. She was a good person. Say all else that you want to say about her to glorify her, and there are many good things you can say, but underneath it what I appreciated most about Betty Shabazz is she was a good person.

There was another photograph of a black woman in the New York Times today. Nobody knows her name across America or in New York City or in the neighborhoods. I had just heard of her for the first time. Her name is Marsha Motipersad. Marsha Motipersad was a workfare worker. She was a workfare worker who died on the job at 50, a 50-year-old workfare participant who had a heart condition. Everybody knew it.

She had formerly been a secretary at the Children's Aid Society, and she had to leave her secretarial job in 1994 because she had had two heart attacks, two heart attacks. Here is a middle-class lady with skills in the work force who, for health reasons, was driven out of the work force, and I do not know what complications took place that led her to the point where all she could get was welfare. She ended up on welfare. The workfare programs come along, and despite her condition they said she had to go out and go to work in the parks department. With her heart condition and all the stress, et cetera, she dropped dead.

I want to talk more about her later, but it is interesting that on this day the New York Times has photographs of two African-American women. I thought that was worth noting.

I would also like to note some good news. On this day there was an announcement that Bill Gates, the millionaire, billionaire, multi-billionaire owner of Microsoft, announced a plan to give $200 million to libraries. He has already given money to libraries. In fact, one in my district in the Flatbush area is the recipient of one of Bill Gates' early grants, the Microsoft early grant.

Bill Gates clearly wants to build on the example set by Andrew Carnegie. Everybody knows that Andrew Carnegie built libraries all over America. More than 2,000 libraries were built by Andrew Carnegie and the Carnegie Corporation. Many are still standing. The legacy of Andrew Carnegie goes on.

Bill Gates wants to take one more step and bring those libraries into the age of cyberspace, and put computers and software in libraries. I can think of no more daring and productive innovation than that, to really put them in public libraries where everybody will have access to them.

I am particularly proud of that because I am a librarian by profession, and I worked in a public library. I spent my first 8 years in the work force in the Brooklyn Public Library. The Brooklyn Public Library is celebrating its 100th anniversary this year.

It all comes together. We go off into cyberspace training, and the complexities of trying to get low-income people in areas like my district the kind of training that they need in the area of computer literacy and computer utilization, nothing is more important than that, than that they are going to be able to be in a position to improve themselves. We need computer literacy in order to be employed, to gain promotions, and to go up in the work force today. What Bill Gates has done is a very practical thing, so it is good news.

I want to tie them all together, Mr. Speaker, the death of Marsha Motipersad, the good news that Bill Gates has, tie it all together in my discussion of the plan outlined by Speaker GINGRICH on June 18.

The Speaker responded to the President, who was taking a new initiative on race relations in America. The President's initiative has been criticized as being hollow and of little meaning because it is all talk. But as I said last week, in the beginning was the word.

Words are very important. Words set in motion a chain reaction. They do not necessarily lead to productive action always, but no productive action takes place without words. There is nothing more practical than a good theory, nothing more practical than an idea. Ideas often take shape and they do not get any fulfillment, they never get realized, but you do not get anything realized unless it starts first as an idea, so words and ideas are very important.

I applaud the President's initiative in launching a discussion of race relations. By discussing, we may solve some problems. By discussing, we may get some new perspectives on the race relations problem in America. Discussion may stimulate some new visions, and certainly the President is to be applauded, because look at the results. Right away you get a reaction and a response from probably the second most powerful politician in America. There is the President first, and then we have Speaker GINGRICH. He responded. So you have the President launching the discussion and now Speaker GINGRICH responding, so we have a focus and a discussion on race relations that could not have been achieved in such a short period of time in any way, any other way.

So I congratulate the President. He is off and running, and I suppose if he has started the discussion and Speaker GINGRICH has responded, no other significant elected official and national leader can afford not to talk about this now. They cannot afford not to be part of the discussion.

Not only did the Speaker choose to respond, but the Speaker set forth a 10-point program, a very fascinating program. I agree with more than 50 percent of it, at least, at least 50 percent of it. The Speaker's 10-point program is worthy of discussion, and it relates directly to our vote tomorrow on the tax package, on the reconciliation package, on the expenditure part of the reconciliation package. It has a direct relationship.

There is a direct relationship to our vote yesterday, the vote on the B-2 bomber, the vote which failed. I voted against the continuing funding of the B-2 bomber. The B-2 bomber drains money out of a budget that now we are trying to balance by the year 2002.

If the B-2 bomber stays in the budget, it is going to offset and push out expenditures for education. It will push out expenditures for health care. It will force the party in power to play tricks with the budget the way the majority is playing tricks now with expenditures.

They say that we have a $16 billion program to provide health care for 5 million children. That was the agreement of the White House. But the way they are playing with those dollars, we have been told now on good authority that only 500,000 children would be covered, and we are not sure of that. Because of the way they choose to pass out the money to the States and the Governors, we cannot be sure that even 500,000 children will be covered by the program.

So those kinds of tricks and that kind of preoccupation with distributing money for political gain, or to reward your friends in your class, in your class, your category, they talk about class warfare, we are passing out money to certain classes of people all the time.

Who are the people benefiting from the B-2 bomber? Why did we have a majority of people on this floor vote to keep funding a B-2 bomber that nobody wants in Government? The President does not want it, as I said before, and the military people do not want it. It all relates.

The Speaker's 10-point program cannot be divorced from what is happening here on the floor.

□ 2145

He is the leader. He has command of the majority of the votes. Very interesting that the New York Times' account of the Speaker's 10-point program states that he gave the program at a meeting related to a foundation to help orphans. I will read from the article.

It appears in the Thursday, June 19, New York Times, if anybody is interested in the entire article. I will begin at the very beginning. It is an article by Stephen Holmes, and I quote:

> In the Republicans' first major response to President Clinton's recent speech on race relations, Speaker Newt Gingrich tonight sketched out a 10-point program to promote racial healing and black achievement that he said relied more on specific steps and less on theory, talk, and affirmative action.

The Speaker has taken a very ambitious step. He is going to promote racial healing and black achievement. I applaud that. That is a positive step forward. Let us join the Speaker in his attempt to promote racial healing and black achievement. I do not debate or doubt his sincerity.

How are we going to get there, is what I would like to see in his 10-point program. He lays out how he wants to promote racial healing and black achievement. Let us talk about that in detail in a few minutes.

Let me read more of the introduction. In his remarks, Mr. GINGRICH sought to outline an upbeat, can-do approach to solving the country's problems of race and poverty by focusing on

individual achievement and not necessarily the advancement of any particular group. Mr. GINGRICH'S speech came 4 days after President Clinton used a commencement address at the University of California at San Diego to call on the country to engage in an honest conversation about racial issues.

By announcing his 10-point program, the Republican leader sought to paint a contrasting portrait between his remarks and the President's speech, which was largely devoid of specifics, aside from a defense of affirmative action and the announcement of a blue ribbon Commission to study race relations and make recommendations.

I am reading from the New York Times article of June 19. I continue. We thank the President for wishing to continue the dialog on race last weekend, Mr. GINGRICH said; but frankly, there has been much talk on this issue and very little action of the sort which will dramatically change people's lives.

Later in an interview, Mr. GINGRICH said he hoped to meet with the President's Commission soon and that he would urge its members to focus their attention on what he termed barriers to minority advancement.

I think that is also a very ambitious goal, a very ambitious statement by the Speaker. I applaud that. I certainly would like to do everything to help him accomplish that. He wants to meet with the Commission, just as I would like to meet with the Commission, a lot of other people. And I hope we will have the opportunity and pour out our recommendations to the Commission, but the Speaker is there first. I applaud his timeliness.

To continue quoting from the New York Times article, this is a quote from Speaker GINGRICH himself, what they really should design over the next year is, let us look at the specific pragmatic real changes and real barriers to participation. He said, if we could then knock down the barriers, as people participate, concerns about race will dramatically decline.

I am reading from the New York Times article. That was the Speaker's statement. To continue to quote the Speaker from the article: What I said last year was that we have to put in the context of a broader solution of affirmative outreach to individuals any effort to eliminate quotas and set-asides, he said. And I spent the past year, frankly, working to develop a program that was comprehensive.

In other words, Mr. GINGRICH's 10-point program is his alternative to affirmative action, his alternative to affirmative action and his proposal to do things, I am sure, beyond affirmative action. So the Speaker is to be applauded. He is on board. The President is to be applauded for initiating this activity. Let us all run to catch up with the Speaker.

Welfare reform is on the Speaker's list of 10 points. He proposes, in his 10-point program, that we should take the next step in welfare reform by fostering and promoting innovative local job training, welfare-to-work and entry-level employment programs to move welfare recipients into the work force. We have talked about welfare reform for, this is our third year of discussion.

Unfortunately, we passed, the Congress passed, I voted against it, but Congress passed welfare reform legislation and the President unfortunately signed it. We are off and running. We are off and running now. And I do not find anywhere any details of any innovative local job training program. The assumption was there are jobs out there. You move people from welfare to work. If you are moving them to work, then work is there.

We have a great debate now here in the House and in the Capitol about whether these people who are moved from welfare to work are really employees. Can you imagine? We have talked for years about they should go to work. Once they go to work, we say, well, they are not really employees. Are we moving them from welfare to work, or are we moving them from welfare to some other category, something in between work and welfare? We did not know there was anything that existed. If they are going to work, they are employees.

Why are certain people insisting that they not be considered employees? Because if they are employees in the United States of America, there is a law called the Fair Labor Standards Act. Fair Labor Standards Act says if you are an employee, you have to be paid the minimum wage. If you are an employee, there are certain working conditions that you are entitled to. You fall under the OSHA provisions, Occupation, Safety and Health Administration. If you are an employee, you have certain rights with respect to discrimination in the workplace. You have certain rights with respect to sexual harassment. Employees in America have certain rights.

Part of the definition of being an employee in America is that all that is there to help protect you. The workplace is a place of privilege. The workplace is a place, as a result of the New Deal and all of the legislation that we formulated over the years, the workplace is not just a plantation. The workplace is something we try to make a place of fairness, a place where workers have a chance to earn a living without being oppressed and without being in any danger or harm and also being paid some kind of reasonable wage.

So welfare reform is off and running. Large numbers of people in New York City are on workfare. They are being moved out of welfare. They are already working. People who are adults without children have been forced into a program called WEP, the Work Experience Program. The Work Experience Program refuses to pay minimum wage.

This is a program that Marsha Motipersad was in before she died, Marsha Motipersad, a secretary of the Children's Aid Society until she had two heart attacks. She had to leave her job in 1994, and eventually she had no resource except to go on welfare.

So she died, working in the Work Experience Program, 22 hours a week. The requirement was that she work 22 hours a week to cover her cash and food stamps benefits. The cash and food stamps benefits that she received are equivalent to $250 a month, according to the New York Times article of Tuesday, June 24. I have not calculated this myself. I find it hard to believe, I find it hard to believe that we would require a person to work 22 hours a week for $250 a month; 22 hours a week means, that is 88 hours for the month, 88 hours for the month to earn to be eligible for $250.

So Marsha Motipersad, who dropped dead on her job, was being required to work 22 hours a week for food stamps and her cash benefits, which totaled $250 a month, according to the New York Times. This is the welfare reform that we have at present. The Speaker proposes in his 10-point program that we have a real program, innovative job training, entry-level employment programs. Where are they, Mr. Speaker?

How fast can we move? How rapidly can we put them in place? How many more Marsha Motipersads are out there? How many people have died already? Is there something wrong, Mr. Speaker, with requiring a person who has had two heart attacks to go to work for her food stamps? In the richest country that ever existed on the face of the earth, can we not have some provision to avoid having a woman who has had two heart attacks go to work for her food stamps?

Let me read to you from this article of June 24 in the New York Times. Quote: A 50-year-old workfare participant with heart problems died on the job, prompting questions about the city's ability to determine whether some of its workfare laborers might be too sick to work. The worker, Marsha Motipersad, whose heart disease had forced her to leave her job in 1994 as a secretary with the Children's Aid Society after 17 years, died of a heart attack on June 17. Ms. Motipersad, who had first been categorized as not employable, she had first been called nonemployable by the Human Resources Administration because of her health problems, but she was recently recharacterized as employable and ordered into the city's Work Experience Program.

Mr. Speaker, here is one reason we need to hurry and get a real system in

place so we are not brutalizing people and making these kinds of mistakes. What we have is makeshift things happening out there. We rushed the welfare reform program into place so rapidly, it could have been made effective a year after the date of enactment. It could have been all kinds of things to phase it in. But we cared so little about the people on the very bottom, poorest people in America, that we rushed into a program that was bound to generate blunders and hardships of this kind.

Henry Stern, the City Parks Commissioner, reading from the article that appeared in the New York Times, Henry Stern, the City Parks Commissioner, said that Ms. Motipersad has been assigned to light duty and had worked as a timekeeper in the office, but that he had ordered an investigation into what work she had actually been doing.

In a blundering makeshift system, maybe somebody did do the right bureaucratic thing and note that she should not be given the hard work, but it is a blundering new system. People are thrown into the parks department where workers who are there, paid civil servants, are resentful of the fact that workfare people are being brought in to replace their colleagues.

The parks department has been downsized from 7,000 jobs to 4,000 jobs; 3,000 people who were full-time civil servants at one time are no longer there. And they have these thousands of people coming in as workfare participants, welfare recipients, working for almost nothing. So some of the people who are there, they resent these people. So she probably was deliberately not assigned a light job because there was resentment there that she was even there.

He ordered an investigation, the commissioner, into what work she had actually been doing. Others, including the woman's son and some of the workers that she worked with, said Ms. Motipersad had talked of having to occasionally pick up garbage on the beach and the boardwalk, and she said she told them she feared for her health as a result. She had to go out and work like the other workers in terms of picking up trash on the beach and the boardwalk, even though there was a notation in her file that said she should be assigned light duty.

Her son said, I told her not to do it, that I would help pick up the slack with the money; and she said she could not stay at home because she had to pay her rent. Evelyn Selby, a neighbor and WEP worker with Ms. Motipersad in Coney Island, said that they both had to rise at 4:30 each morning and they used to take three buses to get to their assignment.

Quote: I would have to wait for her as she climbed the steps and such. She was always behind.

This is what her friend and companion says about Ms. Motipersad, who had had two heart attacks. She had to get up at 4:30 in the morning. By the time she gets to work catching three buses, she is already so stressed out until it is amazing that she did not die in the first few days with this kind of forced activity.

Officials with H.R.A. said that Ms. Motipersad had within the last several months been reevaluated by a doctor with Health Services Systems, a privatized agency that had a contract from the city agency to evaluate these people to see if they were really sick when they said they were sick.

The official said that Ms. Motipersad had been denied Federal disability benefits, known as Supplemental Security Income, SSI, because she was not deemed disabled. Now, what is our Supplemental Security Income for? If a person who is 50 years old, has had two heart attacks is not eligible for disability, then who is?

□ 2200

A person who is a secretary and was forced to give up her job as a secretary because of a heart condition, if she is not deemed disabled, then who is?

So the Federal bureaucracy has a role in failing Ms. Motipersad also. "She had some health problems but was deemed stable," says Renelda Higgins, a spokeswoman for the Human Resources Administration. "Life and Health Issues are not static." I am quoting the bureaucrat, Ms. Higgins. "Life and health issues are not static. Individuals are reevaluated. She was on medication and she was taking her medication." She had two heart attacks and she was taking her medication. And they sent her out on the beach to pick up trash.

I had heart bypass surgery, and I do not want to go out on the beach and pick up anybody's trash. I know what would happen to me. I never had a heart attack, but I had a situation where I had heart bypass surgery. And I would not risk my life on a beach on a hot day picking up trash.

But she was evaluated by this bureaucrat who said she is taking her medication, let her go to work. Others, including her family and lawyers representing workfare participants and Acorn, a nonprofit group that is working with unionized workfare laborers, called into question both the adequacy of the health evaluation done by the city's contractor, the private contractor, as well as the wisdom of forcing Mrs. Motipersad to work for her benefits.

Mrs. Motipersad, according to Mr. Stern, worked 22 hours a week for her cash and food stamp benefits and they total about $250 a month. The city requires welfare recipients up to age 60 to work for their benefits. It says medical evaluations are done of all recipients in workfare who have a history of health problems. Part of the rationale for making such people work for benefits, city officials have said, is to obtain a straightforward return for their expenditure.

The city, in fact, has created a subcategory of welfare worker. It is called employable with limitations. Such recipients are supposed to be assigned office work. What recipients of workfare have said from its inception, they have complained that the city has hired doctors who did not seriously investigate real and formidable health problems.

People with asthma have been told of being put to work in office basements. And others talk of 3-minute examinations by this city-employed health evaluation agency without any acknowledgment of their own doctors' evaluations. The Legal Aid Society has filed suit on behalf of recipients who were categorized as "employable with limitations," but nonetheless, they were sent to sanitation garages and the like.

Mrs. Motipersad was forced to give up her job at the Children's Aid Society, as I said before, in 1994, after two heart attacks. She briefly collected disability benefits, and her son yesterday produced notes from doctors recommending that she not work because she had coronary artery disease.

Here is an individual whose photo would never have appeared in the New York Times, otherwise a plain and simple person, a member of the middle class, worked 17 years as a secretary in a reputable agency and, because of circumstances related to her health, wound up in the workfare program. She was kicked off. She was told she would be kicked off of welfare, she would not get her $250 a month if she did not go out and work for the Parks Department.

So point No. 1, Mr. Speaker, welfare reform. Take the next step in welfare reform by fostering and promoting innovative local job training, welfare to work and entry-level employment programs to move welfare recipients into the work force, a systematic well-structured program to deal with trying to help poor people move from welfare to work.

We are all in favor of that. But the job has not even begun, Mr. Speaker. I urge you to use your power to implement your recommendation. It is here. It is part of your 10-point program. This is based on a list of the 10 points in the New York Times as excerpts of the prepared text of a speech by the Speaker.

Point No. 2: Civil rights. The Speaker says, "We should clear the existing backlog of discrimination cases at the Equal Employment Opportunities Commission by enforcing existing civil rights laws, rather than trying to create new ones by regulatory decree."

Mr. Speaker, I wholeheartedly agree with you. We should clear the existing backlog of discrimination cases at the

Equal Employment Opportunities Commission. You have the power. You have the power over the appropriations process. The fact that they have a backlog is due to the fact that they have been downsizing, the number of employees have been cut. A proposal from this House could help to solve this problem right away.

I agree with the gentleman from Georgia [Mr. GINGRICH], we do not need to talk about race relations. Let us go ahead and do something practical to promote race relations. Clear up the backlog at the Equal Employment Opportunities Commission. It is a statement of the second most powerful person here in Washington, DC, the gentleman from Georgia, Speaker NEWT GINGRICH. Get on with the business. We will support the Speaker 100 percent.

The Speaker says we should have more home ownership, ease the path toward home ownership by giving local communities and housing authorities the flexibility and authority to more effectively efficiently house low-income Americans. We must also expand faith-based charities, such as Habitat for Humanity, which grow families as well as build homes.

I agree with the Speaker a hundred percent. We would like to ease the path toward home ownership by giving local communities and housing authorities the flexibility that they need. They also have to have increased funding to take care of the repairs, renovations of existing public housing. And we also have a shortage of housing in many cities.

The fact that large numbers of people are homeless can be related to the fact that we have built very little public housing over the last 10 years. As the rate of construction of public housing and the availability of opportunities and publicly subsidized housing went down, the number of homeless people increased. It is also more expensive in many areas to obtain a home either by rental or home ownership.

So this is on target, Mr. Speaker. Let us get on with it. You have the power. Recently we passed a bill here on the floor of this House related to public housing which went in the opposite direction. They reduced the funds available for public housing. And it gave a lot of power away to local housing authorities, but it gave them no new tools to work with, no new appropriations to help with the appropriation. You proposed to dump the problem on localities that are already burdened and could not provide any funding to deal with plugging the gaps in housing in their localities.

Another point, the fourth point made by the Speaker: Violent crime. Make our cities safe and secure places to live and work through community policing, through tougher sentences for violent criminals, and innovative anticrime programs. Dramatically expand the community-based antidrug coalition efforts and create a victory plan for the war on drugs.

We are a thousand percent behind you, Mr. Speaker. Innovative anticrime programs. Many Members of the Republican majority have ridiculed any discussion of crime prevention programs. We call them crime prevention programs. You call them innovative anticrime programs.

I think that, in the final analysis, those people that have expertise in this area would tell you they come pretty close to each other. If you are talking about innovative anticrime programs, you are going to end up with programs that focus on young people, because that is where the greatest volume of crime is.

The crime prevention programs that we proposed focused on young people. Let us have a meeting of the minds right away. If you want to move forward, you have the power, Mr. Speaker, to deal with violent crime in the way you stated should be handled here, you have our full support.

A fourth point made by the Speaker: Economic growth. Expand economic opportunities for all Americans by promoting continued economic growth with low inflation and rising take-home pay through tax cuts, tax simplifications, litigation reform, less regulation, overhaul burden of Government and small businesses.

All in all, for welfare to work to be successful, work needs to be available. That is the point we made on this floor over and over again; work needs to be available. Expand economic opportunities for all America by promoting continued economic growth with low inflation, rising tax, take-home pay, et cetera. We are all in favor of that. Let us go forward.

Urban renewal is another point. The Speaker says create 100 renewal communities in impoverished areas through targeted program tax benefits. Regulatory relief, low-income scholarships, savings accounts, brownfields cleanup, and home ownership opportunities.

That sounds very similar to a program that the President talked about a few days ago when he talked about helping to revitalize our cities. The Speaker and the President seem to be using the same language. I hope they are on the same wavelength. They as the two most powerful people in Washington ought to be able to make things happen in the area of urban renewal. I certainly hope that in this area of 100 renewal communities in impoverished communities we can move off dead center and get an economic empowerment zone for central Brooklyn. We are busily at work trying to focus on putting together all the necessities to make an application for a new urban economic empowerment zone. But the economic empowerment zone has been left out of the budget agreement at the White House. We were brokenhearted, disappointed, to find out when that agreement was completed, there was no discussion of any additional economic empowerment zones.

Economic empowerment zones experiments that were proposed by my colleague from New York, Mr. RANGEL, many years ago, after he and Jack Kemp had worked on it for years and some other people had worked on it, it finally got down to a package that was passed finally which had nine empowerment zones only, six in urban areas and three in rural areas.

So we have right now in America nine empowerment zones, six on urban areas and three on rural areas. Most of them are deemed to be successful. I know of no great failure. If there is a failure, it is not being discussed. So if the economic empowerment zones have been successful, then why do we hesitate? Let us go forward.

The President now, in his speech a few days ago, proposed an additional 15 economic empowerment zones. I heard legislation that was proposed and many more was being drafted by certain people on the Committee on Ways and Means, but all of it has been put on hold, nothing is happening at this point.

An idea that combines government grants with private sector involvement seems to be the ideal that both Republicans and Democrats can agree on. If Republicans and Democrats agree that economic empowerment zones are good for the Nation, then why can we not have more of them? Why can we not in Brooklyn, have one in central Brooklyn, which encompasses my district, have an economic empowerment zone?

We have 2 million people. At least half are poor. We have the space. We have need to revitalize commercial areas, industrial areas. All of the conditions that are necessary, that are required for economic empowerment zones are there. But there is no legislation here. The nine that were created are all given away. We want to compete for whatever new number there is. I hope it is more than 15. But if there are 15, then no neighborhood, no community needs an economic empowerment zone more than central Brooklyn.

It is one of the Speaker's points. He has the power. Let us make certain that the President's 15 economic empowerment zones are combined with the Speaker's 100 renewal communities. And together we ought to, all who live in big cities, be able to get something out of the two packages that are proposed.

What I am talking about is the 10-point proposal of the Speaker designed to deal with race relations. He made the speech on June 18, and I am quoting from an article in the New York Times which talked about his speech. The Speaker proposes to move

ahead of the President. He just does not want to talk about these things. He has a program. The President has appointed a commission, what he calls an advisory board. An advisory board will come back within a year with recommendations. The Speaker says you do not need to move so slowly. He sketched out a 10-point program to promote racial healing and black achievements. And he says he relies more on specific steps and less theory. He relies less on talk and less on affirmative action and his 10 points.

I have talked about welfare reform that he proposed. Innovative job training is part of his welfare reform. It is not happening. But he proposed he can make it happen. He has the power. The economic growth, attacking violent crime. Promoting home ownership, promoting civil rights, promoting urban renewal. And he has learning here as one of his 10 points. Learning.

And I will read that part of his speech: "Create better opportunity for all children to learn by breaking stranglehold of teachers' unions and giving urban parents the financial opportunity to choose the public, private, or parochial school that is best for their children."

□ 2215

I am quoting the Speaker's speech. I want to do justice to what he had to say. Whereas I have agreed with all the points I mentioned before, basically I have agreed with him, I do not agree with his proposal as to how we should promote learning. I applaud the fact that he has put learning on the list, creation of better opportunities for all children to learn. The way he proposes to do it is, of course, what the Republican majority keeps insisting has to be done, that you have to have vouchers and private school choice. I am not going to even discuss that at this point. Let me just challenge the Speaker if he wants to create better opportunities for all children to learn, why not go in the direction where both Democrats and Republicans agree? Why not promote charter schools? Both the President, the Democrats in the House, the Democrats in the Senate, the Republicans in the House and Republicans in the Senate all agree that charter schools are a good idea. So while the great debate about vouchers goes on, why do you not accentuate the positive, Mr. Speaker? Why do you not come forward with an innovative, meaningful program to promote charter schools? The idea is out there, but we only have a handful of charter schools in the country. Only half the States have laws which allow charter schools and in those States that have charter schools, we have very few actual charter schools. It is a very embryonic kind of experiment that is going on. It will take another 20 years to evaluate whether it has any significance or not. There are a lot of innovations that need to take place. I have been on the Committee on Education and the Workforce now for 15 years. The institutional history of what we have tried, what is proposed, what the researchers say is all very much ingrained in my mind. There are a lot of innovative approaches to education which make sense. A lot should be going on right now. I say across the board we should have a comprehensive, overwhelming attack on the problems related to education. Reform and efforts to improve our schools ought to go forward on a massive basis. Maybe in 5 years we can look and sort out what really works best and begin to institutionalize what really works best to develop a first-class system, not a national system but systems which have similar components across the country of things that work. But if we are going to take an idea like charter schools, where everybody agrees that we should have charter schools and then we are going to have only minuscule testing of it, only a few here and a few there, in many States which allow charter schools, there are so many restrictions placed on them until we will not have many developed at all over the next 10 years. There is a need for somebody, and the Federal Government probably is the only entity that could do it, to break it loose and try to give incentives for experimentation on a scale large enough to be significant. We need a critical mass. Charter schools cannot be evaluated as to what impact they can have on the overall education situation unless we have a critical mass. We need enough. One of the versions of charter schools is supposed to be that they will give competition to the traditional public schools.

What is the difference between charter schools and traditional public schools? It is not the funding base, because they both are supposed to be funded by taxpayers' money, fully funded. Charter schools are to receive a per capita amount, which is the same as the local education agency pays for their children. The only difference between charter schools and the local education agency's traditional schools would be in the governance and management. They would have to abide by all the rules and terms of any State requirements, requirements for integration, requirements for curriculum, everything would still be there for the charter schools. It is a matter of how they are governed and who is in charge of the management and what kind of things can you do if you are out from under the local bureaucracy and how much freedom for innovation will lead to real improvements, real change, and how much your freedom to govern as you see fit and manage as you see fit can allow you to do the things that have to be done to improve the schools without the burden of having to get approvals from people in the hierarchy on top of you. The great challenge is governance and management. Let us go on at the Federal level to create some incentives. Let us have a piece of legislation which provides incentives for charter schools. If the Speaker wants to do something about creating better opportunities for all children to learn, there is one area which there is agreement, charter schools, why do we not do something about it.

Opportunities to learn also involve, of course, children having a decent place to study. It is most unfortunate that the Speaker is concerned about creating better opportunities to learn for children and yet in the budget agreement that was made with the President at the White House, the initiative for construction of new schools and renovation of unsafe schools was taken out. $5 billion over a 5-year period. That is all they proposed. $5 billion over a 5-year period to help to renovate and repair and actually construct new schools. It would make a big difference in terms of opportunity to learn for all children. Because across America, according to the General Accounting Office, the GAO, $120 billion is needed for school construction in the next 10 years, to rebuild the infrastructure of public schools. We are not talking about colleges and universities. Just elementary and secondary schools.

Why can we not have in a situation where we are adding billions to the defense budget, and yesterday we voted to continue the B–2 bomber, while we refused to reduce the budget for the CIA even though the cold war is over, why can we not have $5 billion over a 5-year period for school repair, renovation and construction? If the Speaker agrees and if he has on his list of 10 things that need to be done to promote race relations, to provide opportunities for individuals, then why can we not have an agreement to put back into the budget the $5 billion initiative for school construction?

Another point, and I want to finish the Speaker's points and do justice to his points. Small business. Set a goal for tripling the number of minority-owned small businesses. I agree, Mr. Speaker, let us triple the number of minority-owned small businesses. He wants to bring successful small business leaders together to identify and then eliminate the government imposed barriers to entrepreneurship. That is what he says is the cause of the paucity of small businesses in the minority community. I agree with the goal. We need to triple the number of minority-owned small businesses. I do not agree with his concern about government-imposed barriers. I live in a community where small businessmen struggle all the time. I do not get any complaints about government barriers.

The government does more to help than anything else. The complaint is against the private sector capital. They cannot get capital. Or they have to pass scrutiny that other businesses do not have to pass. All kinds of problems I hear about, I do not hear that the government has imposed barriers. That is an ideological blind spot that the Speaker is off into. It is not a minority business problem that we have too much regulation or government barriers. I have heard the speeches a thousand times about what is wrong with America. That has nothing to do with what is really impeding small business development in the minority community.

In summary, I think I have covered all the Speaker's points. His 10 proposals to improve race relations are to create better opportunities for all children to learn, to develop more minority businesses, to create 100 renewal communities, to clear the existing backlog of discrimination cases at the Equal Employment Opportunity Commission. He wants to make America a country, and I missed this one, he wants to make America a country with equal opportunity for all and special privileges for none by taking away all preferences, set-asides, and government contracts. We disagree on that one. That is clearly one we disagree on. I do not have time to explain why. The background of the history of the descendants of African-American slaves has to be considered when we talk about set-asides and special government programs for minorities. Racial classification is another he added here which I find very strange in this set of proposals. Racial classification. A first step should be taken to add a multiracial category to the census. He thinks that is very important to improve race relations in America. I have no problem adding a multiracial category to the census. I do not know how it is going to improve race relations, because in the history of America, they have always insisted that anybody who had one drop of black blood was African-American. If you had one drop of black blood, you were deemed African-American. So these race classifications seem to me to be no solution.

In conclusion, Mr. Speaker, I applaud Speaker GINGRICH for his rapid response to the President's challenge. We need more discussion on race relations. We certainly need powerful people like Speaker GINGRICH to make proposals as to what it is we should do, what we should do concretely. There are people out there who are dying because we are not acting fast enough. The death of Marsha Motipersad is just one example of how there is needless suffering because we have rushed into public policies and programs that are harmful to people. It is more than race relations. It is human relations, it is human rights, it is concern for human welfare. All this goes together.

I want to end on a positive note. Overall, I applaud the Speaker. I hope he will continue the dialogue and he will go and meet with the Commission the President has set up and I will come right behind him. I think that there are many areas that we agree on and that the President's initiative has shown that it has paid off already. The dialogue has begun.

IN HONOR OF THE PRESIDENT OF THE REPUBLIC OF THE MARSHALL ISLANDS, HIS EXCELLENCY IMATA KABUA, AND THE MINISTER OF FOREIGN AFFAIRS, HIS EXCELLENCY PHILLIP MULLER

The SPEAKER pro tempore (Mr. PEASE). Under the Speaker's announced policy of January 7, 1997, the gentleman from American Samoa [Mr. FALEOMAVAEGA] is recognized for 60 minutes.

Mr. FALEOMAVAEGA. Mr. Speaker, I rise today on behalf of our colleagues in the Congress to extend a warm and heartfelt welcome to the President of the Republic of the Marshall Islands, His Excellency Imata Kabua, and the Honorable Minister of Foreign Affairs, His Excellency Phillip Muller. Mr. Speaker, President Kabua and Foreign Minister Muller have been in Washington for meetings with the administration and our colleagues here in the Congress, representing the interests of the good people of the Marshall Islands.

His Excellency Imata Kabua was elected President of the Marshall Islands in January of this year. In his long distinguished career of public service, he has served as Senator in the Parliament or the Nitijela from 1979 to 1996, when he was appointed Minister representing the Ralik Chain of the Marshall Islands. President Kabua presently occupies the rotating chairmanship of the South Pacific Forum of Nations, the preeminent political organization for the nations of the South Pacific.

His Excellency Phillip Muller was elected in 1984 and has likewise been a long-standing member of the Parliament or Nitijela in the Marshall Islands. He served as Minister and assistant to the President from 1984 to 1986, and 8 years as Minister of Education, until his assumption of duties as Foreign Minister for the Marshall Islands in 1994.

Mr. Speaker, on this occasion of their visit, I am extremely honored to salute these distinguished statesmen and leaders from the Republic of the Marshall Islands, one of our most cherished friends and sister democracies in the Pacific region. The people of the Marshall Islands and the United States share a close relationship that extends back over a half century. Our bonds were forged from World War II, when after heavy fighting in the Pacific, the United States liberated the Marshallese people from Japanese occupation.

For the next 4 decades through a United Nations strategic trust territory, the United States, as appointed trustee, provided for the administration of the Marshall Islands and Micronesia. Under the United Nations trust agreement, it was the obligation of the United States to "promote the development of the inhabitants of the trust territory toward self-government or independence, as may be appropriate to the particular circumstances of the trust territory and its peoples of the freely expressed wishes of the peoples concerned."

Pursuing a desire for self-determination, the people of the Marshall Islands entered into a compact, a free association with the United States in 1986, emerging from the trust territory as the independent Republic of the Marshall Islands. Under the compact of free association, the relationship between the Marshalls and the United States is different from that we have with other governments. The United States agreed to provide development funding to the Marshalls for 15 years, and to provide for its defense and security. In exchange, the Marshalls promised the U.S. exclusive access to its islands for military purposes.

As a democratic government, the Marshall Islands has maintained excellent relationships with our country. In the international arena such as the United Nations, the Marshalls has worked closely with the United States and supported us on most important votes, including the Comprehensive Test Ban Treaty and the Nuclear Nonproliferation Treaty.

Mr. Speaker, during the 5 decades of this extraordinary relationship, the people of the Marshall Islands bore a tremendously high burden of the costs of the Cold War to provide for America's defense and our policy on nuclear deterrence.

□ 2230

Between the years 1946 and 1958 our Nation tested approximately 66 atomic and hydrogen nuclear bombs at Bikini and Enewetak Atolls in the Marshall Islands. In their destructive capacity the nuclear blasts literally vaporized six islands in the Marshalls.

Mr. Speaker, the most devastating test was the 15 megaton Bravo shot which is approximately over 1,300 times more destructive than the bombs our Nation dropped on Japan and Hiroshima and Nagasaki in 1945. This single nuclear detonation on March 1, 1954, exceeded the combined strength of all weapons ever fired in the history of mankind. On the morning of the test the wind was blowing in the direction of two inhabited atolls, Rongelap and Utrik. Yet despite this knowledge the

Pentagon chose not to delay the test. It is reprehensible, Mr. Speaker, that for days after the blast the men, women, and the children of the atolls of Rongelap and Utrik were not immediately evacuated but were forced to bathe unknowingly in the radioactive fallout. It is a sad and tragic chapter in our Nation's history what we did to these simple and innocent human beings.

The legacy of the United States nuclear testing program has resulted in a nightmare of health problems for the Marshallese people, including the elevated rates of thyroid cancer. Cervical cancer mortality rates are 60 times the U.S. rate; breast cancer mortality rates, 5 times greater than in the United States, and reproductive complications involving high rates of miscarriage and deformed stillborn babies.

Mr. Speaker, it is no wonder that half a century later the chain of islands is still considered one of the most contaminated places in the world. The residents of the Marshalls who inhabited Bikini Atoll still await a cleanup of the nuclear testsite before they can return to their homes. The residents of Rongelap Island who were forced to abandon their homes since 1954 due to radioactive contamination likewise await cleanup efforts before returning to their island, and the people of Enewetak who have been forced to live in the southern portion of their island await resettlement of the north, which is still radioactive. Although the United States has allotted over $300 million in cleanup and resettlement efforts for the atolls, the funds are substantially less than what is needed to complete the process.

Mr. Speaker, much of the attention was focused on the residents of Bikini, Enewetak, Rongelap, and Utrik Atolls. The radioactive fallout from the U.S. nuclear testing affected people throughout the rest of the Marshall Islands.

The Nuclear Claims Tribunal was created in 1991 to address these radiation victims. The allocated $45 million the Nuclear Claims Tribunal has rejected over 4,000 claims while confirming only 1,000 claims. In so doing, the tribunal has already exhausted its funds and projects valid personal injury claims for cancer and radiation-related illnesses to a total of over $100 million. And not yet considered by the Tribunal are the claims to losses of properties and lands for our nuclear testing program.

Mr. Speaker, in response to this, I would submit that Section 177 of the Marshalls' Compact of Free Association may need to be invoked. Section 177 provides that the United States may consider additional nuclear test compensation in the face of changed circumstances from the information available to compact negotiators in the 1980's. Certainly, the Department of Energy's announced declassification of documents relating to our nuclear testing program in the Marshalls has shed new light on these issues. Moreover, recent scientific studies show that 15 atolls and islands in the Marshalls were exposed to significant amounts of nuclear test fallout, not just the original four atolls considered during the compact negotiations.

And I might also, Mr. Speaker, it does not even relate to the fact that thousands of our own soldiers and sailors were also exposed directly to nuclear contamination during our period of testing at this time in the Marshalls.

Mr. Speaker, the people in the Marshall Islands have made great contributions and sacrifices befitting the people of the United States and the free world. We will never be able to fully compensate them, as we cannot give them back their health or their lives of their unborn children or return to their traditional culture. Nevertheless the United States owes a moral duty and a serious obligation to the people of the Marshall Islands.

In recognition of this duty, the chairman of the House International Relations Committee, the gentleman from New York, [Mr. GILMAN], my good friend, introduced House Concurrent Resolution 92 of which I am a proud cosponsor along with the gentleman from Alaska [Mr. YOUNG], the chairman of the Committee on Resources in the House of Representatives to recognize the tremendous sacrifices that the Marshallese people made during World War II and for the 12 years that they were subjected, not of their own choice, to nuclear contamination during our nation's nuclear testing program in Micronesia.

Mr. Speaker, this resolution emphasizes the value of continuing friendly relations between the United States and the Republic of the Marshall Islands, and the Congress intends to maintain a long term military alliance and strategic partnership between our nations. The resolution further recognizes the importance of addressing nuclear testing damages under Section 177 of the Compact of Free Association, the Congress. In reviewing the compact renegotiations should exercise vigilance in preserving the strategic interests of the United States in maintaining friendship with the Marshall Islands.

Mr. Speaker, I would urge that our colleagues support this worthy measure that underscores the importance of our deep and enduring relationship with the good people of the Marshall Islands, and, Mr. Speaker, it is my sincere hope that in the coming weeks and months I will provide for my colleagues and the American people a series of floor statements to fully explain what took place in that 12-year period of nuclear testing of our nuclear testing program in the Marshall Islands and the need for the Congress to do more to properly compensate the Marshallese people for the harm and suffering that we brought to them.

Mr. Speaker, again I would issue my warmest greetings and best wishes to President Imata Kabua and Foreign Minister Phillip Muller on their visit to Washington and other members of their official delegations, and, Mr. Speaker, I would like to offer for the record additional materials to be submitted and be made part of the RECORD:

H. CON. RES. 92

Whereas on November 3, 1986, President Reagan issued Proclamation 5564, implementing a Compact of Free Association between the United States and the newly formed governments of Pacific island areas which had been administered by the United States since 1947 under a United Nations trusteeship;

Whereas the Compact of Free Association was approved by the United States Congress with overwhelming bipartisan support on January 14, 1986, under the terms set forth in the Compact of Free Association Act of 1985 (P.L. 99-239);

Whereas, in addition to providing the multilateral framework for friendly political relations with the new Pacific island nations, the Compact of Free Association established, on a bilateral basis, a long-term military alliance and permanent strategic partnership between the United States and the Republic of the Marshall Islands;

Whereas for 50 years the Marshall Islands has played a unique and indispensable role in maintaining international peace and security through activities of the United States in the Marshall Islands which were essential to the feasibility and ultimate success of the United States-led strategy of nuclear deterrence during the Cold War era, as well as the United States Strategic Defense Initiative which contributed significantly to the end of the nuclear arms race;

Whereas, the Republic of the Marshall Islands includes Bikini Atoll and Enewetak Atoll, which were the nuclear weapons proving grounds for Operation Crossroads from 1946 to 1958, as well as Kwajalein Atoll, which was the site of the mid-Pacific missile testing range for intercontinental ballistic missiles fired from the Vandenberg facility, a vital installation of the United States Army's ballistic missile systems command and a key support facility for the National Aeronautics and Space Administration and other programs critical to the promotion of vital national interests;

Whereas the people of the Marshall Islands and the United States have a close and mutually beneficial relationship which evolved from liberation and military occupation at the end of World War II to United States administration under the United Nations trusteeship from 1947 to 1986 and which is now maintained on a government-to-government basis under the Compact of Free Association;

Whereas this relationship was forged through a process of self-determination and democratization which reflects the common values and cross-cultural respect that the people of the Marshall Islands and the people of the United States have developed since the middle of the last century when American missionaries first came to the Marshall Islands;

Whereas the people of the United States and its allies paid a high price, including

great loss of life and injuries in the heroic battles for Kwajalein and Roi-Namur, to liberate the Marshall Islands during World War II and again made sacrifices as a result of the Cold War nuclear arms race;

Whereas the people of the Marshall Islands suffered great injury and hardship due to the exposure of individuals to nuclear test radiation and the radiological contamination of the Marshall Islands;

Whereas, in recognition of the unique role of the Republic of the Marshall Islands in supporting the United States during the Cold War, the 104th Congress provided additional assistance, pursuant to the Compact of Free Association Act of 1985, to meet the special need of the people of the Marshall Islands arising from the nuclear testing program, including funding for radiological monitoring, island rehabilitation, and community resettlement programs;

Whereas within the framework of the settlement of all legal claims under section 177 of the Compact of Free Association Act of 1985, the Congress continues to monitor and evaluate measures being taken to implement programs authorized under Federal law to promote the recovery, resettlement, health, and safety of individuals and communities affected by the nuclear testing program in the Marshall Islands;

Whereas the special relationship between our nations and our peoples is a bond that has grown strong as a result of our shared history and common struggle and sacrifices in the cause, not of conquest, but to promote international peace and security and secure liberty for future generations; and

Whereas, just as the extraordinary demands of world leadership fell on the United States in this century, among this Nation's allies the Marshall Islands bore an immensely disproportionate share of the burden of the Cold War, and this remote island nation continues to play an important strategic role in the preservation of global peace as well as in the military and scientific programs which promote the United States, the Republic of the Marshall Islands, and the other people of the world: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That Congress——

(1) recognizes the value of continued friendly relations between the United States and the Republic of the Marshall Islands;

(2) intends to maintain, through appropriate mutually agreed political and economic measures, the long-term military alliance and strategic partnership defined by the Compact of Free Association as a primary element of bilateral relations between the United States and the Republic of the Marshall Island in the future;

(3) recognizes the importance of ongoing measures to address, in accordance with the legal settlement set forth in section 177 of the Compact of Free Association of 1985, the impact on the Marshall Islands of the nuclear testing program; and

(4) intends, through its oversight responsibilities and the exercise of its Constitutional authority regarding negotiation and approval of bilateral agreements with respect to those provisions of the Compact of Free Association which expire in 2001, in exercise vigilance in preserving the strategic interests of the United States in ensuring that the friendship between the United States and the Republic of the Marshall Islands is sustained as mutually agreed pursuant to their respective constitutional processes.

BIOGRAPHICAL DATA FOR HIS EXCELLENCY IMATA KABUA, PRESIDENT OF THE REPUBLIC OF THE MARSHALL ISLANDS

His Excellency Iroijlaplap Imata Kabua was elected President of the Republic of the Marshall Islands on January 13, 1997 following the sudden passing of his cousin, the late Iroijlaplap President Amata Kabua, in December 1996. President Imata Kabua is both Head of Government and Head of State.

President Imata Kabua is the current serving chairman of the South Pacific Forum.

Born on May 20, 1943 on Enmat, Kwajalein Atoll in the Marshall Islands, Mr. Kabua first attended the Ebeye Public Elementary School in Kwajalein and later went to Marshall Christian Elementary and Laura Intermediate School, Majuro. Mr Kabua attended the Kauai Technical School, Honolulu Christian College and later Ventura College, California, USA.

President Kabua began his public service career as principal of the Ebeye Christian Elementary School. Later, he served as Postmaster of Ebeye Post Office.

Mr. Kabua's political career began when he first served in 1976 as senator to the Nitijela under the US Trusteeship, followed by his consecutive election as delegate to the first and second Marshall Islands Constitutional Conventions (MICC) in 1978 and 1990 respectively. In 1994, he was elected to the third MICC as delegate Iroij from Ralik. He then served as senator to the Nitijela under the Constitutional Government in 1979, until 1996 when he was appointed as Minister without Portfolio for the Ralik Chain.

As Iroijlaplap, Mr. Kabua is an active leader in cultural affairs. He is presently one of the four major Iroijlaplaps from the Ralik Chain in the Marshall Islands.

President Kabua continues to lead and guide the development work on his constituent island atoll, Kwajalein, where in the past he served in a range of key positions including as president of the Kwajalein Atoll Corporation (KAC), chairman for Kwajalein Atoll Development Authority (KADA), and chairman for Kwajalein Atoll Joint Utility Resource (KAJUR).

President Kabua's hobbies include tennis, chess, table tennis, checkers and fishing. In 1969, Mr. Kabua was awarded a gold medal each for volleyball and table tennis at the 1969 Micronesian Olympic Games in Saipan.

President Kabua is married to the First Lady Hiromi Konou Kabua. They have 8 children.

President Kabua is a member of the Protestant Church.

RECESS

The SPEAKER pro tempore (Mr. PEASE). Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 10 o'clock and 37 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 0105

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. MCINNIS) at 1 o'clock and 5 minutes a.m.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2015, BALANCED BUDGET ACT, AND H.R. 2014, TAXPAYER RELIEF ACT

Mr. SOLOMON, from the Committee on Rules, submitted a privileged report (Rept. No. 105–52) on the resolution (H. Res. 174) providing for the consideration of the bill (H.R. 2015) to provide for reconciliation pursuant to subsections (b)(1) and (c) of section 105 of the concurrent resolution on the budget for fiscal year 1998, and for the consideration of the bill (H.R. 2014) to provide for reconciliation pursuant to subsections (b)(2) and (d) of section 105 of the concurrent resolution on the budget for fiscal year 1998, which was referred to the House Calendar and ordered to be printed.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. YATES (at the request of Mr. GEPHARDT), for today, on account of personal reasons.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Ms. ROYBAL-ALLARD) to revise and extend their remarks and include extraneous material:)

Mr. DAVIS of Illinois, for 5 minutes, today.

Ms. WOOLSEY, for 5 minutes, today.

Mr. REYES, for 5 minutes, today.

Mr. GEJDENSON, for 5 minutes, today.

Ms. ROYBAL-ALLARD, for 5 minutes, today.

Mr. MINGE, for 5 minutes, today.

Ms. JACKSON-LEE of Texas, for 5 minutes, today.

Ms. MILLENDER-MCDONALD, for 5 minutes, today.

Mr. OLVER, for 5 minutes, today.

Mrs. CLAYTON, for 5 minutes, today.

(The following Members (at the request of Mr. PAUL) to revise and extend their remarks and to include extraneous material:)

Mr. DREIER, for 5 minutes each day on June 24, 25, and 26.

Mr. BEREUTER, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Ms. ROYBAL-ALLARD) and to include extraneous matter:

Mr. RANGEL.

Mrs. MALONEY of New York.

Mr. SKAGGS.

Mr. STARK.

Mr. PASCRELL.

Ms. WOOLSEY.
Mr. SKELTON.
Mr. MCNULTY.
Mr. BLAGOJEVICH.
Mr. MATSUI.
Ms. EDDIE BERNICE JOHNSON of Texas.
Mr. CONDIT.
Mr. CAPPS.
Mr. KUCINICH.
Ms. NORTON.
Mr. LIPINSKI.
Mr. TRAFICANT.
Mr. TORRES.
Mr. BLUMENAUER.
Mr. MCGOVERN.
Mr. TOWNS.

(The following Members (at the request of Mr. PAUL) to revise and extend their remarks and to include extraneous material:)

Mr. GILMAN.
Mr. JENKINS.
Mr. FORBES.
Mr. GINGRICH.
Mr. BLILEY.
Mr. ARCHER.
Mr. TAYLOR of North Carolina.
Mr. PICKERING.
Mr. SOLOMON.

(The following Members (at the request of Mr. SOLOMON) to revise and extend their remarks and to include extraneous material:)

Mr. HORN.
Mr. COOKSEY.
Mr. WAXMAN.
Ms. SANCHEZ.
Ms. FURSE.
Mr. MCINNIS.

ENROLLED BILL SIGNED

Mr. THOMAS, from the Committee on House Oversight, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 363. An act to amend section 2118 of the Energy Policy Act of 1992 to extend the Electric and Magnetic Fields Research and Public Information Dissemination program.

BILL PRESENTED TO THE PRESIDENT

Mr. THOMAS, from the Committee on House Oversight reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H.R. 363. An act to amend section 2118 of the Energy Policy Act of 1992 to extend the Electric and Magnetic Fields Research and Public Information Dissemination program.

ADJOURNMENT

Mr. SOLOMON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 6 minutes a.m.), the House adjourned until today, Wednesday, June 25, 1997, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

3932. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, transmitting the Service's "Major" final rule—Importation of Beef from Argentina [Docket No. 94-106-5] (RIN: 0579-AA71) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3933. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Tebuconazole; Pesticide Tolerance for Emergency Exemption [OPP-300506; FRL-5725-7] (RIN: 2070-AB78) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3934. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Bentazon; Pesticide Tolerance for Emergency Exemption [OPP-300496; FRL-5720-4] (RIN: 2070-AB78) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3935. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Terbacil; Pesticide Tolerances for Emergency Exemptions [OPP-300348; FRL-5718-7] (RIN: 2070-AC78) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3936. A letter from the Secretary of Agriculture, transmitting a report of two violations of the Anti-Deficiency Act, pursuant to 31 U.S.C. 1517(b); to the Committee on Appropriations.

3937. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Air Quality Implementation Plans; Revised Format of 40 CFR Part 52 for Materials Being Incorporated by Reference for Mississippi and South Carolina [FRL-5838-7] received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3938. A letter from the Chairman, District of Columbia Financial Responsibility and Management Assistance Authority, transmitting the revised District of Columbia Fiscal Year 1998 Financial Plan and Budget; to the Committee on Government Reform and Oversight.

3939. A letter from the Director, Office of Personnel Management, transmitting the Office's final rule—Intergovernmental Personnel Act Programs; Standards for a Merit System of Personnel Administration (RIN: 3206-AH90) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform and Oversight.

3940. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Civil Monetary Penalty Inflation Adjustment Rule [FRL-5849-2] received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on the Judiciary.

3941. A letter from the Secretary of Veterans Affairs, transmitting a draft of proposed legislation to amend title 38, United States Code, to amend provisions of law governing benefits for certain children of Vietnam veterans who are born with spina bifida; to the Committee on Veterans' Affairs.

3942. A letter from the Secretary of Labor, transmitting the quarterly report on the expenditure and need for worker adjustment assistance training funds under the Trade Act of 1974, pursuant to 19 U.S.C. 2296(a)(2); to the Committee on Ways and Means.

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. PACKARD: Committee on Appropriations. H.R. 2016. A bill making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 1998, and for other purposes (Rept. 105-150). Referred to the Committee of the Whole House on the State of the Union.

Mr. LIVINGSTON: Committee on Appropriations. Report on the subdivision of budget totals for fiscal year 1998 (Rept. 105-151). Referred to the Committee of the Whole House on the State of the Union.

June 25 (Legislative Day of June 24), 1997

Mr. SOLOMON: Committee on Rules. House Resolution 174. Resolution providing for consideration of the bill (H.R. 2015) to provide for reconciliation pursuant to subsections (b)(1) and (c) of section 105 of the concurrent resolution on the budget for fiscal year 1998, and for consideration of the bill (H.R. 2014) to provide for reconciliation pursuant to subsections (b)(2) and (d) of section 105 of the concurrent resolution (Rept. 105-152). Referred to the House Calendar.

BILLS PLACED ON THE CORRECTIONS CALENDAR

Under clause 4 of rule XIII, the Speaker filed with the Clerk a notice requesting that the following bills be placed upon the Corrections Calendar:

[Omitted from the Record of June 23, 1997]

H.R. 849. A bill to prohibit an alien who is not lawfully present in the United States from receiving assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BISHOP:

H.R. 2017. A bill to amend section 1926 of the Public Health Service Act to encourage States to strengthen their efforts to prevent the sale and distribution of tobacco products to individuals under the age of 18, and for other purposes; to the Committee on Commerce.

By Mr. PAXON (for himself, Mr. TOWNS, Mr. ENGEL, Mr. LAZIO of New York, and Mr. MANTON):

H.R. 2018. A bill to waive temporarily the Medicaid enrollment composition rule for the Better Health Plan of Amherst, NY; to the Committee on Commerce.

By Mr. JONES (for himself, Mr. ACKERMAN, Mr. MANTON, and Mr. MCCOLLUM):

H.R. 2019. A bill to amend the Consumer Credit Protection Act to assure meaningful disclosures of the terms of rental-purchase agreements, including disclosures of all costs to consumers under such agreements, to provide certain substantive rights to consumers under such agreements, and for other purposes; to the Committee on Banking and Financial Services.

By Mr. GINGRICH:

H.R. 2020. A bill to amend title XIX of the Social Security Act to provide for coverage of community attendant services under the Medicaid Program; to the Committee on Commerce.

By Mr. ARMEY (for himself, Mr. MORAN of Virginia, Mr. SAXTON, Mr. COX of California, and Mr. MCINTOSH):

H.R. 2021. A bill to provide for competition between forms of motor vehicle insurance, to permit an owner of a motor vehicle to choose the most appropriate form of insurance for that person, to guarantee affordable premiums, to provide for more adequate and timely compensation for accident victims, and for other purposes; to the Committee on Commerce.

By Mr. CAPPS (for himself, Mr. MATSUI, Mr. DREIER, Mr. DOOLEY of California, Mr. ROEMER, Mr. SALMON, Mr. FAZIO of California, and Mr. BEREUTER):

H.R. 2022. A bill to amend trade laws and related provisions to clarify the designation of normal trade relations; to the Committee on Ways and Means.

By Ms. DELAURO (for herself, Ms. NORTON, and Mr. GEPHARDT):

H.R. 2023. A bill to amend the Equal Pay Act, the Fair Labor Standards Act of 1938, and the Civil Rights Act of 1964 to provide more effective remedies to victims of discrimination in the payment of wages on the basis of sex, and for other purposes; to the Committee on Education and the Workforce.

By Mr. HERGER:

H.R. 2024. A bill to amend the National Kiwifruit Research, Promotion, and Consumer Information Act to provide for proportional representation of kiwifruit producers, exporters, and importers on the National Kiwifruit Board; to the Committee on Agriculture.

By Mr. HINCHEY:

H.R. 2025. A bill to amend part A of title IV of the Social Security Act to allow up to 24 months of postsecondary education or vocational educational training to count as a permissible work activity under the program of block grants to States for temporary assistance for needy families, and for other purposes; to the Committee on Ways and Means.

By Mr. KENNEDY of Massachusetts (for himself, Mr. BEREUTER, Mr. CANADY of Florida, Mr. CLYBURN, Mr. DELAHUNT, Mr. DELLUMS, Mr. EVANS, Mr. FATTAH, Mr. FILNER, Mr. FOX of Pennsylvania, Mr. FROST, Ms. HOOLEY of Oregon, Mr. KANJORSKI, Ms. KILPATRICK, Ms. LOFGREN, Mrs. MALONEY of New York, Mr. SISISKY, and Mr. TORRES):

H.R. 2026. A bill to amend the Internal Revenue Code of 1986 to provide assistance to first-time homebuyers; to the Committee on Ways and Means.

By Mr. LATOURETTE:

H.R. 2027. A bill to provide for the revision of the requirements for a Canadian border boat landing permit pursuant to section 235 of the Immigration and Nationality Act, and to require the Attorney General to report to the Congress on the impact of such revision; to the Committee on the Judiciary.

By Ms. NORTON:

H.R. 2028. A bill to amend the Internal Revenue Code of 1986 to increase the taxes on certain alcoholic beverages and to provide additional funds for alcohol abuse prevention programs; to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. PAUL (for himself, Mr. BLUNT, Mr. COOKSEY, Mr. DOOLITTLE, Mr. HILLEARY, Mr. HERGER, Mr. HOSTETTLER, Mr. HUTCHINSON, Mr. SAM JOHNSON, Mr. MANZULLO, Mr. ROYCE, Mr. SOUDER, Mr. STUMP, Mr. TIAHRT, and Mr. WELDON of Florida):

H.R. 2029. A bill to prohibit the Corporation for National and Community Service from receiving information from the Selective Service System or otherwise using the Selective Service System to notify young people of service opportunities with the Corporation or recruit national service participants; to the Committee on Education and the Workforce, and in addition to the Committee on National Security, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. PETRI (for himself and Mr. SENSENBRENNER):

H.R. 2030. A bill to require the Federal Government to approve certain waiver requests submitted by the State of Wisconsin under the food stamp and medical assistance programs; to the Committee on Agriculture, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. RANGEL (for himself, Mr. THOMPSON, Mr. DELLUMS, Mr. TOWNS, Ms. NORTON, Mr. CLAY, Ms. CARSON, Mr. DIXON, Mrs. CLAYTON, Mr. HILLIARD, Mr. HASTINGS of Florida, Mr. CONYERS, Mr. PAYNE, Mr. LEWIS of Georgia, Mr. JEFFERSON, Ms. CHRISTIAN-GREEN, Mr. FORD, and Mr. CUMMINGS):

H.R. 2031. A bill to amend the Controlled Substances Act and the Controlled Substances Import and Export Act to eliminate certain mandatory minimum penalties relating to crack cocaine offenses; to the Committee on the Judiciary, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. WAXMAN:

H.R. 2032. A bill to make correct certain provisions of the Safe Drinking Water Act; to the Committee on Commerce.

By Mr. BLILEY (for himself, Mr. GOODE, Mr. KOLBE, Mr. DEAL of Georgia, Mr. GILLMOR, Mr. SPENCE, and Mr. COOK):

H.J. Res. 84. Joint resolution proposing an amendment to the Constitution of the United States to provide a procedure by which the States may propose constitutional amendments; to the Committee on the Judiciary.

By Mr. TRAFICANT:

H. Con. Res. 105. Concurrent resolution expressing the sense of the Congress relating to the elections in Albania scheduled for June 29, 1997; to the Committee on International Relations.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII,

Mr. QUINN introduced a bill (H.R. 2033) to authorize the Secretary of Transportation to issue a certificate of documentation with appropriate endorsement for employment in the coastwise trade for the vessel *Samakee;* which was referred to the Committee on Transportation and Infrastructure.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 51: Mr. GUTIERREZ, Mr. FILNER, and Mr. TORRES.

H.R. 66: Mr. KLECZKA.

H.R. 108: Mr. PORTER.

H.R. 113: Mr. BLUNT.

H.R. 143: Mr. SMITH of Texas, Mr. NEY, and Mr. FORBES.

H.R. 216: Mr. MCDADE and Mr. GIBBONS.

H.R. 367: Mr. HOEKSTRA.

H.R. 450: Mr. NEUMANN.

H.R. 519: Mrs. MCCARTHY of New York.

H.R. 695: Mr. BOB SCHAFFER, Mr. BARTON of Texas, Mr. LARGENT, Mr. CLEMENT, Mr. HILLIARD, and Mr. LUTHER.

H.R. 873: Mr. EHLERS and Mr. GOODLING.

H.R. 900: Mr. RUSH.

H.R. 947: Mr. FORBES.

H.R. 950: Mr. MILLER of California.

H.R. 993: Mr. TAYLOR of North Carolina.

H.R. 1010: Mr. TALENT, Mr. RIGGS, Mr. TRAFICANT, Mr. ROHRABACHER, Mr. RYUN, Mr. GOODLATTE, and Mr. HAYWORTH.

H.R. 1038: Mr. STARK.

H.R. 1053: Ms. PRYCE of Ohio.

H.R. 1080: Mr. LOBIONDO.

H.R. 1134: Mr. ETHERIDGE, Ms. KAPTUR, Mr. BONIOR, Mr. DAVIS of Illinois, and Ms. LOFGREN.

H.R. 1145: Mr. WICKER, Mr. BARTON of Texas, Mr. GOODE, Mr. MICA, Mrs. CUBIN, Mr. LUCAS of Oklahoma, Mr. HEFLEY, Ms. PRYCE of Ohio, Ms. GRANGER, and Mr. FORBES.

H.R. 1158: Mr. GOODLING.

H.R. 1165: Mr. FILNER.

H.R. 1166: Mr. RAMSTAD, Ms. KILPATRICK, Ms. LOFGREN, Mr. KENNEDY of Massachusetts, Ms. ROS-LEHTINEN, Ms. SANCHEZ, Mr. GILCHREST, and Mr. MARKEY.

H.R. 1204: Mr. GRAHAM.

H.R. 1260: Mr. WATTS of Oklahoma and Mr. HAMILTON.

H.R. 1302: Mr. PASTOR, Mr. BONIOR, Ms. SANCHEZ, and Mr. MCGOVERN.

H.R. 1320: Mr. ADAM SMITH of Washington and Mr. KLINK.

H.R. 1322: Mr. GEKAS, Mr. WEXLER, Mr. SALMON, Mr. HAYWORTH, and Mr. SHADEGG.

H.R. 1323: Mr. WYNN.

H.R. 1334: Mr. FROST.

H.R. 1348: Mr. PICKERING.

H.R. 1375: Mr. NEY.

H.R. 1451: Mr. JEFFERSON.

H.R. 1494: Mr. SENSENBRENNER.

H.R. 1524: Mr. CANADY of Florida and Mr. BLUMENAUER.

H.R. 1531: Mr. MENENDEZ.

H.R. 1556: Mr. JEFFERSON.

H.R. 1570: Ms. WOOLSEY.

H.R. 1613: Mr. GRAHAM.

H.R. 1682: Mr. FORD.

H.R. 1711: Mr. BARRETT of Nebraska, Mr. BUNNING of Kentucky, Mr. GOODE, Mr.

HAYWORTH, Mr. LEWIS of Kentucky, and Mr. STUMP.

H.R. 1818: Mr. SAWYER.

H.R. 1859: Mr. KLUG.

H.R. 1903: Mr. GUTKNECHT and Mr. BRADY.

H.R. 1908: Mr. HASTINGS of Florida.

H.R. 1955: Mrs. MORELLA, Mr. GILCHREST, Mr. FOX of Pennsylvania, Mr. WICKER, Mr. CRAMER, Mr. BLILEY, Mr. NEY, Mr. HORN, Mr. HALL of Texas, Ms. DELAURO, Mr. MCINTOSH, Mr. SCHUMER, Mr. SAM JOHNSON, and Mr. HOLDEN.

H.R. 1989: Mr. MICA.

H.R. 2003: Mr. MEEHAN, Mr. DOOLEY of California, Mr. HALL of Texas, Mr. DOYLE, Mrs. MCCARTHY of New York, Mrs. MORELLA, Mrs. ROUKEMA, and Mr. HALL of Texas.

H.J. Res. 71: Mr. GEKAS, Mr. WEXLER, Mr. SALMON, Mr. HAYWORTH, and Mr. SHADEGG.

H.J. Res. 76: Mrs. MINK of Hawaii.

H. Con. Res. 37: Mr. TOWNS and Mr. BURTON of Indiana.

H. Con. Res. 71: Mr. DELLUMS, Mr. ENGEL, Mr. CLAY, and Mr. FORD.

H. Con. Res. 80: Mr. JACKSON, Mr. KLINK, and Mr. PALLONE.

H. Con. Res. 103: Ms. BROWN of Florida, Mr. BROWN of California, Ms. DELAURO, Mr. GONZALEZ, Mrs. MCCARTHY of New York, Mr. MCDERMOTT, Mr. MENENDEZ, and Ms. SLAUGHTER.

H. Res. 38: Mrs. MEEK of Florida, Mr. SNYDER, Mr. DOOLEY of California, and Mr. NADLER.

H. Res. 119: Ms. VELAZQUEZ.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows:

H.R. 1515: Mr. JACKSON.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 2014

OFFERED BY: MR. RANGEL

(Amendment in the Nature of a Substitute)

AMENDMENT NO. 1:

Strike all after enacting clause, and insert the following:

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the "Revenue Reconciliation Act of 1997".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code.
Sec. 2. Modifications of certain requirements.

TITLE I—TAX INCENTIVES FOR HIGHER EDUCATION

Sec. 101. Hope scholarship credits.
Sec. 102. Employer-provided educational assistance programs.

TITLE II—PUBLIC-PRIVATE EDUCATION PARTNERSHIPS

Sec. 201. Purpose.
Sec. 202. Incentives for education zones.

TITLE III—FAMILY TAX RELIEF

Sec. 301. Credit for families with young children.

TITLE IV—CAPITAL GAINS RELIEF

Subtitle A—Exemption From Tax for Gain on Sale of Principal Residence

Sec. 401. Exemption from tax for gain on sale of principal residence.
Sec. 402. Capital loss deduction allowed with respect to sale or exchange of principal residence.

Subtitle B—Lifetime Capital Gains Rate Reduction for Nontradable Property

Sec. 411. Lifetime capital gains rate reduction for nontradable property.

TITLE V—ESTATE TAX RELIEF

Sec. 501. Family-owned business exclusion.

TITLE VI—EXTENSION OF EXPIRING PROVISIONS

Sec. 601. Research credit.
Sec. 602. Orphan drug credit made permanent.
Sec. 603. Contributions of appreciated stock.
Sec. 604. Extension and modification of work opportunity credit.

TITLE VII—EMPOWERMENT ZONES, ETC.

Subtitle A—Empowerment Zones

Sec. 701. Additional empowerment zones with current law benefits.
Sec. 702. Designation of additional empowerment zones and enterprise communities.
Sec. 703. Volume cap not to apply to enterprise zone facility bonds with respect to new empowerment zones.
Sec. 704. Modifications to enterprise zone facility bond rules for all empowerment zones and enterprise communities.
Sec. 705. Modifications to enterprise zone business definition for all empowerment zones and enterprise communities.

Subtitle B—Brownfields

Sec. 711. Expensing of environmental remediation costs.
Sec. 712. Use of redevelopment bonds for environmental remediation.

Subtitle C—Welfare to Work Credit

Sec. 721. Welfare to work credit.

Subtitle D—Community Development Financial Institutions

Sec. 731. Credit for qualified equity investments in community development financial institutions.

TITLE VIII—OTHER TAX RELIEF

Sec. 801. Suspension of statute of limitations on filing refund claims during periods of disability.
Sec. 802. Modifications of Puerto Rico economic activity credit.
Sec. 803. Treatment of software as FSC export property.

TITLE IX—INCENTIVES FOR THE DISTRICT OF COLUMBIA

Sec. 901. Tax incentives for revitalization of the District of Columbia.

TITLE X—REVENUES

Subtitle A—Financial Products

Sec. 1001. Constructive sales treatment for appreciated financial positions.
Sec. 1002. Limitation on exception for investment companies under section 351.
Sec. 1003. Modification of rules for allocating interest expense to tax-exempt interest.
Sec. 1004. Gains and losses from certain terminations with respect to property.
Sec. 1005. Determination of original issue discount where pooled debt obligations subject to acceleration.
Sec. 1006. Denial of interest deductions on certain debt instruments.

Subtitle B—Corporate Organizations and Reorganizations

Sec. 1011. Tax treatment of certain extraordinary dividends.
Sec. 1012. Application of section 355 to distributions followed by acquisitions and to intragroup transactions.
Sec. 1013. Tax treatment of redemptions involving related corporations.
Sec. 1014. Modification of holding period applicable to dividends received deduction.

Subtitle C—Other Corporate Provisions

Sec. 1021. Registration and other provisions relating to confidential corporate tax shelters.
Sec. 1022. Certain preferred stock treated as boot.

Subtitle D—Administrative Provisions

Sec. 1031. Reporting of certain payments made to attorneys.
Sec. 1032. Decrease of threshold for reporting payments to corporations performing services for Federal agencies.
Sec. 1033. Disclosure of return information for administration of certain veterans programs.
Sec. 1034. Continuous levy on certain payments.
Sec. 1035. Returns of beneficiaries of estates and trusts required to file returns consistent with estate or trust return or to notify Secretary of inconsistency.

Subtitle E—Excise and Employment Tax Provisions

Sec. 1041. Extension and modification of Airport and Airway Trust Fund taxes.
Sec. 1042. Credit for tire tax in lieu of exclusion of value of tires in computing price.
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Subtitle F—Provisions Relating to Tax-Exempt Entities

Sec. 1051. Expansion of look-thru rule for interest, annuities, royalties, and rents derived by subsidiaries of tax-exempt organizations.

Subtitle G—Foreign-Related Provisions

Sec. 1061. Definition of foreign personal holding company income.
Sec. 1062. Personal property used predominantly in the United States treated as not property of a like kind with respect to property used predominantly outside the United States.
Sec. 1063. Holding period requirement for certain foreign taxes.
Sec. 1064. Penalties for failure to disclose position that certain international transportation income is not includible in gross income.

Sec. 1065. Interest on underpayments not reduced by foreign tax credit carrybacks.

Subtitle H—Other Revenue Provisions

Sec. 1071. Termination of suspense accounts for family corporations required to use accrual method of accounting.

Sec. 1072. Allocation of basis among properties distributed by partnership.

Sec. 1073. Repeal of requirement that inventory be substantially appreciated.

Sec. 1074. Extension of time for taxing precontribution gain.

Sec. 1075. Limitation on property for which income forecast method may be used.

Sec. 1076. Repeal of special rule for rental use of vacation homes, etc., for less than 15 days.

Sec. 1077. Expansion of requirement that involuntarily converted property be replaced with property acquired from an unrelated person.

Sec. 1078. Treatment of exception from installment sales rules for sales of property by a manufacturer to a dealer.

SEC. 2. MODIFICATIONS OF CERTAIN REQUIREMENTS.

(a) MODIFICATION OF DEPOSIT OF AIRLINE TICKET TAX REVENUES.—Deposits of taxes imposed by section 4261 of the Internal Revenue Code of 1986 which (but for this subsection) would be required to be made on or after July 1, 2001, and before October 1, 2001, shall be made on October 10, 2001.

(b) MODIFICATION OF ESTIMATED TAX PROVISIONS.—Subparagraph (C) of section 6654(d)(1) of the Internal Revenue Code of 1986 shall not apply in determining the amount of any required installment for a taxable year beginning in calendar year 2001.

TITLE I—TAX INCENTIVES FOR HIGHER EDUCATION

SEC. 101. HOPE SCHOLARSHIP CREDITS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 23 the following new section:

"SEC. 24. HOPE SCHOLARSHIP CREDITS.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year the amount equal to the sum of—

"(1) the 100-Percent Hope Scholarship Credit, and

"(2) the 20-Percent Hope Scholarship Credit.

"(b) AMOUNT OF CREDITS.—For purposes of this section—

"(1) HOPE CREDIT.—

"(A) IN GENERAL.—The 100-Percent Hope Scholarship Credit is the amount of the qualified higher education expenses paid by the taxpayer during the taxable year for education furnished to an individual during any academic period beginning in such taxable year, but only if this paragraph applies to such individual for such taxable year.

"(B) DOLLAR LIMITATION.—The amount of the 100-Percent Hope Scholarship Credit determined under this paragraph with respect to any individual shall not exceed—

"(i) $1,100 for taxable years beginning in 1997, 1998, or 1999,

"(ii) $1,200 for taxable years beginning in 2000, or

"(iii) $1,500 for taxable years beginning in 2001 or thereafter.

"(C) 100-PERCENT HOPE SCHOLARSHIP CREDIT ALLOWED FOR ONLY 2 TAXABLE YEARS.—This paragraph shall apply for a taxable year with respect to the qualified higher education expenses of an individual only if the taxpayer elects to have this section apply with respect to such individual for such year. An election under this subparagraph shall not take effect with respect to an individual for any taxable year if an election under this subparagraph (by the taxpayer or any other individual) is in effect with respect to such individual for any 2 prior taxable years.

"(D) 100-PERCENT HOPE SCHOLARSHIP CREDIT ALLOWED ONLY FOR FIRST 2 YEARS OF POSTSECONDARY EDUCATION.—This paragraph shall not apply for a taxable year with respect to the qualified higher education expenses of an individual if the individual has completed (before the beginning of such taxable year) the first 2 years of postsecondary education at an institution of higher education.

"(2) 20-PERCENT HOPE SCHOLARSHIP CREDIT.—

"(A) IN GENERAL.—The 20-Percent Hope Scholarship Credit is 20 percent of the qualified higher education expenses paid by the taxpayer during the taxable year for education furnished to an individual during any academic period beginning in such taxable year. Education expenses with respect to an individual for whom a Hope credit is determined for the taxable year shall not be taken into account under this paragraph.

"(B) DOLLAR LIMITATION.—The amount of qualified higher education expenses taken into account under subparagraph (A) for any taxable year shall not exceed—

"(i) $4,000 for taxable years beginning in 1997, 1998, or 1999,

"(ii) $5,000 for taxable years beginning in 2000,

"(iii) $7,500 for taxable years beginning in 2001, or

"(iv) $10,000 for taxable years beginning in 2002 or thereafter.

"(3) CREDIT ALLOWED FOR YEAR ONLY IF INDIVIDUAL IS AT LEAST ½ TIME STUDENT FOR PORTION OF YEAR.—No credit shall be allowed under subsection (a) for a taxable year with respect to the qualified higher education expenses of an individual unless such individual is an eligible student for at least one academic period which begins during such year.

"(c) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(1) IN GENERAL.—The amount which would (but for this section) be allowed as a credit under subsection (a) for the taxable year shall be reduced (but not below zero) by the amount determined under paragraph (2).

"(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph is the amount which bears the same ratio to the credit which would be so allowed as—

"(A) the excess of—

"(i) the taxpayer's modified adjusted gross income for such taxable year, over

"(ii) $50,000 ($80,000 in the case of a joint return), bears to

"(B) $20,000.

"(3) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

"(d) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

"(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition and fees required for the enrollment or attendance of—

"(i) the taxpayer,

"(ii) the taxpayer's spouse, or

"(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151,

at an institution of higher education.

"(B) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—Such term does not include expenses with respect to any course or other education involving sports, games, or hobbies, unless such course or other education is part of the individual's degree program.

"(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include student activity fees, athletic fees, insurance expenses, or other expenses unrelated to an individual's academic course of instruction.

"(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution—

"(A) which is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

"(B) which is eligible to participate in a program under title IV of such Act.

"(3) ELIGIBLE STUDENT.—The term 'eligible student' means, with respect to any academic period, a student who—

"(A) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

"(B) is carrying at least ½ the normal full-time work load for the course of study the student is pursuing.

"(e) TREATMENT OF EXPENSES PAID BY DEPENDENT.—If a deduction under section 151 with respect to an individual is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins—

"(1) no credit shall be allowed under subsection (a) to such individual for such individual's taxable year, and

"(2) qualified higher education expenses paid by such individual during such individual's taxable year shall be treated for purposes of this section as paid by such other taxpayer.

"(f) TREATMENT OF CERTAIN PREPAYMENTS.—If qualified higher education expenses are paid by the taxpayer during a taxable year for an academic period which begins during the first 3 months following such taxable year, such academic period shall be treated for purposes of this section as beginning during such taxable year.

"(g) SPECIAL RULES.—

"(1) DENIAL OF CREDIT IF INDIVIDUAL CONVICTED OF DRUG OFFENSE.—No credit shall be allowed under subsection (a) with respect to the qualified higher education expenses of an individual for any taxable year if the individual has been convicted before the end of such year of a Federal or State felony offense consisting of the possession or distribution of a controlled substance.

"(2) DENIAL OF CREDIT IF INDIVIDUAL FAILS TO MAKE SATISFACTORY ACADEMIC PROGRESS.—If—

"(A) if a credit is allowable under this section with respect to the qualified higher education expenses of an individual for any taxable year, and

"(B) such individual failed to make satisfactory academic progress described in section 484(c) of the Higher Education Act of 1965 during such year,

no credit shall be allowed under subsection (a) with respect to qualified higher education

expenses of such individual for a succeeding taxable year.

"(3) NO DOUBLE BENEFIT.—No credit shall be allowed under subsection (a) for any taxable year for any expense for which a deduction is allowed under any other provision of this chapter.

"(4) IDENTIFICATION REQUIREMENT.—No credit shall be allowed under subsection (a) to a taxpayer with respect to the qualified higher education expenses of an individual unless the taxpayer includes the name and taxpayer identification number of such individual on the return of tax for the taxable year.

"(5) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS.—The amount of qualified higher education expenses otherwise taken into account under subsection (b) with respect to an individual for an academic period shall be reduced (before the application of any dollar limitation under this section) by the sum of—

"(A) any amounts paid for the benefit of such individual which are allocable to such period as—

"(i) a qualified scholarship which is excludable from gross income under section 117,

"(ii) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or under chapter 1606 of title 10, United States Code,

"(iii) a payment which is excludable from gross income under section 127, or

"(iv) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for such individual's educational expenses, or attributable to such individual's enrollment at an institution of higher education, which is excludable from gross income under any law of the United States, and

"(B) the amount excludable from gross income under section 135 which is allocable to such expenses with respect to such individual for such period.

"(6) NO CREDIT FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

"(7) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

"(h) INFLATION ADJUSTMENTS.—

"(1) DOLLAR LIMITATION ON AMOUNT OF CREDIT.—

"(A) IN GENERAL.—In the case of a taxable year beginning after 2001, each applicable dollar amount contained in subsection (b) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

"(2) INCOME LIMITS.—

"(A) IN GENERAL.—In the case of a taxable year beginning after 2000, the $50,000 and $80,000 amounts in subsection (c)(2) shall each be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $5,000, such amount shall be rounded to the next lowest multiple of $5,000.

"(i) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations providing for a recapture of credit allowed under this section in cases where there is a refund in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit."

(b) EXTENSION OF PROCEDURES APPLICABLE TO MATHEMATICAL OR CLERICAL ERRORS.—Paragraph (2) of section 6213(g) (relating to the definition of mathematical or clerical errors) is amended by striking "and" at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting ", and", and by inserting after subparagraph (H) the following new subparagraph:

"(I) an omission of a correct TIN required under section 24(g)(4) (relating to higher education tuition and fees) to be included on a return."

(c) RETURNS RELATING TO HIGHER EDUCATION EXPENSES.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by inserting after section 6050R the following new section:

"SEC. 6050S. RETURNS RELATING TO HIGHER EDUCATION EXPENSES.

"(a) IN GENERAL.—Any person—

"(1) which is an institution of higher education which receives payments for qualified higher education expenses with respect to any individual for any calendar year, or

"(2) which is engaged in a trade or business which, in the course of such trade or business makes payments during any calendar year to any individual which constitute reimbursements or refunds (or similar amounts) of qualified higher education expenses of such individual,

shall make the return described in subsection (b) with respect to the individual at such time as the Secretary may by regulations prescribe.

"(b) FORM AND MANNER OF RETURNS.—A return is described in this subsection if such return—

"(1) is in such form as the Secretary may prescribe,

"(2) contains—

"(A) the name, address, and TIN of the individual with respect to whom payments described in subsection (a) were received from (or were paid to),

"(B) the name, address, and TIN of any individual certified by the individual described in subparagraph (A) as the taxpayer who will claim the individual as a dependent for purposes of the deduction allowable under section 151 for any taxable year ending with or within the calendar year,

"(C) the—

"(i) aggregate amount of payments for qualified higher education expenses received with respect to the individual described in subparagraph (A) during the calendar year, and

"(ii) aggregate amount of reimbursements or refunds (or similar amounts) paid to such individual during the calendar year, and

"(D) such other information as the Secretary may prescribe.

"(c) APPLICATION TO GOVERNMENTAL UNITS.—For purposes of this section—

"(1) a governmental unit or any agency or instrumentality thereof shall be treated as a person, and

"(2) any return required under subsection (a) by such governmental entity shall be made by the officer or employee appropriately designated for the purpose of making such return.

"(d) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return under subparagraph (A) or (B) of subsection (b)(2) a written statement showing—

"(1) the name, address, and phone number of the information contact of the person required to make such return, and

"(2) the aggregate amounts described in subparagraph (C) of subsection (b)(2).

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

"(e) DEFINITIONS.—For purposes of this section, the terms 'institution of higher education' and 'qualified higher education expenses' have the respective meanings given such terms by section 24.

"(f) RETURNS WHICH WOULD BE REQUIRED TO BE MADE BY 2 OR MORE PERSONS.—Except to the extent provided in regulations prescribed by the Secretary, in the case of any amount received by any person on behalf of another person, only the person first receiving such amount shall be required to make the return under subsection (a).

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section. No penalties shall be imposed under section 6724 with respect to any return or statement required under this section until such time as such regulations are issued."

(2) ASSESSABLE PENALTIES.—Section 6724(d) (relating to definitions) is amended—

(A) in paragraph (1)(B) by redesignating clauses (x) through (xv) as clauses (xi) through (xvi), respectively, and by inserting after clause (ix) of such paragraph the following new clause:

"(x) section 6050S (relating to returns relating to payments for qualified higher education expenses),", and

(B) in paragraph (2) by striking "or" at the end of the next to last subparagraph, by striking the period at the end of the last subparagraph and inserting ", or", and by adding at the end the following new subparagraph:

"(Z) section 6050S(d) (relating to returns relating to qualified higher education expenses)."

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6050R the following new item:

"Sec. 6050S. Returns relating to higher education expenses."

(d) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 23 the following new item:

"Sec. 24. Hope scholarship credits."

(e) CREDIT ALLOWED AGAINST MINIMUM TAX.—Section 26 is amended by adding at the end the following new subsection:

"(c) SCHOLARSHIP CREDITS ALLOWED AGAINST MINIMUM TAX.—Subsection (a) shall not apply to the credit allowable under section 24, but the amount of the credit allowed by that section shall not exceed the sum of—

"(1) the regular tax liability for the taxable year reduced by the sum of the credits allowable under this subpart (other than section 24), and

"(2) the minimum tax imposed by section 55."

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses paid after December 31, 1996 (in taxable years ending after such date), for education furnished in academic periods beginning after June 30, 1997.

SEC. 102. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE PROGRAMS.

(a) PERMANENT EXTENSION.—Section 127 (relating to exclusion for educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—The last sentence of section 127(c)(1) is amended by striking ", and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree".

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1996.

(2) GRADUATE EDUCATION.—The amendment made by subsection (b) shall apply with respect to expenses relating to courses beginning after June 30, 1997.

TITLE II—PUBLIC-PRIVATE EDUCATION PARTNERSHIPS

SEC. 201. PURPOSE.

The purpose of this title is to facilitate the establishment of working partnerships of public school educators, businesses, labor, and community groups to—

(1) enhance the academic curriculum for education and training below the postsecondary level,

(2) increase graduation and employment rates,

(3) better prepare students for the rigors of college and the increasingly complex workforce, and

(4) promote the global leadership position of the United States economy,

by providing a no-cost source of capital to eligible local education agencies for the cost of establishing specialized academies in distressed areas (referred to as "education zones").

SEC. 202. INCENTIVES FOR EDUCATION ZONES.

(a) IN GENERAL.—Part III of subchapter U of chapter 1 (relating to additional incentives for empowerment zones), as amended by subsection (b), is amended by inserting after subpart B the following new subpart:

"Subpart C—Incentives for Education Zones

"Sec. 1397B. Credit to holders of qualified zone academy bonds."

"SEC. 1397B. CREDIT TO HOLDERS OF QUALIFIED ZONE ACADEMY BONDS.

"(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified zone academy bond on the credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year the amount determined under subsection (b).

"(b) AMOUNT OF CREDIT.—

"(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any qualified zone academy bond is the amount equal to the product of—

"(A) the credit rate determined by the Secretary under paragraph (2) for the month in which such bond was issued, multiplied by

"(B) the face amount of the bond held by the taxpayer on the credit allowance date.

"(2) DETERMINATION.—During each calendar month, the Secretary shall determine a credit rate which shall apply to bonds issued during the following calendar month. The credit rate for any month is the percentage which the Secretary estimates will permit the issuance of qualified zone academy bonds without discount and without interest cost to the issuer.

"(c) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

"(1) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

"(2) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

"(d) QUALIFIED ZONE ACADEMY BOND.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified zone academy bond' means any bond issued as part of an issue if—

"(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency,

"(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

"(C) the issuer—

"(i) designates such bond for purposes of this section,

"(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

"(iii) certifies that it has the written approval of the eligible local education agency for such bond issuance, and

"(D) the term of each bond which is part of such issue does not exceed the maximum term permitted under paragraph (3).

"(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

"(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the eligible local education agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

"(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the eligible local education agency) of—

"(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

"(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

"(iii) services of employees as volunteer mentors,

"(iv) internships, field trips, or other educational opportunities outside the academy for students, or

"(v) any other property or service specified by the eligible local education agency.

"(3) TERM REQUIREMENT.—During each calendar month, the Secretary shall determine the maximum term permitted under this paragraph for bonds issued during the following calendar month. Such maximum term shall be the term which the Secretary estimates will result in the present value of the obligation to repay the principal on the bond being equal to 50 percent of the face amount of the bond. Such present value shall be determined using as a discount rate the average annual interest rate of tax-exempt obligations having a term of 10 years or more which are issued during the month. If the term as so determined is not a multiple of a whole year, such term shall be rounded to the next highest whole year.

"(4) QUALIFIED ZONE ACADEMY.—

"(A) IN GENERAL.—The term 'qualified zone academy' means any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level if—

"(i) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

"(ii) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the eligible local education agency,

"(iii) the comprehensive education plan of such public school or program is approved by the eligible local education agency, and

"(iv)(I) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

"(II) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

"(B) ELIGIBLE LOCAL EDUCATION AGENCY.—The term 'eligible local education agency' means any local education agency as defined in section 14101 of the Elementary and Secondary Education Act of 1965.

"(5) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

"(A) constructing or renovating the public school facility in which the academy is established,

"(B) providing equipment for use at such academy,

"(C) developing course materials for education to be provided at such academy, and

"(D) training teachers and other school personnel in such academy.

"(e) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

"(1) NATIONAL LIMITATION.—There is a national zone academy bond limitation for each calendar year. Such limitation is $10,000,000,000 for 1998, 1999, 2000, 2001, and 2002, and zero thereafter.

"(2) ALLOCATION OF LIMITATION.—The national zone academy bond limitation for a calendar year shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below

the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State under the preceding sentence shall be allocated by the State education agency to qualified zone academies within such State.

"(3) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (d)(1) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under paragraph (2) for such calendar year.

"(4) CARRYOVER OF USED LIMITATION.—If for any calendar year—

"(A) the limitation amount for any State, exceeds

"(B) the amount of bonds issued during such year which are designated under subsection (d)(1) with respect to qualified zone academies within such State,

the limitation amount for such State for the following calendar year shall be increased by the amount of such excess.

"(f) OTHER DEFINITIONS.—For purposes of this section—

"(1) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means, with respect to any issue, the last day of the 1-year period beginning on the date of issuance of such issue and the last day of each successive 1-year period thereafter.

"(2) BOND.—The term 'bond' includes any obligation.

"(3) STATE.—The term 'State' includes the District of Columbia and any possession of the United States.

"(g) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section."

(b) CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 (as in effect before the amendment made by subsection (a)) is amended by redesignating subpart C as subpart D, and by redesignating sections 1397B, 1397C, and 1397D as sections 1397D, 1397E, and 1397F, respectively.

(2) Subsection (b) of section 1394 is amended—

(A) by striking "section 1397C" in paragraph (2) and inserting "section 1397E", and

(B) by striking "section 1397B" in paragraph (3) and inserting "section 1397D".

(3) The table of subparts for part III of subchapter U of chapter 1 is amended by striking the last item and inserting the following:

"Subpart C. Incentives for education zones.

"Subpart D. General provisions."

(4) The table of sections for subpart D of such part III, as so redesignated, is amended to read as follows:

"Sec. 1397D. Enterprise zone business defined.

"Sec. 1397E. Qualified zone property defined."

(5) The table of sections for part IV of subchapter U of chapter 1 is amended to read as follows:

"Sec. 1397F. Regulations."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 1997.

TITLE III—FAMILY TAX RELIEF

SEC. 301. CREDIT FOR FAMILIES WITH YOUNG CHILDREN.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by inserting after section 34 the following new section:

"SEC. 34A. FAMILIES WITH YOUNG CHILDREN.

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to $500 multiplied by the number of eligible children of the taxpayer for the taxable year.

"(2) PHASE-IN OF CREDIT.—In the case of taxable years beginning before January 1, 2001, paragraph (1) shall be applied by substituting '$300' for '$500'.

"(b) PHASEOUT OF CREDIT.—

"(1) IN GENERAL.—The amount of the credit allowed under subsection (a) shall be reduced (but not below zero) by the amount determined under paragraph (2).

"(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph equals the amount which bears the same ratio to the credit (determined without regard to this subsection) as—

"(A) the excess of—

"(i) the taxpayer's adjusted gross income for such taxable year, over

"(ii) $60,000, bears to

"(B) $15,000.

Any amount determined under this paragraph which is not a multiple of $10 shall be rounded to the next lowest $10.

"(3) ADJUSTED GROSS INCOME.—For purposes of this subsection, adjusted gross income of any taxpayer shall be increased by any amount excluded from gross income under section 911, 931, or 933.

"(c) ELIGIBLE CHILD.—For purposes of this section, the term 'eligible child' means any child (as defined in section 151(c)(3)) of the taxpayer—

"(1) who has not attained age 18 as of the close of the calendar year in which the taxable year of the taxpayer begins,

"(2) who is a dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151 for such taxable year, and

"(3) whose TIN is included on the taxpayer's return for such taxable year.

"(d) LIMITATION BASED ON AMOUNT OF TAX.—

"(1) IN GENERAL.—The credit allowed by subsection (a) for the taxable year shall not exceed the sum of—

"(A) the tax imposed by this chapter for the taxable year (reduced by the sum of the other credits allowable under this part against such tax other than under this subpart, relating to refundable credits), and

"(B) the taxpayer's social security taxes for such taxable year.

"(2) SOCIAL SECURITY TAXES.—For purposes of paragraph (1)—

"(A) IN GENERAL.—The term 'social security taxes' means, with respect to any taxpayer for any taxable year—

"(i) the amount of the taxes imposed by sections 3101 and 3201(a) on amounts received by the taxpayer during the calendar year in which the taxable year begins,

"(ii) ½ of the amount of the taxes imposed by section 1401 on the self-employment income of the taxpayer for the taxable year, and

"(iii) ½ of the amount of the taxes imposed by section 3211(a)(1) on amounts received by the taxpayer during the calendar year in which the taxable year begins.

"(B) COORDINATION WITH SPECIAL REFUND OF SOCIAL SECURITY TAXES.—The term 'social security taxes' shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6413(c).

"(C) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes referred to in subparagraph (A)(i) shall be treated as taxes referred to in such subparagraph.

"(e) INFLATION ADJUSTMENTS.—In the case of a taxable year beginning in a calendar year after 2000—

"(1) IN GENERAL.—The $500 and $60,000 amounts contained in subsections (a)(1) and (b)(2) shall each be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

"(2) INCREASE IN PHASEOUT RANGE.—If the dollar amount in effect under subsection (a)(1) for any taxable year exceeds $500, subsection (b)(2)(B) shall be applied by substituting an amount equal to 30 times such dollar amount for '$15,000'.

"(3) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $100, such amount shall be rounded to the next lowest multiple of $100.

"(f) SPECIAL RULES.—

"(1) AMOUNT OF CREDIT MAY BE DETERMINED UNDER TABLES.—The amount of the credit allowed by this section may be determined under tables prescribed by the Secretary.

"(2) CERTAIN OTHER RULES APPLY.—Rules similar to the rules of subsections (c)(1)(E) and (F), (d), and (e) of section 32 shall apply for purposes of this section."

(b) CLERICAL AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 34 the following new item:

"Sec. 34A. Families with young children."

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period ", or from section 34A of such Code".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

TITLE IV—CAPITAL GAINS RELIEF

Subtitle A—Exemption From Tax for Gain on Sale of Principal Residence

SEC. 401. EXEMPTION FROM TAX FOR GAIN ON SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Section 121 (relating to one-time exclusion of gain from sale of principal residence by individual who has attained age 55) is amended to read as follows:

"SEC. 121. EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

"(a) EXCLUSION.—Gross income shall not include gain from the sale or exchange of property if, during the 5-year period ending on the date of the sale or exchange, such property has been owned and used by the taxpayer as the taxpayer's principal residence for periods aggregating 2 years or more.

"(b) LIMITATIONS.—

"(1) DOLLAR LIMITATION.—The amount of gain excluded from gross income under subsection (a) with respect to any sale or exchange shall not exceed $250,000 ($500,000 in the case of a joint return where both spouses meet the use requirement of subsection (a)).

"(2) APPLICATION TO ONLY 1 SALE OR EXCHANGE EVERY 2 YEARS.—

"(A) IN GENERAL.—Subsection (a) shall not apply to any sale or exchange by the taxpayer if, during the 2-year period ending on

the date of such sale or exchange, there was any other sale or exchange by the taxpayer to which subsection (a) applied.

"(B) PRIOR SALES BY SPOUSE NOT TAKEN INTO ACCOUNT.—If, but for this subparagraph, subsection (a) would not apply to a sale or exchange by a married individual filing a joint return solely by reason of a prior sale or exchange by such individual's spouse—

"(i) subparagraph (A) shall be applied without regard to the sale or exchange by such individual's spouse or any ownership or use by such spouse, but

"(ii) the amount of gain excluded from gross income under subsection (a) with respect to the sale or exchange by such individual shall not exceed $250,000.

"(C) PRE-EFFECTIVE DATE SALES NOT TAKEN INTO ACCOUNT.—Subparagraph (A) shall be applied without regard to any sale or exchange before May 7, 1997.

"(c) EXCLUSION FOR TAXPAYERS FAILING TO MEET CERTAIN REQUIREMENTS.—

"(1) IN GENERAL.—In the case of a sale or exchange to which this subsection applies, the ownership and use requirements of subsection (a) shall not apply and subsection (b)(2) shall not apply; but the amount of gain excluded from gross income under subsection (a) with respect to such sale of exchange shall not exceed—

"(A) the amount which bears the same ratio to the amount which would be so excluded if such requirements had been met, as

"(B) the shorter of—

"(i) the aggregate periods, during the 5-year period ending on the date of such sale or exchange, such property has been owned and used by the taxpayer as the taxpayer's principal residence, or

"(ii) the period after the date of the most recent prior sale or exchange by the taxpayer or his spouse to which subsection (a) applied and before the date of such sale or exchange,

bears to 2 years.

"(2) SALES AND EXCHANGES TO WHICH SUBSECTION APPLIES.—This subsection shall apply to any sale or exchange if—

"(A) subsection (a) would not (but for this subsection) apply to such sale or exchange by reason of—

"(i) a failure to meet the ownership and use requirements of subsection (a), or

"(ii) subsection (b)(2), and

"(B) such sale or exchange is by reason of a change in place of employment, health, or other unforeseen circumstances.

"(d) SPECIAL RULES.—

"(1) JOINT RETURNS.—For purposes of this section, if a husband and wife make a joint return for the taxable year of the sale or exchange of property, both spouses shall be treated as meeting the ownership requirement of subsection (a) with respect to such property if either spouse meets such requirement.

"(2) PROPERTY OF DECEASED SPOUSE.—For purposes of this section, in the case of an unmarried individual whose spouse is deceased on the date of the sale or exchange of property, the period such unmarried individual owned such property shall include the period such deceased spouse held such property before death.

"(3) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—For purposes of this section, if the taxpayer holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), then—

"(A) the holding requirements of subsection (a) shall be applied to the holding of such stock, and

"(B) the use requirements of subsection (a) shall be applied to the house or apartment which the taxpayer was entitled to occupy as such stockholder.

"(4) INVOLUNTARY CONVERSIONS.—

"(A) IN GENERAL.—For purposes of this section, the destruction, theft, seizure, requisition, or condemnation of property shall be treated as the sale of such property.

"(B) APPLICATION OF SECTION 1033.—In applying section 1033 (relating to involuntary conversions), the amount realized from the sale or exchange of property shall be treated as being the amount determined without regard to this section, reduced by the amount of gain not included in gross income pursuant to this section.

"(C) PROPERTY ACQUIRED AFTER INVOLUNTARY CONVERSION.—If the basis of the property sold or exchanged is determined (in whole or in part) under section 1033(b) (relating to basis of property acquired through involuntary conversion), then the holding and use by the taxpayer of the converted property shall be treated for purposes of this section as holding and use by the taxpayer of the property sold or exchanged.

"(5) RECOGNITION OF GAIN ATTRIBUTABLE TO DEPRECIATION.—Subsection (a) shall not apply to so much of the gain from the sale of any property as does not exceed the portion of the depreciation adjustments (as defined in section 1250(b)(3)) attributable to periods after December 31, 1996, in respect of such property.

"(6) DETERMINATION OF USE DURING PERIODS OF OUT-OF-RESIDENCE CARE.—In the case of a taxpayer who—

"(A) becomes physically or mentally incapable of self-care, and

"(B) owns property and uses such property as the taxpayer's principal residence during the 5-year period described in subsection (a) for periods aggregating at least 1 year,

then the taxpayer shall be treated as using such property as the taxpayer's principal residence during any time during such 5-year period in which the taxpayer owns the property and resides in any facility (including a nursing home) licensed by a State or political subdivision to care for an individual in the taxpayer's condition.

"(7) DETERMINATION OF MARITAL STATUS.—In the case of any sale or exchange, for purposes of this section—

"(A) the determination of whether an individual is married shall be made as of the date of the sale or exchange, and

"(B) an individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

"(e) ELECTION TO HAVE SECTION NOT APPLY.—This section shall not apply to any sale or exchange with respect to which the taxpayer elects not to have this section apply.

"(f) RESIDENCES ACQUIRED IN ROLLOVERS UNDER SECTION 1034.—For purposes of this section, in the case of property the acquisition of which by the taxpayer resulted under section 1034 (as in effect on the day before the date of the enactment of this sentence) in the nonrecognition of any part of the gain realized on the sale or exchange of another residence, in determining the period for which the taxpayer has owned and used such property as the taxpayer's principal residence, there shall be included the aggregate periods for which such other residence (and each prior residence taken into account under section 1223(7) in determining the holding period of such property) had been so owned and used."

(b) REPEAL OF NONRECOGNITION OF GAIN ON ROLLOVER OF PRINCIPAL RESIDENCE.—Section 1034 (relating to rollover of gain on sale of principal residence) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1) The following provisions of the Internal Revenue Code of 1986 are each amended by striking "section 1034" and inserting "section 121": sections 25(e)(7), 56(e)(1)(A), 56(e)(3)(B)(i), 143(i)(1)(C)(i)(I), 163(h)(4)(A)(i)(I), 280A(d)(4)(A), 464(f)(3)(B)(i), 1033(k)(3), 1274(c)(3)(B), 6334(a)(13), and 7872(f)(11)(A).

(2) Paragraph (4) of section 32(c) is amended by striking "(as defined in section 1034(h)(3))" and by adding at the end the following new sentence: "For purposes of the preceding sentence, the term 'extended active duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period."

(3) Subparagraph (A) of 143(m)(6) is amended by inserting "(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)" after "1034(e)".

(4) Subsection (e) of section 216 is amended by striking "such exchange qualifies for nonrecognition of gain under section 1034(f)" and inserting "such dwelling unit is used as his principal residence (within the meaning of section 121)".

(5) Section 512(a)(3)(D) is amended by inserting "(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)" after "1034".

(6) Paragraph (7) of section 1016(a) is amended by inserting "(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)" after "1034" and by inserting "(as so in effect)" after "1034(e)".

(7) Paragraph (3) of section 1033(k) is amended to read as follows:

"(3) For exclusion from gross income of gain from involuntary conversion of principal residence, see section 121."

(8) Subsection (e) of section 1038 is amended to read as follows:

"(e) PRINCIPAL RESIDENCES.—If—

"(1) subsection (a) applies to a reacquisition of real property with respect to the sale of which gain was not recognized under section 121 (relating to gain on sale of principal residence), and

"(2) within 1 year after the date of the reacquisition of such property by the seller, such property is resold by him,

then, under regulations prescribed by the Secretary, subsections (b), (c), and (d) of this section shall not apply to the reacquisition of such property and, for purposes of applying section 121, the resale of such property shall be treated as a part of the transaction constituting the original sale of such property."

(9) Paragraph (7) of section 1223 is amended by inserting "(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)" after "1034".

(10) Section 1250(d)(7) is amended to read as follows:

"(7) PRINCIPAL RESIDENCE.—Subsection (a) shall not apply to a disposition to the extent that gain from the disposition is excluded from gross income under section 121."

(11) Paragraph (2) of section 6212(c) is amended by striking subparagraph (C) and by redesignating the succeeding subparagraphs accordingly.

(12) Section 6504 is amended by striking paragraph (4) and by redesignating the succeeding paragraphs accordingly.

(13) The item relating to section 121 in the table of sections for part III of subchapter B of chapter 1 is amended to read as follows:

"Sec. 121. Exclusion of gain from sale of principal residence."

(14) The table of sections for part III of subchapter O of chapter 1 is amended by striking the item relating to section 1034.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to sales and exchanges on or after May 7, 1997.

(2) TRANSITIONAL RULE.—At the election of the taxpayer, the amendments made by this section shall not apply to—

(A) a sale or exchange on or before the date of the enactment of this Act, or

(B) a sale or exchange after such date of enactment, if—

(i) such sale or exchange is pursuant to a contract which was binding on such date, and at all times thereafter before such sale or exchange, or

(ii) without regard to such amendments, gain would not be recognized under section 1034 of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act) on such sale or exchange by reason of a new residence acquired on or before such date.

SEC. 402. CAPITAL LOSS DEDUCTION ALLOWED WITH RESPECT TO SALE OR EXCHANGE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Subsection (c) of section 165 (relating to limitation on losses of individuals) is amended by striking "and" at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting "; and", and by adding at the end the following new paragraph:

"(4) losses (not in excess of $250,000) arising from the sale or exchange of the principal residence (within the meaning of section 121) of the taxpayer."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to sales and exchanges on or after May 7, 1997, in taxable years ending after such date.

Subtitle B—Lifetime Capital Gains Rate Reduction for Nontradable Property

SEC. 411. LIFETIME CAPITAL GAINS RATE REDUCTION FOR NONTRADABLE PROPERTY.

(a) IN GENERAL.—Subsection (h) of section 1 (relating to maximum capital gains rate) is amended to read as follows:

"(h) MAXIMUM CAPITAL GAINS RATE.—If a taxpayer has a net capital gain for any taxable year, the tax imposed by this section for such taxable year shall not exceed the sum of—

"(1) a tax computed at the rates and in the manner as if this subsection had not been enacted on the greater of—

"(A) taxable income reduced by the amount of the net capital gain, or

"(B) the amount of taxable income taxed at a rate below 18 percent, plus

"(2) the sum of—

"(A) 18 percent of the lifetime qualified net capital gain (or if lesser, the amount of taxable income in excess of the amount taxed under paragraph (1)), plus

"(B) 28 percent of the excess of the net capital gain (or if lesser, the amount of taxable income in excess of the amount taxed under paragraph (1)) over the lifetime qualified net capital gain for the taxable year.

For purposes of the preceding sentence, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii). In the case of a taxpayer only subject to tax under this section at the 15 percent rate, the amount of the tax under paragraph (1)(B) on net capital gain shall be determined at a rate of 7.5 percent."

(b) DEFINITION.—Section 1 is amended by adding at the end thereof the following new subsection:

"(i) LIFETIME QUALIFIED NET CAPITAL GAIN

"(1) IN GENERAL.—For purposes of subsection (h), the lifetime qualified net capital gain is the qualified net gain for the taxable year.

"(2) LIMITATION.—

"(A) IN GENERAL.—The amount of the qualified net gain taken into account under paragraph (1) for any taxable year shall not exceed $600,000 reduced by the aggregate amount of the qualified net gain taken into account under this subsection by the taxpayer for prior taxable years.

"(B) SPECIAL RULE FOR JOINT RETURNS.—The amount of the qualified net gain taken into account under this subsection on a joint return for any taxable year shall be allocated equally between the spouses for purposes of determining the limitation under subparagraph (A) for any succeeding taxable year.

"(3) QUALIFIED NET GAIN.—For purposes of paragraph (1), the term 'qualified net gain' means the lesser of—

"(A) the net capital gain for the taxable year, or

"(B) the net capital gain for the taxable year determined by only taking into account gains and losses from sales and exchanges on or after May 7, 1997, of qualified assets.

A taxpayer may elect for any taxable year not to take into account under this subsection all (or any portion) of the qualified net gain for such taxable year. Such an election, once made, shall be irrevocable.

"(4) QUALIFIED ASSETS.—For purposes of this subsection, the term 'qualified assets' means any property held for more than 3 years other than—

"(A) stock or securities for which there is a market on an established securities market or otherwise, and

"(B) property (other than stock or securities) of a kind regularly traded on an established market.

Such term shall not include any qualified small business stock (as defined in section 1202) nor the principal residence of the taxpayer.

"(5) SUBSECTION NOT TO APPLY TO CERTAIN INDIVIDUALS.—This subsection shall not apply to any individual who has not attained age 25 before the close of the taxable year.

"(6) SUBSECTION NOT TO APPLY TO CERTAIN TAXPAYERS.—This subsection shall not apply to—

"(A) a married individual (within the meaning of section 7703) filing a separate return for the taxable year, or

"(B) an estate or trust.

"(7) SPECIAL RULES.—

"(A) TREATMENT OF CERTAIN SALES OF INTERESTS IN PARTNERSHIPS, ETC.—For purposes of this subsection, any gain from the sale or exchange of a qualified asset which is an interest in a partnership, S corporation, or trust shall not be treated as gain from the sale or exchange of a qualified asset to the extent such gain is attributable to unrealized appreciation in the value of property described in subparagraph (A) or (B) of paragraph (4) which is held by such entity. Rules similar to the rules of section 751(f) shall apply for purposes of the preceding sentence.

"(B) SPECIAL RULE FOR PASS-THRU ENTITIES.—

"(i) IN GENERAL.—In applying this subsection with respect to any pass-thru entity—

"(I) the determination of when the sale or exchange occurs shall be made at the entity level, and

"(II) any gain attributable to such entity shall in no event be treated as gain from sale or exchange of a qualified asset if interests in such entity are described in subparagraph (A) or (B) of paragraph (4).

"(ii) PASS-THRU ENTITY DEFINED.—For purposes of clause (i), the term 'pass-thru-entity' means—

"(I) a regulated investment company,

"(II) a real estate investment trust,

"(III) an S corporation,

"(IV) a partnership,

"(V) an estate or trust, and

"(VI) a common trust fund."

(c) TREATMENT OF COLLECTIBLES.—

(1) IN GENERAL.—Section 1222 is amended by inserting after paragraph (11) the following new paragraph:

"(12) SPECIAL RULE FOR COLLECTIBLES.—

"(A) IN GENERAL.—Any gain or loss from the sale or exchange of a collectible shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

"(B) TREATMENT OF CERTAIN SALES OF INTERESTS IN PARTNERSHIPS, ETC.—For purposes of subparagraph (A), any gain from the sale or exchange of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751(f) shall apply for purposes of the preceding sentence.

"(C) COLLECTIBLE.—For purposes of this paragraph, the term 'collectible' means any capital asset which is a collectible (as defined in section 408(m) without regard to paragraph (3) thereof)."

(2) CHARITABLE DEDUCTION NOT AFFECTED.—

(A) Paragraph (1) of section 170(e) is amended by adding at the end thereof the following new sentence: "For purposes of this paragraph, section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles)."

(B) Clause (iv) of section 170(b)(1)(C) is amended by inserting before the period at the end thereof the following: "and section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles)".

(d) MINIMUM TAX TREATMENT.—Clause (i) of section 55(b)(1)(A) is amended to read as follows:

"(i) IN GENERAL.—In the case of a taxpayer other than a corporation, the tentative minimum tax for the taxable year is the sum of—

"(I) 18 percent of so much of the taxable excess as does not exceed the lifetime qualified net capital gain for the taxable year,

"(II) 26 percent of so much of the ordinary taxable excess as does not exceed $175,000, plus

"(III) 28 percent of so much of the ordinary taxable excess as exceeds $175,000.

For purposes of the preceding sentence, the term 'ordinary taxable excess' means the taxable excess reduced by the lifetime qualified net capital gain. The amount determined under this clause shall be reduced by

the alternative minimum tax foreign tax credit for the taxable year.''

(e) EFFECTIVE DATE.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years ending on or after May 7, 1997.

TITLE V—ESTATE TAX RELIEF

SEC. 501. FAMILY-OWNED BUSINESS EXCLUSION.

(a) IN GENERAL.—Part III of subchapter A of chapter 11 (relating to gross estate) is amended by inserting after section 2033 the following new section:

''SEC. 2033A. FAMILY-OWNED BUSINESS EXCLUSION.

''(a) IN GENERAL.—In the case of an estate of a decedent to which this section applies, the value of the gross estate shall not include the lesser of—

''(1) the adjusted value of the qualified family-owned business interests of the decedent otherwise includible in the estate, or

''(2) $400,000, increased by the amount (if any) of the limitation under this paragraph not claimed by the estate of a previously deceased spouse of the decedent.

''(b) ESTATES TO WHICH SECTION APPLIES.—

''(1) IN GENERAL.—This section shall apply to an estate if—

''(A) the decedent was (at the date of the decedent's death) a citizen or resident of the United States,

''(B) the sum of—

''(i) the adjusted value of the qualified family-owned business interests described in paragraph (2), plus

''(ii) the amount of the gifts of such interests determined under paragraph (3),

exceeds 50 percent of the adjusted gross estate, and

''(C) during the 8-year period ending on the date of the decedent's death there have been periods aggregating 5 years or more during which—

''(i) such interests were owned by the decedent or a member of the decedent's family, and

''(ii) there was material participation (within the meaning of section 2032A(e)(6)) by the decedent or a member of the decedent's family in the operation of the business to which such interests relate.

''(2) INCLUDIBLE QUALIFIED FAMILY-OWNED BUSINESS INTERESTS.—The qualified family-owned business interests described in this paragraph are the interests which—

''(A) are included in determining the value of the gross estate (without regard to this section), and

''(B) are acquired by any qualified heir from, or passed to any qualified heir from, the decedent (within the meaning of section 2032A(e)(9)).

''(3) INCLUDIBLE GIFTS OF INTERESTS.—The amount of the gifts of qualified family-owned business interests determined under this paragraph is the excess of—

''(A) the sum of—

''(i) the amount of such gifts from the decedent to members of the decedent's family taken into account under subsection 2001(b)(1)(B), plus

''(ii) the amount of such gifts otherwise excluded under section 2503(b),

to the extent such interests are continuously held by members of such family (other than the decedent's spouse) between the date of the gift and the date of the decedent's death, over

''(B) the amount of such gifts from the decedent to members of the decedent's family otherwise included in the gross estate.

''(c) ADJUSTED GROSS ESTATE.—For purposes of this section, the term 'adjusted gross estate' means the value of the gross estate (determined without regard to this section)—

''(1) reduced by any amount deductible under paragraph (3) or (4) of section 2053(a), and

''(2) increased by the excess of—

''(A) the sum of—

''(i) the amount of gifts determined under subsection (b)(3),

''(ii) the amount (if more than de minimis) of other transfers from the decedent to the decedent's spouse (at the time of the transfer) within 10 years of the date of the decedent's death, plus

''(iii) the amount of other gifts (not included under clause (i) or (ii)) from the decedent within 3 years of such date, other than gifts to members of the decedent's family otherwise excluded under section 2503(b), over

''(B) the sum of the amounts described in clauses (i), (ii), and (iii) of subparagraph (A) which are otherwise includible in the gross estate.

For purposes of the preceding sentence, the Secretary may provide that de minimis gifts to persons other than members of the decedent's family shall not be taken into account.

''(d) ADJUSTED VALUE OF THE QUALIFIED FAMILY-OWNED BUSINESS INTERESTS.—For purposes of this section, the adjusted value of any qualified family-owned business interest is the value of such interest for purposes of this chapter (determined without regard to this section), reduced by the excess of—

''(1) any amount deductible under paragraph (3) or (4) of section 2053(a), over

''(2) the sum of—

''(A) any indebtedness on any qualified residence of the decedent the interest on which is deductible under section 163(h)(3),

''(B) any indebtedness to the extent the taxpayer establishes that the proceeds of such indebtedness were used for the payment of educational and medical expenses of the decedent, the decedent's spouse, or the decedent's dependents (within the meaning of section 152), plus

''(C) any indebtedness not described in clause (i) or (ii), to the extent such indebtedness does not exceed $10,000.

''(e) QUALIFIED FAMILY-OWNED BUSINESS INTEREST.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified family-owned business interest' means—

''(A) an interest as a proprietor in a trade or business carried on as a proprietorship, or

''(B) an interest in an entity carrying on a trade or business, if—

''(i) at least—

''(I) 50 percent of such entity is owned (directly or indirectly) by the decedent and members of the decedent's family,

''(II) 70 percent of such entity is so owned by members of 2 families, or

''(III) 90 percent of such entity is so owned by members of 3 families, and

''(ii) for purposes of subclause (II) or (III) of clause (i), at least 30 percent of such entity is so owned by the decedent and members of the decedent's family.

''(2) LIMITATION.—Such term shall not include—

''(A) any interest in a trade or business the principal place of business of which is not located in the United States,

''(B) any interest in an entity, if the stock or debt of such entity or a controlled group (as defined in section 267(f)(1)) of which such entity was a member was readily tradable on an established securities market or secondary market (as defined by the Secretary) at any time within 3 years of the date of the decedent's death,

''(C) any interest in a trade or business not described in section 542(c)(2), if more than 35 percent of the adjusted ordinary gross income of such trade or business for the taxable year which includes the date of the decedent's death would qualify as personal holding company income (as defined in section 543(a)), or

''(D) that portion of an interest in a trade or business that is attributable to—

''(i) cash or marketable securities, or both, in excess of the reasonably expected day-to-day working capital needs of such trade or business, and

''(ii) any other assets of the trade or business (other than assets used in the active conduct of a trade or business described in section 542(c)(2)), the income of which is described in section 543(a) or in subparagraph (B), (C), (D), or (E) of section 954(c)(1) (determined by substituting 'trade or business' for 'controlled foreign corporation').

''(3) RULES REGARDING OWNERSHIP.—

''(A) OWNERSHIP OF ENTITIES.—For purposes of paragraph (1)(B)—

''(i) CORPORATIONS.—Ownership of a corporation shall be determined by the holding of stock possessing the appropriate percentage of the total combined voting power of all classes of stock entitled to vote and the appropriate percentage of the total value of shares of all classes of stock.

''(ii) PARTNERSHIPS.—Ownership of a partnership shall be determined by the owning of the appropriate percentage of the capital interest in such partnership.

''(B) OWNERSHIP OF TIERED ENTITIES.—For purposes of this section, if by reason of holding an interest in a trade or business, a decedent, any member of the decedent's family, any qualified heir, or any member of any qualified heir's family is treated as holding an interest in any other trade or business—

''(i) such ownership interest in the other trade or business shall be disregarded in determining if the ownership interest in the first trade or business is a qualified family-owned business interest, and

''(ii) this section shall be applied separately in determining if such interest in any other trade or business is a qualified family-owned business interest.

''(C) INDIVIDUAL OWNERSHIP RULES.—For purposes of this section, an interest owned, directly or indirectly, by or for an entity described in paragraph (1)(B) shall be considered as being owned proportionately by or for the entity's shareholders, partners, or beneficiaries. A person shall be treated as a beneficiary of any trust only if such person has a present interest in such trust.

''(f) TAX TREATMENT OF FAILURE TO MATERIALLY PARTICIPATE IN BUSINESS OR DISPOSITIONS OF INTERESTS.—

''(1) IN GENERAL.—There is imposed an additional estate tax if, within 10 years after the date of the decedent's death and before the date of the qualified heir's death—

''(A) the material participation requirements described in section 2032A(c)(6)(B) are not met with respect to the qualified family-owned business interest which was acquired (or passed) from the decedent,

''(B) the qualified heir disposes of any portion of a qualified family-owned business interest (other than by a disposition to a member of the qualified heir's family or through a qualified conservation contribution under section 170(h)),

''(C) the qualified heir loses United States citizenship (within the meaning of section

877) or with respect to whom an event described in subparagraph (A) or (B) of section 877(e)(1) occurs, and such heir does not comply with the requirements of subsection (g), or

"(D) the principal place of business of a trade or business of the qualified family-owned business interest ceases to be located in the United States.

"(2) ADDITIONAL ESTATE TAX.—

"(A) IN GENERAL.—The amount of the additional estate tax imposed by paragraph (1) shall be equal to—

"(i) the applicable percentage of the adjusted tax difference attributable to the qualified family-owned business interest (as determined under rules similar to the rules of section 2032A(c)(2)(B)), plus

"(ii) interest on the amount determined under clause (i) at the underpayment rate established under section 6621 for the period beginning on the date the estate tax liability was due under this chapter and ending on the date such additional estate tax is due.

"(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined under the following table:

"If the event described in paragraph (1) occurs in the following year of material participation:	The applicable percentage is:
1 through 6	100
7	80
8	60
9	40
10	20.

"(g) SECURITY REQUIREMENTS FOR NONCITIZEN QUALIFIED HEIRS.—

"(1) IN GENERAL.—Except upon the application of subparagraph (F) or (M) of subsection (h)(3), if a qualified heir is not a citizen of the United States, any interest under this section passing to or acquired by such heir (including any interest held by such heir at a time described in subsection (f)(1)(C)) shall be treated as a qualified family-owned business interest only if the interest passes or is acquired (or is held) in a qualified trust.

"(2) QUALIFIED TRUST.—The term 'qualified trust' means a trust—

"(A) which is organized under, and governed by, the laws of the United States or a State, and

"(B) except as otherwise provided in regulations, with respect to which the trust instrument requires that at least 1 trustee of the trust be an individual citizen of the United States or a domestic corporation.

"(h) OTHER DEFINITIONS AND APPLICABLE RULES.—For purposes of this section—

"(1) QUALIFIED HEIR.—The term 'qualified heir'—

"(A) has the meaning given to such term by section 2032A(e)(1), and

"(B) includes any active employee of the trade or business to which the qualified family-owned business interest relates if such employee has been employed by such trade or business for a period of at least 10 years before the date of the decedent's death.

"(2) MEMBER OF THE FAMILY.—The term 'member of the family' has the meaning given to such term by section 2032A(e)(2).

"(3) APPLICABLE RULES.—Rules similar to the following rules shall apply:

"(A) Section 2032A(b)(4) (relating to decedents who are retired or disabled).

"(B) Section 2032A(b)(5) (relating to special rules for surviving spouses).

"(C) Section 2032A(c)(2)(D) (relating to partial dispositions).

"(D) Section 2032A(c)(3) (relating to only 1 additional tax imposed with respect to any 1 portion).

"(E) Section 2032A(c)(4) (relating to due date).

"(F) Section 2032A(c)(5) (relating to liability for tax; furnishing of bond).

"(G) Section 2032A(c)(7) (relating to no tax if use begins within 2 years; active management by eligible qualified heir treated as material participation).

"(H) Section 2032A(e)(10) (relating to community property).

"(I) Section 2032A(e)(14) (relating to treatment of replacement property acquired in section 1031 or 1033 transactions).

"(J) Section 2032A(f) (relating to statute of limitations).

"(K) Section 6166(b)(3) (relating to farmhouses and certain other structures taken into account).

"(L) Subparagraphs (B), (C), and (D) of section 6166(g)(1) (relating to acceleration of payment).

"(M) Section 6324B (relating to special lien for additional estate tax)."

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter A of chapter 11 is amended by inserting after the item relating to section 2033 the following new item:

"Sec. 2033A. Family-owned business exclusion."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 1997.

TITLE VI—EXTENSION OF EXPIRING PROVISIONS

SEC. 601. RESEARCH CREDIT.

(a) IN GENERAL.—Section 41(h)(1) is amended—

(1) by striking "May 31, 1997" and inserting "May 31, 1998", and

(2) by striking the last sentence.

(b) CONFORMING AMENDMENT.—Section 45C(b)(1)(D) is amended by striking "1997" and inserting "1998".

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years ending after May 31, 1997.

SEC. 602. ORPHAN DRUG CREDIT MADE PERMANENT.

(a) IN GENERAL.—Subsection (e) of section 45C is hereby repealed.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts paid or incurred in taxable years ending after May 31, 1997.

SEC. 603. CONTRIBUTIONS OF APPRECIATED STOCK.

(a) IN GENERAL.—Clause (ii) of section 170(e)(5)(D) is amended by striking "May 31, 1997" and inserting "May 31, 1998".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contributions made after May 31, 1997.

SEC. 604. EXTENSION AND MODIFICATION OF WORK OPPORTUNITY CREDIT.

(a) EXTENSION OF CREDIT.—Subparagraph (B) of section 51(c)(4) (relating to termination) is amended by striking "September 30, 1997" and inserting "September 30, 1998".

(b) PERCENTAGE OF WAGES ALLOWED AS CREDIT.—

(1) IN GENERAL.—Subsection (a) of section 51 (relating to determination of amount) is amended by striking "35 percent" and inserting "40 percent".

(2) APPLICATION OF CREDIT FOR INDIVIDUALS PERFORMING FEWER THAN 400 HOURS OF SERVICES.—Paragraph (3) of section 51(i) is amended to read as follows:

"(3) INDIVIDUALS NOT MEETING MINIMUM EMPLOYMENT PERIODS.—

"(A) REDUCTION OF CREDIT FOR INDIVIDUALS PERFORMING FEWER THAN 400 HOURS OF SERVICES.—In the case of an individual who has completed at least 120 hours, but less than 400 hours, of services performed for the employer, subsection (a) shall be applied by substituting '25 percent' for '40 percent'.

"(B) DENIAL OF CREDIT FOR INDIVIDUALS PERFORMING FEWER THAN 120 HOURS OF SERVICES.—No wages shall be taken into account under subsection (a) with respect to any individual unless such individual has completed at least 120 hours of services performed for the employer."

(c) MODIFICATION OF ELIGIBILITY REQUIREMENT BASED ON PERIOD ON WELFARE.—Subparagraph (A) of section 51(d)(2) (defining qualified IV-A recipient) is amended by striking all that follows "a IV-A program" and inserting "for any 9 months during the 18-month period ending on the hiring date."

(d) CERTAIN OLDER FOOD STAMP RECIPIENTS TREATED AS MEMBERS OF TARGETED GROUP.—Paragraph (8) of section 51(d) (defining qualified food stamp recipient) is amended to read as follows:

"(8) QUALIFIED FOOD STAMP RECIPIENT.—

"(A) IN GENERAL.—The term 'qualified food stamp recipient' means any individual who is certified by the designated local agency—

"(i) as having attained age 18 but not age 25 on the hiring date, and

"(ii) as being a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for the 6-month period ending on the hiring date.

"(B) CERTAIN OLDER RECIPIENTS.—The term 'qualified food stamp recipient' includes any individual who is certified by the designated local agency—

"(i) as having attained age 18 but not age 50 on the hiring date,

"(ii) as being a recipient of benefits under the food stamp program who is affected by section 6(o) of the Food Stamp Act of 1977 but who has not been made ineligible for refusing to work in accordance with section 6(o)(2)(A) of such Act, or failing to comply with the requirements of a work program under subparagraph (B), (C), or (D) of section 6(o)(2)(A) of such Act, and

"(iii) as having a hiring date which is not more than 1 year after the date of such cessation.

"(C) TERMINATION.—In lieu of applying subsection (c)(4), this subsection shall not apply to amounts paid or incurred with respect to an individual who begins work for the employer after September 30, 2000."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

TITLE VII—EMPOWERMENT ZONES, ETC.

Subtitle A—Empowerment Zones

SEC. 701. ADDITIONAL EMPOWERMENT ZONES WITH CURRENT LAW BENEFITS.

(a) IN GENERAL.—Paragraph (2) of section 1391(b) (relating to designations of empowerment zones and enterprise communities) is amended—

(1) by striking "9" and inserting "11",

(2) by striking "6" and inserting "8", and

(3) by striking "750,000" and inserting "1,000,000".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act, except that designations of new empowerment zones made pursuant to such amendments shall be made during the 180-day period beginning on the date of the enactment of this Act.

SEC. 702. DESIGNATION OF ADDITIONAL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(a) IN GENERAL.—Section 1391 (relating to designation procedure for empowerment zones and enterprise communities) is amended by adding at the end the following new subsection:

"(g) ADDITIONAL DESIGNATIONS PERMITTED.—

"(1) IN GENERAL.—In addition to the areas designated under subsection (a)—

"(A) ENTERPRISE COMMUNITIES.—The appropriate Secretaries may designate in the aggregate an additional 80 nominated areas as enterprise communities under this section, subject to the availability of eligible nominated areas. Of that number, not more than 50 may be designated in urban areas and not more than 30 may be designated in rural areas.

"(B) EMPOWERMENT ZONES.—The appropriate Secretaries may designate in the aggregate an additional 20 nominated areas as empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 15 may be designated in urban areas and not more than 5 may be designated in rural areas.

"(2) PERIOD DESIGNATIONS MAY BE MADE.—A designation may be made under this subsection after the date of the enactment of this subsection and before January 1, 1999.

"(3) MODIFICATIONS TO ELIGIBILITY CRITERIA, ETC.—

"(A) POVERTY RATE REQUIREMENT.—

"(i) IN GENERAL.—A nominated area shall be eligible for designation under this subsection only if the poverty rate for each population census tract within the nominated area is not less than 20 percent and the poverty rate for at least 90 percent of the population census tracts within the nominated area is not less than 25 percent.

"(ii) TREATMENT OF CENSUS TRACTS WITH SMALL POPULATIONS.—A population census tract with a population of less than 2,000 shall be treated as having a poverty rate of not less than 25 percent if—

"(I) more than 75 percent of such tract is zoned for commercial or industrial use, and

"(II) such tract is contiguous to 1 or more other population census tracts which have a poverty rate of not less than 25 percent (determined without regard to this clause).

"(iii) EXCEPTION FOR DEVELOPABLE SITES.—Clause (i) shall not apply to up to 3 noncontiguous parcels in a nominated area which may be developed for commercial or industrial purposes. The aggregate area of noncontiguous parcels to which the preceding sentence applies with respect to any nominated area shall not exceed 1,000 acres (2,000 acres in the case of an empowerment zone).

"(iv) CERTAIN PROVISIONS NOT TO APPLY.—Section 1392(a)(4) (and so much of paragraphs (1) and (2) of section 1392(b) as relate to section 1392(a)(4)) shall not apply to an area nominated for designation under this subsection.

"(v) SPECIAL RULE FOR RURAL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—The Secretary of Agriculture may designate not more than 1 empowerment zone, and not more than 5 enterprise communities, in rural areas without regard to clause (i) if such areas satisfy emigration criteria specified by the Secretary of Agriculture.

"(B) SIZE LIMITATION.—

"(i) IN GENERAL.—The parcels described in subparagraph (A)(iii) shall not be taken into account in determining whether the requirement of subparagraph (A) or (B) of section 1392(a)(3) is met.

"(ii) SPECIAL RULE FOR RURAL AREAS.—If a population census tract (or equivalent division under section 1392(b)(4)) in a rural area exceeds 1,000 square miles or includes a substantial amount of land owned by the Federal, State, or local government, the nominated area may exclude such excess square mileage or governmentally owned land and the exclusion of that area will not be treated as violating the continuous boundary requirement of section 1392(a)(3)(B).

"(C) AGGREGATE POPULATION LIMITATION.—The aggregate population limitation under the last sentence of subsection (b)(2) shall not apply to a designation under paragraph (1)(B).

"(D) PREVIOUSLY DESIGNATED ENTERPRISE COMMUNITIES MAY BE INCLUDED.—Subsection (e)(5) shall not apply to any enterprise community designated under subsection (a) that is also nominated for designation under this subsection.

"(E) INDIAN RESERVATIONS MAY BE NOMINATED.—

"(i) IN GENERAL.—Section 1393(a)(4) shall not apply to an area nominated for designation under this subsection.

"(ii) SPECIAL RULE.—An area in an Indian reservation shall be treated as nominated by a State and a local government if it is nominated by the reservation governing body (as determined by the Secretary of Interior)."

(b) EMPLOYMENT CREDIT NOT TO APPLY TO NEW EMPOWERMENT ZONES.—Section 1396 (relating to empowerment zone employment credit) is amended by adding at the end the following new subsection:

"(e) CREDIT NOT TO APPLY TO EMPOWERMENT ZONES DESIGNATED UNDER SECTION 1391(g).—This section shall be applied without regard to any empowerment zone designated under section 1391(g)."

(c) INCREASED EXPENSING UNDER SECTION 179 NOT TO APPLY IN DEVELOPABLE SITES.—Section 1397A (relating to increase in expensing under section 179) is amended by adding at the end the following new subsection:

"(c) LIMITATION.—For purposes of this section, qualified zone property shall not include any property substantially all of the use of which is in any parcel described in section 1391(g)(3)(A)(iii)."

(d) SET ASIDE FOR AREAS WITH EMPLOYMENT LOSSES IN FINANCIAL SERVICE INDUSTRIES.—Section 1391 is amended by adding at the end the following new subsection:

"(g) SET ASIDE FOR AREAS WITH EMPLOYMENT LOSSES IN FINANCIAL SERVICE INDUSTRIES.—

"(1) IN GENERAL.—At least 3 of the additional empowerment zones authorized under this section by reason of the enactment of the Revenue Reconciliation Act of 1997 shall be nominated areas described in paragraph (2).

"(2) DESCRIPTION.—A nominated area is described in this paragraph if—

"(A) at least 12 percent of the wages attributable to private, nonagricultural employment in the area during 1989, and subject to tax under section 3301 during such year, were in the financial institution and real estate sectors, and

"(B) the employment in such area in such sectors for the calendar year preceding the calendar year in which such area is nominated for designation is 10 percent (or, if lesser, 5,000 full-time equivalent jobs) less than such employment during 1989.

The requirement of subparagraph (B) shall not be met if substantially all of such decline in employment is attributable to 1 employer. Data for the labor market area which includes the nominated area may be used for purposes of this paragraph if data is not separately available for the nominated area.

"(3) CENTRAL BUSINESS DISTRICT ELIGIBLE.—Subparagraph (D) of section 1392(a)(3) shall not apply to a nominated area described in paragraph (2).

"(4) FINANCIAL SERVICES BUSINESSES ELIGIBLE.—For purposes of this part, the term 'enterprise zone business' includes any entity (or portion of an entity) if substantially all the activities of such entity (or portion thereof) consists of engaging in a banking, insurance, financing, or similar business in an empowerment zone designated by reason of this subsection."

(e) CONFORMING AMENDMENTS.—

(1) Subsections (e) and (f) of section 1391 are each amended by striking "subsection (a)" and inserting "this section".

(2) Section 1391(c) is amended by striking "this section" and inserting "subsection (a)".

SEC. 703. VOLUME CAP NOT TO APPLY TO ENTERPRISE ZONE FACILITY BONDS WITH RESPECT TO NEW EMPOWERMENT ZONES.

(a) IN GENERAL.—Section 1394 (relating to tax-exempt enterprise zone facility bonds) is amended by adding at the end the following new subsection:

"(f) BONDS FOR EMPOWERMENT ZONES DESIGNATED UNDER SECTION 1391(g).—

"(1) IN GENERAL.—In the case of a new empowerment zone facility bond—

"(A) such bond shall not be treated as a private activity bond for purposes of section 146, and

"(B) subsection (c) of this section shall not apply.

"(2) LIMITATION ON AMOUNT OF BONDS.—

"(A) IN GENERAL.—Paragraph (1) shall apply to a new empowerment zone facility bond only if such bond is designated for purposes of this subsection by the local government which nominated the area to which such bond relates.

"(B) LIMITATION ON BONDS DESIGNATED.—The aggregate face amount of bonds which may be designated under subparagraph (A) with respect to any empowerment zone shall not exceed—

"(i) $60,000,000 if such zone is in a rural area,

"(ii) $130,000,000 if such zone is in an urban area and the zone has a population of less than 100,000, and

"(iii) $230,000,000 if such zone is in an urban area and the zone has a population of at least 100,000.

"(C) SPECIAL RULES.—

"(i) COORDINATION WITH LIMITATION IN SUBSECTION (c).—Bonds to which paragraph (1) applies shall not be taken into account in applying the limitation of subsection (c) to other bonds.

"(ii) CURRENT REFUNDING NOT TAKEN INTO ACCOUNT.—In the case of a refunding (or series of refundings) of a bond designated under this paragraph, the refunding obligation shall be treated as designated under this paragraph (and shall not be taken into account in applying subparagraph (B)) if—

"(I) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

"(II) the refunded bond is redeemed not later than 90 days after the date of issuance of the refunding bond.

"(3) NEW EMPOWERMENT ZONE FACILITY BOND.—For purposes of this subsection, the term 'new empowerment zone facility bond' means any bond which would be described in subsection (a) if only empowerment zones designated under section 1391(g) were taken

into account under sections 1397B and 1397C."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after the date of the enactment of this Act.

SEC. 704. MODIFICATIONS TO ENTERPRISE ZONE FACILITY BOND RULES FOR ALL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(a) MODIFICATIONS RELATING TO ENTERPRISE ZONE BUSINESS.—Paragraph (3) of section 1394(b) (defining enterprise zone business) is amended to read as follows:

"(3) ENTERPRISE ZONE BUSINESS.—

"(A) IN GENERAL.—Except as modified in this paragraph, the term 'enterprise zone business' has the meaning given such term by section 1397B.

"(B) MODIFICATIONS.—In applying section 1397B for purposes of this section—

"(i) BUSINESSES IN ENTERPRISE COMMUNITIES ELIGIBLE.—References in section 1397B to empowerment zones shall be treated as including references to enterprise communities.

"(ii) WAIVER OF REQUIREMENTS DURING STARTUP PERIOD.—A business shall not fail to be treated as an enterprise zone business during the startup period if—

"(I) as of the beginning of the startup period, it is reasonably expected that such business will be an enterprise zone business (as defined in section 1397B as modified by this paragraph) at the end of such period, and

"(II) such business makes bona fide efforts to be such a business.

"(iii) REDUCED REQUIREMENTS AFTER TESTING PERIOD.—A business shall not fail to be treated as an enterprise zone business for any taxable year beginning after the testing period by reason of failing to meet any requirement of subsection (b) or (c) of section 1397B if at least 35 percent of the employees of such business for such year are residents of an empowerment zone or an enterprise community. The preceding sentence shall not apply to any business which is not a qualified business by reason of paragraph (1), (4), or (5) of section 1397B(d).

"(C) DEFINITIONS RELATING TO SUBPARAGRAPH (B).—For purposes of subparagraph (B)—

"(i) STARTUP PERIOD.—The term 'startup period' means, with respect to any property being provided for any business, the period before the first taxable year beginning more than 2 years after the later of—

"(I) the date of issuance of the issue providing such property, or

"(II) the date such property is first placed in service after such issuance (or, if earlier, the date which is 3 years after the date described in subclause (I)).

"(ii) TESTING PERIOD.—The term 'testing period' means the first 3 taxable years beginning after the startup period.

"(D) PORTIONS OF BUSINESS MAY BE ENTERPRISE ZONE BUSINESS.—The term 'enterprise zone business' includes any trades or businesses which would qualify as an enterprise zone business (determined after the modifications of subparagraph (B)) if such trades or businesses were separately incorporated."

(b) MODIFICATIONS RELATING TO QUALIFIED ZONE PROPERTY.—Paragraph (2) of section 1394(b) (defining qualified zone property) is amended to read as follows:

"(2) QUALIFIED ZONE PROPERTY.—The term 'qualified zone property' has the meaning given such term by section 1397C; except that—

"(A) the references to empowerment zones shall be treated as including references to enterprise communities, and

"(B) section 1397C(a)(2) shall be applied by substituting 'an amount equal to 15 percent of the adjusted basis' for 'an amount equal to the adjusted basis'."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.

SEC. 705. MODIFICATIONS TO ENTERPRISE ZONE BUSINESS DEFINITION FOR ALL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(a) IN GENERAL.—Section 1397B (defining enterprise zone business) is amended—

(1) by striking "80 percent" in subsections (b)(2) and (c)(1) and inserting "50 percent",

(2) by striking "substantially all" each place it appears in subsections (b) and (c) and inserting "a substantial portion",

(3) by striking ", and exclusively related to," in subsections (b)(4) and (c)(3),

(4) by adding at the end of subsection (d)(2) the following new flush sentence:

"For purposes of subparagraph (B), the lessor of the property may rely on a lessee's certification that such lessee is an enterprise zone business.",

(5) by striking "substantially all" in subsection (d)(3) and inserting "at least 50 percent", and

(6) by adding at the end the following new subsection:

"(f) TREATMENT OF BUSINESSES STRADDLING CENSUS TRACT LINES.—For purposes of this section, if—

"(1) a business entity or proprietorship uses real property located within an empowerment zone,

"(2) the business entity or proprietorship also uses real property located outside the empowerment zone,

"(3) the amount of real property described in paragraph (1) is substantial compared to the amount of real property described in paragraph (2), and

"(4) the real property described in paragraph (2) is contiguous to part or all of the real property described in paragraph (1),

then all the services performed by employees, all business activities, all tangible property, and all intangible property of the business entity or proprietorship that occur in or is located on the real property described in paragraphs (1) and (2) shall be treated as occurring or situated in an empowerment zone."

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning on or after the date of the enactment of this Act.

(2) SPECIAL RULE FOR ENTERPRISE ZONE FACILITY BONDS.—For purposes of section 1394(b) of the Internal Revenue Code of 1986, the amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.

Subtitle B—Brownfields

SEC. 711. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by adding at the end the following new section:

"SEC. 198. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

"(a) IN GENERAL.—A taxpayer may elect to treat any qualified environmental remediation expenditure which is paid or incurred by the taxpayer as an expense which is not chargeable to capital account. Any expenditure which is so treated shall be allowed as a deduction for the taxable year in which it is paid or incurred.

"(b) QUALIFIED ENVIRONMENTAL REMEDIATION EXPENDITURE.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified environmental remediation expenditure' means any expenditure—

"(A) which is otherwise chargeable to capital account, and

"(B) which is paid or incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site.

"(2) SPECIAL RULE FOR EXPENDITURES FOR DEPRECIABLE PROPERTY.—Such term shall not include any expenditure for the acquisition of property of a character subject to the allowance for depreciation which is used in connection with the abatement or control of hazardous substances at a qualified contaminated site; except that the portion of the allowance under section 167 for such property which is otherwise allocated to such site shall be treated as a qualified environmental remediation expenditure.

"(c) QUALIFIED CONTAMINATED SITE.—For purposes of this section—

"(1) QUALIFIED CONTAMINATED SITE.—

"(A) IN GENERAL.—The term 'qualified contaminated site' means any area—

"(i) which is held by the taxpayer for use in a trade or business or for the production of income, or which is property described in section 1221(1) in the hands of the taxpayer,

"(ii) which is within a targeted area, and

"(iii) at or on which there has been a release (or threat of release) or disposal of any hazardous substance.

"(B) TAXPAYER MUST RECEIVE STATEMENT FROM STATE ENVIRONMENTAL AGENCY.—An area shall be treated as a qualified contaminated site with respect to expenditures paid or incurred during any taxable year only if the taxpayer receives a statement from the appropriate agency of the State in which such area is located that such area meets the requirements of clauses (ii) and (iii) of subparagraph (A).

"(C) APPROPRIATE STATE AGENCY.— For purposes of subparagraph (B), the appropriate agency of a State is the agency designated by the Administrator of the Environmental Protection Agency for purposes of this section. If no agency of a State is designated under the preceding sentence, the appropriate agency for such State shall be the Environmental Protection Agency.

"(2) TARGETED AREA.—

"(A) IN GENERAL.—The term 'targeted area' means—

"(i) any population census tract with a poverty rate of not less than 20 percent,

"(ii) a population census tract with a population of less than 2,000 if—

"(I) more than 75 percent of such tract is zoned for commercial or industrial use, and

"(II) such tract is contiguous to 1 or more other population census tracts which meet the requirement of clause (i) without regard to this clause,

"(iii) any empowerment zone or enterprise community (and any supplemental zone designated on December 21, 1994), and

"(iv) any site announced before February 1, 1997, as being included as a brownfields pilot project of the Environmental Protection Agency.

"(B) NATIONAL PRIORITIES LISTED SITES NOT INCLUDED.—Such term shall not include any site which is on, or proposed for, the national priorities list under section

105(a)(8)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (as in effect on the date of the enactment of this section).

"(C) CERTAIN RULES TO APPLY.—For purposes of this paragraph the rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

"(d) HAZARDOUS SUBSTANCE.—For purposes of this section—

"(1) IN GENERAL.—The term 'hazardous substance' means—

"(A) any substance which is a hazardous substance as defined in section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, and

"(B) any substance which is designated as a hazardous substance under section 102 of such Act.

"(2) EXCEPTION.—Such term shall not include any substance with respect to which a removal or remedial action is not permitted under section 104 of such Act by reason of subsection (a)(3) thereof.

"(e) DEDUCTION RECAPTURED AS ORDINARY INCOME ON SALE, ETC.—Solely for purposes of section 1245, in the case of property to which a qualified environmental remediation expenditure would have been capitalized but for this section—

"(1) the deduction allowed by this section for such expenditure shall be treated as a deduction for depreciation, and

"(2) such property (if not otherwise section 1245 property) shall be treated as section 1245 property solely for purposes of applying section 1245 to such deduction.

"(f) COORDINATION WITH OTHER PROVISIONS.—Sections 280B and 468 shall not apply to amounts which are treated as expenses under this section.

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section."

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end the following new item:

"Sec. 198. Expensing of environmental remediation costs."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures paid or incurred after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 712. USE OF REDEVELOPMENT BONDS FOR ENVIRONMENTAL REMEDIATION.

(a) ENVIRONMENTAL REMEDIATION INCLUDED AS REDEVELOPMENT PURPOSE.—Subparagraph (A) of section 144(c)(3) (relating to redevelopment purposes) is amended by striking "and" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", and", and by adding at the end the following new clause:

"(v) costs incurred in connection with abatement or control of hazardous substances at a qualified contaminated site (as defined in section 198(c)) if such costs are incurred pursuant to an environmental remediation plan which was approved by the Administrator of the Environmental Protection Agency or by the head of any State or local government agency designated by the Administrator to carry out the Administrator's functions under this clause."

(b) CERTAIN REQUIREMENTS NOT TO APPLY TO REDEVELOPMENT BONDS FOR ENVIRONMENTAL REMEDIATION.—Subsection (c) of section 144 is amended by adding at the end the following new paragraph:

"(9) CERTAIN REQUIREMENTS NOT TO APPLY TO REDEVELOPMENT BONDS FOR ENVIRONMENTAL REMEDIATION.—In the case of any bond issued as part of an issue 95 percent or more of the proceeds of which are to finance costs referred to in paragraph (3)(A)(v)—

"(A) paragraph (2)(A)(i) shall not apply,

"(B) paragraph (2)(A)(ii) shall not apply to any issue issued by the governing body described in paragraph (4)(A) with respect to the area which includes the site,

"(C) the requirement of paragraph (2)(B)(ii) shall be treated as met if—

"(i) the payment of the principal and interest on such issue is secured by taxes imposed by a governmental unit, or

"(ii) such issue is approved by the applicable elected representative (as defined in section 147(f)(2)(E)) of the governmental unit which issued such issue (or on behalf of which such issue was issued),

"(D) subparagraphs (C) and (D) of paragraph (2) shall not apply,

"(E) subparagraphs (C) and (D) of paragraph (4) shall not apply, and

"(F) if the real property referred to in clause (iii) of paragraph (3)(A) is 1 or more dwelling units, such clause shall apply only if the requirements of section 142(d) or 143 (as the case may be) are met with respect to such units."

(c) PENALTY FOR FAILURE TO SATISFACTORILY COMPLETE REMEDIATION PLAN.—Subsection (b) of section 150 is amended by adding at the end thereof the following new paragraph:

"(7) QUALIFIED CONTAMINATED SITE REMEDIATION BONDS.—In the case of financing provided for costs described in section 144(c)(3)(A)(v), no deduction shall be allowed under this chapter for interest on such financing during any period during which there is a determination by the Administrator of the Environmental Protection Agency (or by the head of any State or local government agency designated by the Administrator to carry out the Administrator's functions under this paragraph) that the remediation plan under which such costs were incurred was not satisfactorily completed."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

Subtitle C—Welfare to Work Credit

SEC. 721. WELFARE TO WORK CREDIT.

(a) ADDITIONAL TEMPORARY INCENTIVES FOR EMPLOYING LONG-TERM FAMILY ASSISTANCE RECIPIENTS.—Section 51 (relating to amount of work opportunity credit) is amended by inserting after subsection (d) the following new subsection:

"(e) ADDITIONAL TEMPORARY INCENTIVES FOR EMPLOYING LONG-TERM FAMILY ASSISTANCE RECIPIENTS.—

"(1) TREATMENT AS MEMBER OF TARGETED GROUP.—A long-term family assistance recipient shall be treated for purposes of this section as a member of a targeted group.

"(2) MODIFICATION TO PERCENTAGE AND YEARS OF CREDIT.—In the case of a long-term family assistance recipient, the amount of the work opportunity credit determined under this section for the taxable year shall be equal to the sum of—

"(A) 50 percent of the qualified first-year wages, and

"(B) 50 percent of the qualified second-year wages.

"(3) MODIFICATION TO AMOUNT OF WAGES TAKEN INTO ACCOUNT.—In the case of a long-term family assistance recipient—

"(A) $10,000 OF WAGES MAY BE TAKEN INTO ACCOUNT.—In lieu of applying subsection (b)(3), the amount of the qualified first-year wages, and the amount of qualified second-year wages, which may be taken into account with respect to any individual shall not exceed $10,000 per year.

"(B) CERTAIN AMOUNTS TREATED AS WAGES.—The term 'wages' includes amounts paid or incurred by the employer which are excludable from such recipient's gross income under—

"(i) section 105 (relating to amounts received under accident and health plans),

"(ii) section 106 (relating to contributions by employer to accident and health plans),

"(iii) section 127 (relating to educational assistance programs) or would be so excludable but for section 127(d), but only to the extent paid or incurred to a person not related to the employer, or

"(iv) section 129 (relating to dependent care assistance programs).

The amount treated as wages by clause (i) or (ii) for any period shall be based on the reasonable cost of coverage for the period, but shall not exceed the applicable premium for the period under section 4980B(f)(4).

"(C) SPECIAL RULES FOR AGRICULTURAL AND RAILWAY LABOR.—If such recipient is an employee to which subparagraph (A) or (B) of subsection (h)(1) applies—

"(i) such subparagraph (A) shall be applied by substituting '$10,000' for '$6,000', and

"(ii) such subparagraph (B) shall be applied by substituting '$825' for '$500'.

"(D) TERMINATION.—In lieu of applying subsection (c)(4), this subsection shall not apply to amounts paid or incurred with respect to an individual who begins work for the employer after September 30, 2000.

"(4) LONG-TERM FAMILY ASSISTANCE RECIPIENT.—For purposes of this subsection, the term 'long-term family assistance recipient' means any individual who is certified by the designated local agency—

"(A) as being a member of a family receiving assistance under a IV-A program (as defined in subsection (d)(2)(B)) for at least the 18-month period ending on the hiring date,

"(B)(i) as being a member of a family receiving such assistance for any 18-month period beginning after the date of the enactment of this subsection, and

"(ii) as having a hiring date which is not more than 2 years after the end of the earliest such 18-month period, or

"(C)(i) as being a member of a family which ceased to be eligible after the date of the enactment of this subsection for such assistance by reason of any limitation imposed by Federal or State law on the maximum period such assistance is payable to a family, and

"(ii) as having a hiring date which is not more than 2 years after the date of such cessation.

"(5) QUALIFIED SECOND-YEAR WAGES.—For purposes of this subsection, the term 'qualified second-year wages' means, with respect to any individual, the qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under subsection (b)(2)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to individuals who begin work for the employer after the date of the enactment of this Act.

Subtitle D—Community Development Financial Institutions

SEC. 731. CREDIT FOR QUALIFIED EQUITY INVESTMENTS IN COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits) is amended by adding at the end the following new section:

"SEC. 45E. QUALIFIED EQUITY INVESTMENTS IN COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS.

"(a) GENERAL RULE.—For purposes of section 38, the community development financial institution investment credit for any taxable year is an amount equal to the applicable percentage of the qualified equity investment made by the taxpayer during the taxable year.

"(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the term 'applicable percentage' means, with respect to any investment, 25 percent, or, if the CDFI Fund establishes a lower percentage with respect to such investment for purposes of this section, such lower percentage.

"(c) QUALIFIED EQUITY INVESTMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified equity investment' means any stock or partnership interest in a community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702))—

"(A) if such institution is designated for purposes of this section by the CDFI Fund,

"(B) if such stock or partnership interest is acquired by the taxpayer at its original issue from the institution (directly or through an underwriter) in exchange for money or other property, and

"(C) to the extent the amount of such investment is designated for such purposes by such Fund.

Rules similar to the rules of section 1202(c)(3) shall apply for purposes of subparagraph (B).

"(2) CRITERIA FOR DESIGNATING INSTITUTIONS.—Designations under paragraph (1)(A) shall be made in accordance with criteria established by the CDFI Fund. In establishing such criteria, the CDFI Fund shall take into account the requirements and criteria set forth in sections 105(b) and 107 of such Act.

"(3) CDFI FUND.—The term 'CDFI Fund' means the Community Development Financial Institutions Fund established by section 104 of such Act.

"(d) LIMITATION ON AMOUNT OF CREDIT.—

"(1) IN GENERAL.—The amount of credit determined under this section for any qualified equity investment shall not exceed the credit amount allocated to such investment by the CDFI Fund.

"(2) OVERALL LIMITATION.—The aggregate credit amount which may be allocated by the CDFI Fund under this section shall not exceed $100,000,000.

"(e) RECAPTURE OF CREDIT WHERE DISPOSITION OF EQUITY INVESTMENT WITHIN 5 YEARS.—

"(1) IN GENERAL.—If the taxpayer disposes of any investment with respect to which a credit was determined under subsection (a) (or any other property the basis of which is determined in whole or in part by reference to the adjusted basis of such investment) before the end of the 5-year period beginning on the date such investment was made, the tax imposed by this chapter for the taxable year in which such disposition occurs shall be increased by the aggregate decrease in tax of the taxpayer resulting from the credit determined under this subsection (a) with respect to such investment.

"(2) EXCEPTIONS.—Paragraph (1) shall not apply to any gift, transfer, or transaction described in paragraph (1), (2), or (3) of section 1245(b).

"(3) SPECIAL RULE.—Any increase in tax under paragraph (1) shall not be treated as a tax imposed by this chapter for purposes of—

"(A) determining the amount of any credit allowable under this chapter, and

"(B) determining the amount of the tax imposed by section 55.

"(f) BASIS REDUCTION.—The basis of any qualified equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section. Such regulations may provide for the recapture of the credit under this section with respect to investments in institutions which cease to satisfy the criteria established by the CDFI Fund for designation under subsection (c)(1)(A).

"(h) TERMINATION.—This section shall not apply to any investment made after December 31, 2006."

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 is amended by striking "plus" at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ", plus", and by adding at the end the following new paragraph:

"(13) the community development financial institution investment credit determined under section 45E(a)."

(c) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) SPECIAL RULES FOR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION INVESTMENT CREDIT.—

"(A) IN GENERAL.—In the case of the community development financial institution investment credit—

"(i) this section and section 39 shall be applied separately with respect to the credit, and

"(ii) in applying paragraph (1) to the credit—

"(I) 75 percent of the tentative minimum tax shall be substituted for the tentative minimum tax under subparagraph (A) thereof, and

"(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the community development financial institution investment credit).

"(B) COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION INVESTMENT CREDIT.—For purposes of this subsection, the term 'community development financial institution investment credit' means the credit allowable under subsection (a) by reason of section 45E(a)."

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting "and the community development financial institution investment credit" after "employment credit".

(d) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 is amended by adding at the end the following new paragraph:

"(9) NO CARRYBACK OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION INVESTMENT CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45E may be carried back to a taxable year ending before the date of the enactment of section 45E."

(e) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of section 196 is amended by striking "and" at the end of paragraph (6), by striking the period at the end of paragraph (7) and inserting ", and", and by adding at the end the following new paragraph:

"(8) the community development financial institution investment credit determined under section 45E(a)."

(f) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

"Sec. 45E. Qualified equity investments in community development financial institutions."

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to investments made after the date of the enactment of this Act.

TITLE VIII—OTHER TAX RELIEF

SEC. 801. SUSPENSION OF STATUTE OF LIMITATIONS ON FILING REFUND CLAIMS DURING PERIODS OF DISABILITY.

(a) IN GENERAL.—Section 6511 (relating to limitations on credit or refund) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

"(h) RUNNING OF PERIODS OF LIMITATION SUSPENDED WHILE TAXPAYER IS FINANCIALLY DISABLED.—

"(1) IN GENERAL.—In the case of an individual, the running of the periods specified in subsections (a), (b), and (c) shall be suspended during any period of such individual's life that such individual is financially disabled.

"(2) FINANCIALLY DISABLED.—

"(A) IN GENERAL.—For purposes of paragraph (1), an individual is financially disabled if such individual is unable to manage his financial affairs by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to have such an impairment unless proof of the existence thereof is furnished in such form and manner as the Secretary may require.

"(B) EXCEPTION WHERE INDIVIDUAL HAS GUARDIAN, ETC.—An individual shall not be treated as financially disabled during any period that such individual's spouse or any other person is authorized to act on behalf of such individual in financial matters."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to claims for credit or refund for periods ending after the date of the enactment of this Act.

SEC. 802. MODIFICATIONS OF PUERTO RICO ECONOMIC ACTIVITY CREDIT.

(a) EXTENSION OF CREDIT.—Section 30A(g) (relating to application of credit) is amended by striking ", and before January 1, 2006".

(b) TAXPAYERS OTHER THAN EXISTING CLAIMANTS ELIGIBLE FOR CREDIT.—Section 30A(a)(2) (defining qualified domestic corporation) is amended to read as follows:

"(2) QUALIFIED DOMESTIC CORPORATION.—For purposes of paragraph (1), the term 'qualified domestic corporation' means a domestic corporation with respect to which section 936(a)(4)(B) does not apply for the taxable year."

(c) REPEAL OF BASE PERIOD CAP.—Section 30A(a)(1) is amended by striking the last sentence.

(d) CONFORMING AMENDMENTS.—

(1) Section 30A(a)(3) is amended to read as follows:

"(3) SEPARATE APPLICATION.—For purposes of determining the amount of the credit allowed under this section, this section (and so much of section 936 as relates to this section) shall be applied separately with respect to Puerto Rico."

(2) Section 30A(e)(1) is amended by inserting "but not including subsection (j) thereof" after "thereunder".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 803. TREATMENT OF SOFTWARE AS FSC EXPORT PROPERTY.

(a) IN GENERAL.—Section 927(a)(2)(B) (relating to excluded property) is amended by inserting "computer software," after "other than".

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to software licenses granted after the date of the enactment of this Act in taxable years ending after such date.

(2) EXCEPTION FOR EXISTING LICENSES.—The amendment made by this section shall not apply to software licenses granted by a licensor after the date of the enactment of this Act if, on such date, the person to whom the license is granted (or any related person) held a substantially similar license granted by the licensor (or any related person).

TITLE IX—INCENTIVES FOR THE DISTRICT OF COLUMBIA

SEC. 901. TAX INCENTIVES FOR REVITALIZATION OF THE DISTRICT OF COLUMBIA.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

"Subchapter W—Incentives for Revitalization of the District of Columbia

"Sec. 1400A. Employment credit.

"Sec. 1400B. Additional expensing.

"Sec. 1400C. Tax-exempt economic development bonds.

"Sec. 1400D. Credit for equity investments in and loans to District of Columbia businesses.

"Sec. 1400E. Definitions.

"Sec. 1400F. Status of Economic Development Corporation for District of Columbia.

"SEC. 1400A. EMPLOYMENT CREDIT.

"(a) AMOUNT OF CREDIT.—For purposes of section 38, the amount of the District of Columbia employment credit determined under this section for the taxable year shall be equal to 40 percent of the qualified first-year wages for such year.

"(b) QUALIFIED FIRST-YEAR WAGES.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified first-year wages' means wages paid or incurred by the employer during the taxable year which are attributable to services rendered by an employee of the employer—

"(A) during the 1-year period beginning on the day the employee begins work for the employer, and

"(B) while the employee is a qualified District employee.

"(2) ONLY FIRST $10,000 OF WAGES TAKEN INTO ACCOUNT.—The amount of the qualified first-year wages which may be taken into account with respect to any individual for all taxable years of an employer shall not exceed $10,000.

"(3) COORDINATION WITH WORK OPPORTUNITY CREDIT.—The amount of the credit determined under this section with respect to qualified first-year wages of an individual shall be reduced by the amount of the work opportunity credit determined under section 51 with respect to such wages.

"(c) QUALIFIED DISTRICT EMPLOYEE.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified District employee' means any employee of an employer if—

"(A) the principal place of abode of such employee throughout the 1-year period described in subsection (b)(1)(A)—

"(i) is within the District of Columbia, and

"(ii) in the case of an individual who is not a member of a targeted group (within the meaning of section 51(d)), is within a population census tract having a poverty rate of at least 15 percent,

"(B)(i) substantially all of the services performed during such period by such employee for such employer are performed within the District of Columbia in a trade or business of the employer, or

"(ii) the principal place of business of the employer is within the District of Columbia, and

"(C) in the case of an individual who is not a member of a targeted group (within the meaning of section 51(d)), as of the beginning of such period it is reasonable to expect that the compensation to be paid to such individual for services performed during such period for the employer will be less than $28,500.

"(2) CERTAIN PERSONS NOT ELIGIBLE.—The term 'qualified District employee' shall not include—

"(A) any individual described in subparagraph (A), (B), or (C) of section 51(i)(1) (relating to related individuals),

"(B) any individual described in section 51(i)(2) (relating to nonqualifying rehires), determined by treating qualified District employees as members of a targeted group,

"(C) any 5-percent owner (as defined in section 416(i)(1)(B)),

"(D) any individual employed by the employer unless such individual—

"(i) is employed by the employer for at least 180 days, or

"(ii) has completed at least 400 hours of services performed for the employer, and

"(E) any individual employed by the employer at any facility described in section 144(c)(6)(B).

Rules similar to the rules of section 1396(d)(3) shall apply for purposes of subparagraph (D).

"(d) DEFINITION AND SPECIAL RULES.—For purposes of this section—

"(1) WAGES.—The term 'wages' has the same meaning as when used in section 51, including amounts treated as wages by section 51(e)(3)(B); except that subsections (c)(4) and (e)(3)(D) shall not apply.

"(2) CONTROLLED GROUPS.—All employers treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single employer, and the credit (if any) determined under this section with respect to each such employer shall be its proportionate share of the wages giving rise to such credit.

"(3) CERTAIN OTHER RULES MADE APPLICABLE.—Rules similar to the rules of subsections (j) and (k) of section 51, and subsections (c), (d), and (e) of section 52, shall apply.

"(4) CERTIFICATION OF PRINCIPAL PLACE OF ABODE.—An individual shall not be treated as meeting the requirement of subsection (c)(1)(A) unless requirements similar to the requirements of section 51(d)(11) are met.

"(5) COST-OF-LIVING ADJUSTMENT OF $28,500 LIMIT.—In the case of any period during a calendar year after 1997, the dollar amount contained in subsection (c)(1)(C) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1996' for 'calendar year 1992' in subparagraph (B) thereof.

"(6) OTHER INCENTIVES.—

"(A) EXTENSION OF ADDITIONAL TEMPORARY INCENTIVE FOR EMPLOYING LONG-TERM FAMILY ASSISTANCE RECIPIENTS RESIDING IN THE DISTRICT OF COLUMBIA.—In the case of a long-term family assistance recipient (as defined in section 51(e)(4)), section 51(e)(3)(D) shall be applied by substituting 'September 30, 2002' for 'September 30, 2000' if—

"(i) such individual's principal place of abode is within the District of Columbia during the period described in section 51(e)(3), and

"(ii) the requirement of clause (i) or (ii) of subsection (c)(1)(B) is met during such period with respect to such individual.

"(B) EXTENSION OF WORK OPPORTUNITY CREDIT.—In the case of wages paid to a member of a targeted group (within the meaning of section 51(d)) while such member's principal place of abode is within the District of Columbia, section 51(c)(4)(B) shall be applied by substituting 'September 30, 2002' for 'September 30, 1998'.

"(e) APPLICATION OF SECTION.—This section shall apply with respect to individuals who begin work for the employer on and after the date of the enactment of this section and before October 1, 2002.

"SEC. 1400B. ADDITIONAL EXPENSING.

"(a) GENERAL RULE.—In the case of a qualified District business, for purposes of section 179—

"(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

"(A) $20,000, or

"(B) the cost of section 179 property which is qualified District property placed in service during the taxable year, and

"(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified District property shall be 50 percent of the cost thereof.

"(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified District property which ceases to be used in the District of Columbia by a District business.

"(c) COORDINATION WITH SECTION 1397A.—In no event shall qualified District property be treated as qualified zone property for purposes of section 1397A.

"(d) APPLICATION OF SECTION.—This section shall apply to property placed in service after December 31, 1997, and before January 1, 2002.

"SEC. 1400C. TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.

"(a) IN GENERAL.—For purposes of part IV of subchapter B of this chapter (relating to tax exemption requirements for State and local bonds), the term 'exempt facility bond' includes any bond issued as part of an issue 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are to be used to provide any District facility.

"(b) DISTRICT FACILITY.—For purposes of this section, the term 'District facility' means any District property the principal user of which is a qualified District business, and any land which is functionally related and subordinate to such property.

"(c) LIMITATION ON AMOUNT OF BONDS.—Subsection (a) shall not apply to any issue if

the aggregate amount of outstanding District facility bonds allocable to any person (taking into account such issue) exceeds $15,000,000.

"(d) CERTAIN RULES TO APPLY.—

"(1) IN GENERAL.—Rules similar to the rules of subsections (c)(2), (d), and (e) of section 1394, and subparagraphs (B)(ii), (C), and (D) of section 1394(b)(3), shall apply for purposes of this section.

"(2) REQUIREMENTS AFTER TESTING PERIOD.—A business shall not fail to be treated as a qualified District business for purposes of this section for any taxable year beginning after the testing period (as defined in section 1394(b)(3)(C)) by reason of failing to meet any requirement of subsection (b) or (c) of section 1397B. The preceding sentence shall not apply to any business which is not a qualified business by reason of paragraph (1), (4), or (5) of section 1397B(d).

"(e) APPLICATION OF SECTION.—This section shall apply to bonds issued after the date of the enactment of this section and before January 1, 2003.

"SEC. 1400D. CREDIT FOR EQUITY INVESTMENTS IN AND LOANS TO DISTRICT OF COLUMBIA BUSINESSES.

"(a) GENERAL RULE.—For purposes of section 38, the District investment credit determined under this section for any taxable year is—

"(1) the qualified lender credit for such year, and

"(2) the qualified equity investment credit for such year.

"(b) QUALIFIED LENDER CREDIT.—For purposes of this section—

"(1) IN GENERAL.—The qualified lender credit for any taxable year is the amount of credit specified for such year by the Economic Development Corporation with respect to qualified District loans made by the taxpayer.

"(2) LIMITATION.—In no event may the qualified lender credit with respect to any loan exceed 25 percent of the cost of the property purchased with the proceeds of the loan.

"(3) QUALIFIED DISTRICT LOAN.—For purposes of paragraph (1), the term 'qualified district loan' means any loan for the purchase (as defined in section 179(d)(2)) of property to which section 168 applies (or would apply but for section 179) (or land which is functionally related and subordinate to such property) and substantially all of the use of which is in the District of Columbia and is in the active conduct of a trade or business in the District of Columbia. A rule similar to the rule of section 1397C(a)(2) shall apply for purposes of the preceding sentence.

"(c) QUALIFIED EQUITY INVESTMENT CREDIT.—

"(1) IN GENERAL.—For purposes of this section, the qualified equity investment credit determined under this section for any taxable year is an amount equal to the percentage specified by the Economic Development Corporation (but not greater than 25 percent) of the aggregate amount paid in cash by the taxpayer during the taxable year for the purchase of District business investments.

"(2) DISTRICT BUSINESS INVESTMENT.—For purposes of this subsection, the term 'District business investment' means—

"(A) any District business stock, and

"(B) any District partnership interest.

"(3) DISTRICT BUSINESS STOCK.—For purposes of this subsection—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'District business stock' means any stock in a domestic corporation if—

"(i) such stock is acquired by the taxpayer at its original issue (directly or through an underwriter) in exchange for cash, and

"(ii) as of the time such stock was issued, such corporation was engaged in a trade or business in the District of Columbia (or, in the case of a new corporation, such corporation was being organized for purposes of engaging in such a trade or business).

"(B) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

"(4) QUALIFIED DISTRICT PARTNERSHIP INTEREST.—For purposes of this subsection, the term 'qualified District partnership interest' means any interest in a partnership if—

"(A) such interest is acquired by the taxpayer from the partnership solely in exchange for cash, and

"(B) as of the time such interest was acquired, such partnership was engaging in a trade or business in the District of Columbia (or, in the case of a new partnership, such partnership was being organized for purposes of engaging in such a trade or business).

"(5) DISPOSITIONS OF DISTRICT BUSINESS INVESTMENTS.—

"(A) IN GENERAL.—If a taxpayer disposes of any District business investment (or any other property the basis of which is determined in whole or in part by reference to the adjusted basis of such investment) before the end of the 5-year period beginning on the date such investment was acquired by the taxpayer, the taxpayer's tax imposed by this chapter for the taxable year in which such distribution occurs shall be increased by the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted solely from reducing to zero any credit determined under this section with respect to such investment.

"(B) EXCEPTIONS.—Subparagraph (A) shall not apply to any gift, transfer, or transaction described in paragraph (1), (2), or (3) of section 1245(b).

"(C) SPECIAL RULE.—Any increase in tax under subparagraph (A) shall not be treated as a tax imposed by this chapter for purposes of—

"(i) determining the amount of any credit allowable under this chapter, and

"(ii) determining the amount of the tax imposed by section 55.

"(6) BASIS REDUCTION.—For purposes of this title, the basis of any District business investment shall be reduced by the amount of the credit determined under this section with respect to such investment.

"(d) LIMITATION ON AMOUNT OF CREDIT.—

"(1) IN GENERAL.—The amount of the District investment credit determined under this section with respect to any taxpayer for any taxable year shall not exceed the credit amount allocated to such taxpayer for such taxable year by the Economic Development Corporation.

"(2) OVERALL LIMITATION.—The aggregate credit amount which may be allocated by the Economic Development Corporation under this section shall not exceed $95,000,000.

"(3) CRITERIA FOR ALLOCATING CREDIT AMOUNTS.—The allocation of credit amounts under this section shall be made in accordance with criteria established by the Economic Development Corporation. In establishing such criteria, such Corporation shall take into account—

"(A) the degree to which the business receiving the loan or investment will provide job opportunities for low and moderate income residents of the District of Columbia, and

"(B) whether such business is within a population census tract in the District of Columbia having a poverty rate of at least 15 percent.

"(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section.

"(f) APPLICATION OF SECTION.—This section shall apply to any credit amount allocated for taxable years beginning after December 31, 1997, and before January 1, 2003.

"SEC. 1400E. DEFINITIONS.

"(a) QUALIFIED DISTRICT BUSINESS.—For purposes of this subchapter, the term 'qualified District business' means a corporation, partnership, or proprietorship which would be a qualified business entity (as defined in section 1397B) or a qualified proprietorship (as defined in such section) if—

"(1) the District of Columbia were an empowerment zone (and there were no other empowerment zones or enterprise communities), and

"(2) section 1397B(b)(1) did not apply.

"(b) QUALIFIED DISTRICT PROPERTY.—For purposes of this subchapter, the term 'qualified District property' means any property which would be qualified zone property (as defined in section 1397C) if—

"(1) the District of Columbia were an empowerment zone (and there were no other empowerment zones or enterprise communities),

"(2) paragraph (1)(A) of section 1397C(a) referred to the date of the enactment of this section,

"(3) paragraph (1)(B) of section 1397C(a) did not apply, and

"(4) paragraph (2) of section 1397C(a) were applied by substituting 'an amount equal to 15 percent of the adjusted basis' for 'an amount equal to the adjusted basis'.

"(c) ECONOMIC DEVELOPMENT CORPORATION.—For purposes of this subchapter, the term 'Economic Development Corporation' means the Economic Development Corporation hereafter established by law for the District of Columbia.

"SEC. 1400F. STATUS OF ECONOMIC DEVELOPMENT CORPORATION FOR DISTRICT OF COLUMBIA.

"(a) IN GENERAL.—For purposes of this title and the Social Security Act, the Economic Development Corporation is an agency of the District of Columbia.

"(b) BOND AUTHORITY.—The Economic Development Corporation shall be allocated 50 percent of the private activity bond volume cap allocated to the District of Columbia under section 146. Notwithstanding section 146(e), the District of Columbia may not alter the allocation under the preceding sentence."

(b) CREDITS MADE PART OF GENERAL BUSINESS CREDIT.—

(1) Subsection (b) of section 38 is amended by striking "plus" at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting a comma, and by adding at the end the following new paragraphs:

"(14) the District of Columbia employment credit determined under section 1400A(a), plus

"(15) the District investment credit determined under section 1400D(a)."

(2) Subsection (d) of section 39 is amended by adding at the end the following new paragraph:

"(10) NO CARRYBACK OF DISTRICT OF COLUMBIA EMPLOYMENT AND INVESTMENT CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 1400A or 1400D may be carried back to a taxable year ending before the date of the enactment of such sections."

(3) Subsection (c) of section 196 is amended by striking "and" at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting a comma, and by adding at the end the following new paragraphs:

"(9) the District of Columbia employment credit determined under section 1400A(a), and

"(10) the District investment credit determined under section 1400D(a)."

(c) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

"Subchapter W. Incentives for revitalization of the District of Columbia."

(d) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

TITLE X—REVENUES

Subtitle A—Financial Products

SEC. 1001. CONSTRUCTIVE SALES TREATMENT FOR APPRECIATED FINANCIAL POSITIONS.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 is amended by adding at the end the following new section:

"SEC. 1259. CONSTRUCTIVE SALES TREATMENT FOR APPRECIATED FINANCIAL POSITIONS.

"(a) IN GENERAL.—If there is a constructive sale of an appreciated financial position—

"(1) the taxpayer shall recognize gain as if such position were sold, assigned, or otherwise terminated at its fair market value on the date of such constructive sale (and any gain shall be taken into account for the taxable year which includes such date), and

"(2) for purposes of applying this title for periods after the constructive sale—

"(A) proper adjustment shall be made in the amount of any gain or loss subsequently realized with respect to such position for any gain taken into account by reason of paragraph (1), and

"(B) the holding period of such position shall be determined as if such position were originally acquired on the date of such constructive sale.

"(b) APPRECIATED FINANCIAL POSITION.—For purposes of this section—

"(1) IN GENERAL.—Except as provided in paragraph (2), the term 'appreciated financial position' means any position with respect to any stock, debt instrument, or partnership interest if there would be gain were such position sold, assigned, or otherwise terminated at its fair market value.

"(2) EXCEPTIONS.—The term 'appreciated financial position' shall not include—

"(A) any position with respect to straight debt (as defined in section 1361(c)(5)(B) without regard to clause (iii) thereof), and

"(B) any position which is marked to market under any provision of this title or the regulations thereunder.

"(3) POSITION.—The term 'position' means an interest, including a futures or forward contract, short sale, or option.

"(c) CONSTRUCTIVE SALE.—For purposes of this section—

"(1) IN GENERAL.—A taxpayer shall be treated as having made a constructive sale of an appreciated financial position if the taxpayer (or a related person)—

"(A) enters into a short sale of the same or substantially identical property,

"(B) enters into an offsetting notional principal contract with respect to the same or substantially identical property,

"(C) enters into a futures or forward contract to deliver the same or substantially identical property,

"(D) in the case of an appreciated financial position that is a short sale or a contract described in subparagraph (B) or (C) with respect to any property, acquires the same or substantially identical property, or

"(E) to the extent prescribed by the Secretary in regulations, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

"(2) EXCEPTION FOR SALES OF NONPUBLICLY TRADED PROPERTY.—The term 'constructive sale' shall not include any contract for sale of any stock, debt instrument, or partnership interest which is not a marketable security (as defined in section 453(f)) if the contract settles within 1 year after the date such contract is entered into.

"(3) EXCEPTION FOR CERTAIN CLOSED TRANSACTIONS.—In applying this section, there shall be disregarded any transaction (which would otherwise be treated as a constructive sale) during the taxable year if—

"(A) such transaction is closed before the end of the 30th day after the close of such taxable year, and

"(B) in the case of a transaction which is closed during the 90-day period ending on such 30th day—

"(i) the taxpayer holds the appreciated financial position throughout the 60-day period beginning on the date such transaction is closed, and

"(ii) at no time during such 60-day period is the taxpayer's risk of loss with respect to such position reduced by reason of a circumstance which would be described in section 246(c)(4) if references to stock included references to such position.

"(4) RELATED PERSON.—A person is related to another person with respect to a transaction if—

"(A) the relationship is described in section 267 or 707(b), and

"(B) such transaction is entered into with a view toward avoiding the purposes of this section.

"(d) OTHER DEFINITIONS.—For purposes of this section—

"(1) FORWARD CONTRACT.—The term 'forward contract' means a contract to deliver a substantially fixed amount of property for a substantially fixed price.

"(2) OFFSETTING NOTIONAL PRINCIPAL CONTRACT.—The term 'offsetting notional principal contract' means, with respect to any property, an agreement which includes—

"(A) a requirement to pay (or provide credit for) all or substantially all of the investment yield (including appreciation) on such property for a specified period, and

"(B) a right to be reimbursed for (or receive credit for) all or substantially all of any decline in the value of such property.

"(e) SPECIAL RULES.—

"(1) TREATMENT OF SUBSEQUENT SALE OF POSITION WHICH WAS DEEMED SOLD.—If—

"(A) there is a constructive sale of any appreciated financial position,

"(B) such position is subsequently disposed of, and

"(C) at the time of such disposition, the transaction resulting in the constructive sale of such position is open with respect to the taxpayer or any related person,

solely for purposes of determining whether the taxpayer has entered into a constructive sale of any other appreciated financial position held by the taxpayer, the taxpayer shall be treated as entering into such transaction immediately after such disposition. For purposes of the preceding sentence, an assignment or other termination shall be treated as a disposition.

"(2) CERTAIN TRUST INSTRUMENTS TREATED AS STOCK.—For purposes of this section, an interest in a trust which is actively traded (within the meaning of section 1092(d)(1)) shall be treated as stock.

"(3) MULTIPLE POSITIONS IN PROPERTY.—If a taxpayer holds multiple positions in property, the determination of whether a specific transaction is a constructive sale and, if so, which appreciated financial position is deemed sold shall be made in the same manner as actual sales.

"(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section."

(b) ELECTION OF MARK TO MARKET FOR SECURITIES TRADERS AND FOR TRADERS AND DEALERS IN COMMODITIES.—Subsection (d) of section 475 (relating to mark to market accounting method for dealers in securities) is amended by adding at the end the following new paragraph:

"(4) ELECTION OF MARK TO MARKET FOR SECURITIES TRADERS AND FOR TRADERS AND DEALERS IN COMMODITIES.—

"(A) IN GENERAL.—In the case of a person—

"(i) who is engaged in a trade or business to which this paragraph applies, and

"(ii) who elects to be treated as a dealer in securities for purposes of this section with respect to such trade or business,

subsections (a), (b)(3), (c)(3), and (e) and the preceding provisions of this subsection (or, in the case of a dealer in commodities, this section) shall apply to all commodities and securities held by such person in any trade or business with respect to which such election is in effect in the same manner as if such person were a dealer in securities and all references to securities included references to commodities.

"(B) APPLICATION OF PARAGRAPH.—This paragraph shall apply to any active trade or business—

"(i) as a trader in securities, or

"(ii) as a trader or dealer in commodities.

"(C) EXCEPTION FOR CERTAIN HOLDINGS OF TRADERS.—In the case of a trader in securities or commodities, subsection (a) shall not apply to any security or commodity (to which subsection (a) would otherwise apply solely by reason of this paragraph) if such security or commodity is clearly identified in the trader's records (before the close of the day applicable under subsection (b)(2)) as being held other than in a trade or business to which the election under subparagraph (A) is in effect. A security or commodity so identified shall be treated as described in subsection (b)(1).

"(D) COMMODITY.—For purposes of this paragraph, the term 'commodities' includes only commodities of a kind customarily dealt in on an organized commodity exchange.

"(E) ELECTION.—An election under this paragraph may be made separately for each trade or business and without the consent of the Secretary. Such an election, once made, shall apply to the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary."

(c) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

"Sec. 1259. Constructive sales treatment for appreciated financial positions."

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to any constructive sale after June 8, 1997.

(2) EXCEPTION FOR SALES OF POSITIONS, ETC. HELD BEFORE JUNE 9, 1997.—A constructive sale before June 9, 1997, and the property to which the position involved in the transaction relates, shall not be taken into account in determining whether any other constructive sale after June 8, 1997, has occurred if, within before the close of the 30-day period beginning on the date of the enactment of this Act, such position and property are clearly identified in the taxpayer's records as offsetting. The preceding sentence shall cease to apply as of the date the taxpayer ceases to hold such position or property.

(3) SPECIAL RULE.—In the case of a decedent dying after June 8, 1997, if—

(A) there was a constructive sale on or before such date of any appreciated financial position,

(B) the transaction resulting in such constructive sale of such position remains open (with respect to the decedent or any related person) for not less than 2 years after the date of such transaction (whether such period is before or after such date), and

(C) such transaction is not closed within the 30-day period beginning on the date of the enactment of this Act,

then, for purposes of such Code, such position (and any property related thereto, as determined under the principles of section 1259(d)(1) of such Code (as so added)) shall be treated as property constituting rights to receive an item of income in respect of a decedent under section 691 of such Code.

(4) ELECTION OF SECURITIES TRADERS, AND FOR TRADERS AND DEALERS IN COMMODITIES, TO BE TREATED AS DEALERS IN SECURITIES.—

(A) IN GENERAL.—The amendment made by subsection (b) shall apply to taxable years ending after the date of the enactment of this Act.

(B) 4-YEAR SPREAD OF ADJUSTMENTS.—In the case of a taxpayer who elects under section 475(d)(4) of the Internal Revenue Code of 1986 (as added by this section) to change its method of accounting for its first taxable year ending after the date of the enactment of this Act, the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 4-taxable year period beginning with such first taxable year.

SEC. 1002. LIMITATION ON EXCEPTION FOR INVESTMENT COMPANIES UNDER SECTION 351.

(a) IN GENERAL.—Paragraph (1) of section 351(e) (relating to exceptions) is amended by adding at the end the following: "For purposes of the preceding sentence, the term 'investment company' includes any company if more than 80 percent of the value of the assets of such company (other than assets held in the ordinary course of a trade or business for sale to customers) is attributable to—

"(A) money,

"(B) any financial instrument (as defined in section 731(c)(2)(C)),

"(C) any foreign currency,

"(D) any interest in a real estate investment trust, a common trust fund, a regulated investment company, or a publicly traded partnership (as defined in section 7704(b)),

"(E) any interest described in clause (iv), (v), or (vi) of section 731(c)(2)(B) (or which would be so described without regard to any reference to active trading or marketability),

"(F) any other asset specified in regulations prescribed by the Secretary, or

"(G) any combination of the foregoing."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to transfers after June 8, 1997, in taxable years ending after such date.

(2) BINDING CONTRACTS.—The amendment made by subsection (a) shall not apply to any transfer pursuant to a written binding contract in effect on June 8, 1997, that provides for the transfer of a fixed amount of property, and at all times thereafter before such transfer.

SEC. 1003. MODIFICATION OF RULES FOR ALLOCATING INTEREST EXPENSE TO TAX-EXEMPT INTEREST.

(a) PRO RATA ALLOCATION RULES APPLICABLE TO CORPORATIONS.—

(1) IN GENERAL.—Paragraph (1) of section 265(b) is amended by striking "In the case of a financial institution" and inserting "In the case of a corporation".

(2) ONLY OBLIGATIONS ACQUIRED AFTER JUNE 8, 1997, TAKEN INTO ACCOUNT.—Subparagraph (A) of section 265(b)(2) is amended by striking "August 7, 1986" and inserting "June 8, 1997 (August 7, 1986, in the case of a financial institution)".

(3) SMALL ISSUER EXCEPTION NOT TO APPLY.—Subparagraph (A) of section 265(b)(3) is amended by striking "Any qualified" and inserting "In the case of a financial institution, any qualified".

(4) EXCEPTION FOR CERTAIN BONDS ACQUIRED ON SALE OF GOODS OR SERVICES.—Subparagraph (B) of section 265(b)(4) is amended by adding at the end the following new sentence: "In the case of a taxpayer other than a financial institution, such term shall not include a nonsaleable obligation acquired by such taxpayer in the ordinary course of business as payment for goods or services provided by such taxpayer to any State or local government."

(5) LOOK-THRU RULES FOR PARTNERSHIPS.—Paragraph (6) of section 265(b) is amended by adding at the end the following new subparagraph:

"(C) LOOK-THRU RULES FOR PARTNERSHIPS.—In the case of a corporation which is a partner in a partnership, such corporation shall be treated for purposes of this subsection as holding directly its allocable share of the assets of the partnership."

(6) APPLICATION OF PRO RATA DISALLOWANCE ON AFFILIATED GROUP BASIS.—Subsection (b) of section 265 is amended by adding at the end the following new paragraph:

"(7) APPLICATION OF DISALLOWANCE ON AFFILIATED GROUP BASIS.—

"(A) IN GENERAL.—For purposes of this subsection, all members of an affiliated group filing a consolidated return under section 1501 shall be treated as 1 taxpayer.

"(B) TREATMENT OF INSURANCE COMPANIES.—This subsection shall not apply to an insurance company, and subparagraph (A) shall be applied without regard to any member of an affiliated group which is an insurance company."

(6) DE MINIMIS EXCEPTION FOR NONFINANCIAL INSTITUTIONS.—Subsection (b) of section 265 is amended by adding at the end the following new paragraph:

"(8) DE MINIMIS EXCEPTION FOR NONFINANCIAL INSTITUTIONS.—In the case of a corporation, paragraph (1) shall not apply for any taxable year if the amount described in paragraph (2)(A) with respect to such corporation does not exceed the lesser of—

"(A) 2 percent of the amount described in paragraph (2)(B), or

"(B) $1,000,000.

The preceding sentence shall not apply to a financial institution or to a dealer in tax-exempt obligations."

(7) CLERICAL AMENDMENT.—The subsection heading for section 265(b) is amended by striking "FINANCIAL INSTITUTIONS" and inserting "CORPORATIONS".

(b) APPLICATION OF SECTION 265(a)(2) WITH RESPECT TO CONTROLLED GROUPS.—Paragraph (2) of section 265(a) is amended after "obligations" by inserting "held by the taxpayer (or any corporation which is a member of a controlled group (as defined in section 267(f)(1)) which includes the taxpayer)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 1004. GAINS AND LOSSES FROM CERTAIN TERMINATIONS WITH RESPECT TO PROPERTY.

(a) APPLICATION OF CAPITAL TREATMENT TO PROPERTY OTHER THAN PERSONAL PROPERTY.—

(1) IN GENERAL.—Paragraph (1) of section 1234A (relating to gains and losses from certain terminations) is amended by striking "personal property (as defined in section 1092(d)(1))" and inserting "property".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to terminations more than 30 days after the date of the enactment of this Act.

(b) APPLICATION OF CAPITAL TREATMENT, ETC. TO OBLIGATIONS ISSUED BY NATURAL PERSONS.—

(1) IN GENERAL.—Section 1271(b) is amended to read as follows:

"(b) EXCEPTION FOR CERTAIN OBLIGATIONS.—

"(1) IN GENERAL.—This section shall not apply to—

"(A) any obligation issued by a natural person before June 9, 1997, and

"(B) any obligation issued before July 2, 1982, by an issuer which is not a corporation and is not a government or political subdivision thereof.

"(2) TERMINATION.—Paragraph (1) shall not apply to any obligation purchased (within the meaning of section 179(d)(2)) after June 8, 1997."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on the date of enactment of this Act.

SEC. 1005. DETERMINATION OF ORIGINAL ISSUE DISCOUNT WHERE POOLED DEBT OBLIGATIONS SUBJECT TO ACCELERATION.

(a) IN GENERAL.—Subparagraph (C) of section 1272(a)(6) (relating to debt instruments to which the paragraph applies) is amended by striking "or" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", or", and by inserting after clause (i) the following:

"(iii) any pool of debt instruments the yield on which may be reduced by reason of prepayments (or to the extent provided in regulations, by reason of other events).

To the extent provided in regulations prescribed by the Secretary, in the case of a small business engaged in the trade or business of selling tangible personal property at retail, clause (iii) shall not apply to debt instruments incurred in the ordinary course of such trade or business while held by such business."

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by this section to change its method of accounting for its first taxable year beginning after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 4-taxable year period beginning with such first taxable year.

SEC. 1006. DENIAL OF INTEREST DEDUCTIONS ON CERTAIN DEBT INSTRUMENTS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

"(k) DISALLOWANCE OF DEDUCTION ON CERTAIN DEBT INSTRUMENTS OF CORPORATIONS.—

"(1) IN GENERAL.—No deduction shall be allowed under this chapter for any interest paid or accrued on a disqualified debt instrument.

"(2) DISQUALIFIED DEBT INSTRUMENT.—For purposes of this subsection, the term 'disqualified debt instrument' means any indebtedness of a corporation which is payable in equity of the issuer or a related party.

"(3) SPECIAL RULES FOR AMOUNTS PAYABLE IN EQUITY.—For purposes of paragraph (2), indebtedness shall be treated as payable in equity of the issuer or a related party only if—

"(A) a substantial amount of the principal or interest is required to be paid or converted, or at the option of the issuer or a related party is payable in, or convertible into, such equity,

"(B) a substantial amount of the principal or interest is required to be determined, or at the option of the issuer or a related party is determined, by reference to the value of such equity, or

"(C) the indebtedness is part of an arrangement which is reasonably expected to result in a transaction described in subparagraph (A) or (B).

For purposes of subparagraphs (A) and (B), principal or interest shall be treated as required to be so paid, converted, or determined if it may be required at the option of the holder or a related party and there is a substantial certainty the option will be exercised.

"(4) RELATED PARTY.—For purposes of this subsection, a person is a related party with respect to another person if such person bears a relationship to such other person described in section 267(b) or 707(b).

"(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations preventing avoidance of this subsection through the use of an issuer other than a corporation."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to disqualified debt instruments issued after June 8, 1997.

(2) TRANSITION RULE.—The amendment made by this section shall not apply to any instrument issued after June 8, 1997, if such instrument is—

(A) issued pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission required solely by reason of the distribution.

Subtitle B—Corporate Organizations and Reorganizations

SEC. 1011. TAX TREATMENT OF CERTAIN EXTRAORDINARY DIVIDENDS.

(a) TREATMENT OF EXTRAORDINARY DIVIDENDS IN EXCESS OF BASIS.—Paragraph (2) of section 1059(a) (relating to corporate shareholder's recognition of gain attributable to nontaxed portion of extraordinary dividends) is amended to read as follows:

"(2) AMOUNTS IN EXCESS OF BASIS.—If the nontaxed portion of such dividends exceeds such basis, such excess shall be treated as gain from the sale or exchange of such stock for the taxable year in which the extraordinary dividend is received."

(b) TREATMENT OF REDEMPTIONS WHERE OPTIONS INVOLVED.—Paragraph (1) of section 1059(e) (relating to treatment of partial liquidations and non-pro rata redemptions) is amended to read as follows:

"(1) TREATMENT OF PARTIAL LIQUIDATIONS AND CERTAIN REDEMPTIONS.—Except as otherwise provided in regulations—

"(A) REDEMPTIONS.—In the case of any redemption of stock—

"(i) which is part of a partial liquidation (within the meaning of section 302(e)) of the redeeming corporation,

"(ii) which is not pro rata as to all shareholders, or

"(iii) which would not have been treated (in whole or in part) as a dividend if any options had not been taken into account under section 318(a)(4),

any amount treated as a dividend with respect to such redemption shall be treated as an extraordinary dividend to which paragraphs (1) and (2) of subsection (a) apply without regard to the period the taxpayer held such stock. In the case of a redemption described in clause (iii), only the basis in the stock redeemed shall be taken into account under subsection (a).

"(B) REORGANIZATIONS, ETC.—An exchange described in section 356(a)(1) which is treated as a dividend under section 356(a)(2) shall be treated as a redemption of stock for purposes of applying subparagraph (A)."

(c) TIME FOR REDUCTION.—Paragraph (1) of section 1059(d) is amended to read as follows:

"(1) TIME FOR REDUCTION.—Any reduction in basis under subsection (a)(1) shall be treated as occurring at the beginning of the ex-dividend date of the extraordinary dividend to which the reduction relates."

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to distributions after May 3, 1995.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution made pursuant to the terms of—

(A) a written binding contract in effect on May 3, 1995, and at all times thereafter before such distribution, or

(B) a tender offer outstanding on May 3, 1995.

(3) CERTAIN DIVIDENDS NOT PURSUANT TO CERTAIN REDEMPTIONS.—In determining whether the amendment made by subsection (a) applies to any extraordinary dividend other than a dividend treated as an extraordinary dividend under section 1059(e)(1) of the Internal Revenue Code of 1986 (as amended by this Act), paragraphs (1) and (2) shall be applied by substituting "September 13, 1995" for "May 3, 1995".

SEC. 1012. APPLICATION OF SECTION 355 TO DISTRIBUTIONS FOLLOWED BY ACQUISITIONS AND TO INTRAGROUP TRANSACTIONS.

(a) DISTRIBUTIONS FOLLOWED BY ACQUISITIONS.—Section 355 (relating to distribution of stock and securities of a controlled corporation) is amended by adding at the end the following new subsection:

"(e) RECOGNITION OF GAIN WHERE CERTAIN DISTRIBUTIONS OF STOCK OR SECURITIES ARE FOLLOWED BY ACQUISITION.—

"(1) GENERAL RULE.—If there is a distribution to which this subsection applies, the following rules shall apply:

"(A) ACQUISITION OF CONTROLLED CORPORATION.—If there is an acquisition described in paragraph (2)(A)(ii) with respect to any controlled corporation, any stock or securities in the controlled corporation shall not be treated as qualified property for purposes of subsection (c)(2) of this section or section 361(c)(2).

"(B) ACQUISITION OF DISTRIBUTING CORPORATION.—If there is an acquisition described in paragraph (2)(A)(ii) with respect to the distributing corporation, the controlled corporation shall recognize gain in an amount equal to the amount of net gain which would be recognized if all the assets of the distributing corporation (immediately after the distribution) were sold (at such time) for fair market value. Any gain recognized under the preceding sentence shall be treated as long-term capital gain and shall be taken into account for the taxable year which includes the day after the date of such distribution.

"(2) DISTRIBUTIONS TO WHICH SUBSECTION APPLIES.—

"(A) IN GENERAL.—This subsection shall apply to any distribution—

"(i) to which this section (or so much of section 356 as relates to this section) applies, and

"(ii) which is part of a plan (or series of related transactions) pursuant to which 1 or more persons acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or any controlled corporation.

"(B) PLAN PRESUMED TO EXIST IN CERTAIN CASES.—If 1 or more persons acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or any controlled corporation during the 4-year period beginning on the date which is 2 years before the date of the distribution, such acquisition shall be treated as pursuant to a plan described in subparagraph (A)(ii) unless it is established that the distribution and the acquisition are not pursuant to a plan or series of related transactions.

"(C) COORDINATION WITH SUBSECTION (d).—This subsection shall not apply to any distribution to which subsection (d) applies.

"(3) SPECIAL RULES RELATING TO ACQUISITIONS.—

"(A) CERTAIN ACQUISITIONS NOT TAKEN INTO ACCOUNT.—Except as provided in regulations, the following acquisitions shall not be treated as described in paragraph (2)(A)(ii):

"(i) The acquisition of stock in any controlled corporation by the distributing corporation.

"(ii) The acquisition by a person of stock in any controlled corporation by reason of holding stock in the distributing corporation.

"(iii) The acquisition by a person of stock in any successor corporation of the distributing corporation or any controlled corporation by reason of holding stock in such distributing or controlled corporation.

"(iv) The acquisition of stock in a corporation if shareholders owning directly or indirectly a 50-percent or greater interest in the distributing corporation or any controlled corporation before such acquisition own indirectly a 50-percent or greater interest in

such distributing or controlled corporation after such acquisition.

This subparagraph shall not apply to any acquisition if the stock held before the acquisition was acquired pursuant to a plan described in subparagraph (A)(ii).

"(B) ASSET ACQUISITIONS.—Except as provided in regulations, for purposes of this subsection, if the assets of the distributing corporation or any controlled corporation are acquired by a successor corporation in a transaction described in subparagraph (A), (C), or (D) of section 368(a)(1) or any other transaction specified in regulations by the Secretary, the shareholders (immediately before the acquisition) of the corporation acquiring such assets shall be treated as acquiring stock in the corporation from which the assets were acquired.

"(4) DEFINITION AND SPECIAL RULES.—For purposes of this subsection—

"(A) 50-PERCENT OR GREATER INTEREST.—The term '50-percent or greater interest' has the meaning given such term by subsection (d)(4).

"(B) DISTRIBUTIONS IN TITLE 11 OR SIMILAR CASE.—Paragraph (1) shall not apply to any distribution made in a title 11 or similar case (as defined in section 368(a)(3)).

"(C) AGGREGATION AND ATTRIBUTION RULES.—

"(i) AGGREGATION.—The rules of paragraph (7)(A) of subsection (d) shall apply.

"(ii) ATTRIBUTION.—Section 355(d)(8)(A) shall apply in determining whether a person holds stock or securities in any corporation.

"(D) SUCCESSORS AND PREDECESSORS.—For purposes of this subsection, any reference to a controlled corporation or a distributing corporation shall include a reference to any predecessor or successor of such corporation.

"(E) STATUTE OF LIMITATIONS.—If there is an acquisition to which paragraph (1) (A) or (B) applies—

"(i) the statutory period for the assessment of any deficiency attributable to any part of the gain recognized under this subsection by reason of such acquisition shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may by regulations prescribe) that such acquisition occurred, and

"(ii) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

"(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations—

"(A) providing for the application of this subsection where there is more than 1 controlled corporation,

"(B) treating 2 or more distributions as 1 distribution where necessary to prevent the avoidance of such purposes, and

"(C) providing for the application of rules similar to the rules of subsection (d)(6) where appropriate for purposes of paragraph (2)(B)."

(b) SECTION 355 NOT TO APPLY TO CERTAIN INTRAGROUP TRANSACTIONS.—Section 355, as amended by subsection (a), is amended by adding at the end the following new subsection:

"(f) SECTION NOT TO APPLY TO CERTAIN INTRAGROUP TRANSACTIONS.—Except as provided in regulations, this section shall not apply to the distribution of stock from 1 member of an affiliated group filing a consolidated return to another member of such group, and the Secretary shall provide proper adjustments for the treatment of such distribution, including (if necessary) adjustments to—

"(1) the adjusted basis of any stock which—

"(A) is in a corporation which is a member of such group, and

"(B) is held by another member of such group, and

"(2) the earnings and profits of any member of such group."

(c) DETERMINATION OF CONTROL IN CERTAIN DIVISIVE TRANSACTIONS.—

(1) SECTION 351 TRANSACTIONS.—Section 351(c) (relating to special rule) is amended to read as follows:

"(c) SPECIAL RULES WHERE DISTRIBUTION TO SHAREHOLDERS.—

"(1) IN GENERAL.—In determining control for purposes of this section—

"(A) the fact that any corporate transferor distributes part or all of the stock in the corporation which it receives in the exchange to its shareholders shall not be taken into account, and

"(B) if the requirements of section 355 are met with respect to such distribution, the shareholders shall be treated as in control of such corporation immediately after the exchange if the shareholders hold at least a 50-percent interest in such corporation immediately after the distribution.

"(2) 50-PERCENT INTEREST.—For purposes of this subsection, the term '50-percent interest' means stock possessing 50 percent of the total combined voting power of all classes of stock entitled to vote and 50 percent of the total value of shares of all classes of stock."

(2) D REORGANIZATIONS.—Section 368(a)(2)(H) (relating to special rule for determining whether certain transactions are qualified under paragraph (1)(D)) is amended to read as follows:

"(H) SPECIAL RULES FOR DETERMINING WHETHER CERTAIN TRANSACTIONS ARE QUALIFIED UNDER PARAGRAPH (1)(D).—For purposes of determining whether a transaction qualifies under paragraph (1)(D)—

"(i) in the case of a transaction with respect to which the requirements of subparagraphs (A) and (B) of section 354(b)(1) are met, the term 'control' has the meaning given such term by section 304(c), and

"(ii) in the case of a transaction with respect to which the requirements of section 355 are met, the shareholders described in paragraph (1)(D) shall be treated as having control of the corporation to which the assets are transferred if such shareholders hold a 50-percent or greater interest (as defined in section 351(c)(2)) in such corporation immediately after the transfer."

(d) EFFECTIVE DATES.—

(1) SECTION 355 RULES.—The amendments made by subsections (a) and (b) shall apply to distributions after April 16, 1997.

(2) DIVISIVE TRANSACTIONS.—The amendments made by subsection (c) shall apply to transfers after the date of the enactment of this Act.

(3) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution after April 16, 1997, if such distribution is—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission required solely by reason of the distribution.

This subparagraph shall not apply to any written agreement, ruling request, or public announcement or filing unless it identifies the unrelated acquirer of the distributing corporation or of any controlled corporation, whichever is applicable.

SEC. 1013. TAX TREATMENT OF REDEMPTIONS INVOLVING RELATED CORPORATIONS.

(a) STOCK PURCHASES BY RELATED CORPORATIONS.—The last sentence of section 304(a)(1) (relating to acquisition by related corporation other than subsidiary) is amended to read as follows: "To the extent that such distribution is treated as a distribution to which section 301 applies, the transferor and the acquiring corporation shall be treated in the same manner as if the transferor had transferred the stock so acquired to the acquiring corporation in exchange for stock of the acquiring corporation in a transaction to which section 351(a) applies, and then the acquiring corporation had redeemed the stock it was treated as issuing in such transaction."

(b) COORDINATION WITH SECTION 1059.—Clause (iii) of section 1059(e)(1)(A), as amended by this title, is amended to read as follows:

"(iii) which would not have been treated (in whole or in part) as a dividend if—

"(I) any options had not been taken into account under section 318(a)(4), or

"(II) section 304(a) had not applied,".

(c) SPECIAL RULE FOR ACQUISITIONS BY FOREIGN CORPORATIONS.—Section 304(b) (relating to special rules for application of subsection (a)) is amended by adding at the end the following new paragraph:

"(5) ACQUISITIONS BY FOREIGN CORPORATIONS.—

"(A) IN GENERAL.—In the case of any acquisition to which subsection (a) applies in which the acquiring corporation is a foreign corporation, the only earnings and profits taken into account under paragraph (2)(A) shall be those earnings and profits—

"(i) which are attributable (under regulations prescribed by the Secretary) to stock of the acquiring corporation owned (within the meaning of section 958(a)) by a corporation or individual which is—

"(I) a United States shareholder (within the meaning of section 951(b)) of the acquiring corporation, and

"(II) the transferor or a person who bears a relationship to the transferor described in section 267(b) or 707(b), and

"(ii) which were accumulated during the period or periods such stock was owned by such person while the acquiring corporation was a controlled foreign corporation.

"(B) APPLICATION OF SECTION 1248.—For purposes of subparagraph (A), the rules of section 1248(d) shall apply except to the extent otherwise provided by the Secretary.

"(C) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of this paragraph."

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to distributions and acquisitions after June 8, 1997.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution or acquisition after June 8, 1997, if such distribution or acquisition is—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described in a public announcement or filing with the Securities and Exchange Commission on or before such date.

SEC. 1014. MODIFICATION OF HOLDING PERIOD APPLICABLE TO DIVIDENDS RECEIVED DEDUCTION.

(a) IN GENERAL.—Subparagraph (A) of section 246(c)(1) is amended to read as follows:

"(A) which is held by the taxpayer for 45 days or less during the 90-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend, or".

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 246(c) is amended to read as follows:

"(2) 90-DAY RULE IN THE CASE OF CERTAIN PREFERENCE DIVIDENDS.—In the case of stock having preference in dividends, if the taxpayer receives dividends with respect to such stock which are attributable to a period or periods aggregating in excess of 366 days, paragraph (1)(A) shall be applied—

"(A) by substituting '90 days' for '45 days' each place it appears, and

"(B) by substituting '180-day period' for '90-day period'."

(2) Paragraph (3) of section 246(c) is amended by adding "and" at the end of subparagraph (A), by striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends received or accrued after the 30th day after the date of the enactment of this Act.

Subtitle C—Other Corporate Provisions

SEC. 1021. REGISTRATION AND OTHER PROVISIONS RELATING TO CONFIDENTIAL CORPORATE TAX SHELTERS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and by inserting after subsection (c) the following new subsection:

"(d) CERTAIN CONFIDENTIAL ARRANGEMENTS TREATED AS TAX SHELTERS.—

"(1) IN GENERAL.—For purposes of this section, the term 'tax shelter' includes any entity, plan, arrangement, or transaction—

"(A) a significant purpose of the structure of which is the avoidance or evasion of Federal income tax for a direct or indirect participant which is a corporation,

"(B) which is offered to any potential participant under conditions of confidentiality, and

"(C) for which the tax shelter promoters may receive fees in excess of $100,000 in the aggregate.

"(2) CONDITIONS OF CONFIDENTIALITY.—For purposes of paragraph (1)(B), an offer is under conditions of confidentiality if—

"(A) the potential participant to whom the offer is made (or any other person acting on behalf of such participant) has an understanding or agreement with or for the benefit of any promoter of the tax shelter that such participant (or such other person) will limit disclosure of the tax shelter or any significant tax features of the tax shelter, or

"(B) any promoter of the tax shelter—

"(i) claims, knows, or has reason to know,

"(ii) knows or has reason to know that any other person (other than the potential participant) claims, or

"(iii) causes another person to claim,

that the tax shelter (or any aspect thereof) is proprietary to any person other than the potential participant or is otherwise protected from disclosure to or use by others.

For purposes of this subsection, the term 'promoter' means any person or any related person (within the meaning of section 267 or 707) who participates in the organization, management, or sale of the tax shelter.

"(3) PERSONS OTHER THAN PROMOTER REQUIRED TO REGISTER IN CERTAIN CASES.—

"(A) IN GENERAL.—If—

"(i) the requirements of subsection (a) are not met with respect to any tax shelter (as defined in paragraph (1)) by any tax shelter promoter, and

"(ii) no tax shelter promoter is a United States person,

then each United States person who discussed participation in such shelter shall register such shelter under subsection (a).

"(B) EXCEPTION.—Subparagraph (A) shall not apply to a United States person who discussed participation in a tax shelter if—

"(i) such person notified the promoter in writing (not later than the close of the 90th day after the day on which such discussions began) that such person would not participate in such shelter, and

"(ii) such person does not participate in such shelter.

"(4) OFFER TO PARTICIPATE TREATED AS OFFER FOR SALE.—For purposes of subsections (a) and (b), an offer to participate in a tax shelter (as defined in paragraph (1)) shall be treated as an offer for sale."

(b) PENALTY.—Subsection (a) of section 6707 (relating to failure to furnish information regarding tax shelters) is amended by adding at the end the following new paragraph:

"(3) CONFIDENTIAL ARRANGEMENTS.—

"(A) IN GENERAL.—In the case of a tax shelter (as defined in section 6111(d)), the penalty imposed under paragraph (1) shall be an amount equal to the greater of—

"(i) 50 percent of the fees paid to all promoters of the tax shelter with respect to offerings made before the date such shelter is registered under section 6111, or

"(ii) $10,000.

Clause (i) shall be applied by substituting '75 percent' for '50 percent' in the case of an intentional failure or act described in paragraph (1).

"(B) SPECIAL RULE FOR PARTICIPANTS REQUIRED TO REGISTER SHELTER.—In the case of a person required to register such a tax shelter by reason of section 6111(d)(3)—

"(i) such person shall be required to pay the penalty under paragraph (1) only if such person actually participated in such shelter,

"(ii) the amount of such penalty shall be determined by taking into account under subparagraph (A)(i) only the fees paid by such person, and

"(iii) such penalty shall be in addition to the penalty imposed on any other person for failing to register such shelter."

(c) MODIFICATIONS TO SUBSTANTIAL UNDERSTATEMENT PENALTY.—

(1) RESTRICTION ON REASONABLE BASIS FOR CORPORATE UNDERSTATEMENT OF INCOME TAX.—Subparagraph (B) of section 6662(d)(2) is amended by adding at the end the following new flush sentence:

"For purposes of clause (ii)(II), in no event shall a corporation be treated as having a reasonable basis for its tax treatment of an item attributable to a multiple-party financing transaction if such treatment does not clearly reflect the income of the corporation."

(2) MODIFICATION TO DEFINITION OF TAX SHELTER.—Clause (iii) of section 6662(d)(2)(C) is amended by striking "the principal purpose" and inserting "a significant purpose".

(d) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 6707(a) is amended by striking "The penalty" and inserting "Except as provided in paragraph (3), the penalty".

(2) Subparagraph (A) of section 6707(a)(1) is amended by striking "paragraph (2)" and inserting "paragraph (2) or (3), as the case may be".

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to any tax shelter (as defined in section 6111(d) of the Internal Revenue Code of 1986, as amended by this section) interests in which are offered to potential participants after the Secretary of the Treasury prescribes guidance with respect to meeting requirements added by such amendments.

(2) MODIFICATIONS TO SUBSTANTIAL UNDERSTATEMENT PENALTY.—The amendments made by subsection (c) shall apply to items with respect to transactions entered into after the date of the enactment of this Act.

SEC. 1022. CERTAIN PREFERRED STOCK TREATED AS BOOT.

(a) SECTION 351.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

"(g) NONQUALIFIED PREFERRED STOCK NOT TREATED AS STOCK.—

"(1) IN GENERAL.—For purposes of subsections (a) and (b), the term 'stock' shall not include nonqualified preferred stock.

"(2) NONQUALIFIED PREFERRED STOCK.—For purposes of paragraph (1)—

"(A) IN GENERAL.—The term 'nonqualified preferred stock' means preferred stock if—

"(i) the holder of such stock has the right to require the issuer or a related person to redeem or purchase the stock,

"(ii) the issuer or a related person is required to redeem or purchase such stock,

"(iii) the issuer or a related person has the right to redeem or purchase the stock and, as of the issue date, it is more likely than not that such right will be exercised, or

"(iv) the dividend rate on such stock varies in whole or in part (directly or indirectly) with reference to interest rates, commodity prices, or other similar indices.

"(B) LIMITATIONS.—Clauses (i), (ii), and (iii) of subparagraph (A) shall apply only if the right or obligation referred to therein may be exercised within the 20-year period beginning on the issue date of such stock and such right or obligation is not subject to a contingency which, as of the issue date, makes remote the likelihood of the redemption or purchase.

"(C) EXCEPTIONS FOR CERTAIN RIGHTS OR OBLIGATIONS.—

"(i) IN GENERAL.—A right or obligation shall not be treated as described in clause (i), (ii), or (iii) of subparagraph (A) if—

"(I) it may be exercised only upon the death, disability, or mental incompetency of the holder, or

"(II) in the case of a right or obligation to redeem or purchase stock transferred in connection with the performance of services for the issuer or a related person (and which represents reasonable compensation), it may be exercised only upon the holder's separation from service from the issuer or a related person.

"(ii) EXCEPTION.—Clause (i)(I) shall not apply if the stock relinquished in the exchange, or the stock acquired in the exchange is in—

"(I) a corporation if any class of stock in such corporation or a related party is readily tradable on an established securities market or otherwise, or

"(II) any other corporation if such exchange is part of a transaction or series of

transactions in which such corporation is to become a corporation described in subclause (I).

"(3) DEFINITIONS.—For purposes of this subsection—

"(A) PREFERRED STOCK.—The term 'preferred stock' means stock which is limited and preferred as to dividends and does not participate (including through a conversion privilege) in corporate growth to any significant extent.

"(B) RELATED PERSON.—A person shall be treated as related to another person if they bear a relationship to such other person described in section 267(b) or 707(b).

"(4) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and sections 354(a)(2)(C), 355(a)(3)(D), and 356(e). The Secretary may also prescribe regulations, consistent with the treatment under this subsection and such sections, for the treatment of nonqualified preferred stock under other provisions of this title."

(b) SECTION 354.—Paragraph (2) of section 354(a) (relating to exchanges of stock and securities in certain reorganizations) is amended by adding at the end the following new subparagraph:

"(C) NONQUALIFIED PREFERRED STOCK.—

"(i) IN GENERAL.—Nonqualified preferred stock (as defined in section 351(g)(2)) received in exchange for stock other than nonqualified preferred stock (as so defined) shall not be treated as stock or securities.

"(ii) RECAPITALIZATIONS OF FAMILY-OWNED CORPORATIONS.—

"(I) IN GENERAL.—Clause (i) shall not apply in the case of a recapitalization under section 368(a)(1)(E) of a family-owned corporation.

"(II) FAMILY-OWNED CORPORATION.—For purposes of this clause, except as provided in regulations, the term 'family-owned corporation' means any corporation which is described in clause (i) of section 447(d)(2)(C) throughout the 8-year period beginning on the date which is 5 years before the date of the recapitalization. For purposes of the preceding sentence, stock shall not be treated as owned by a family member during any period described in section 355(d)(6)(B)."

(c) SECTION 355.—Paragraph (3) of section 355(a) is amended by adding at the end the following new subparagraph:

"(D) NON QUALIFIED PREFERRED STOCK.—Nonqualified preferred stock (as defined in section 351(g)(2)) received in a distribution with respect to stock other than nonqualified preferred stock (as so defined) shall not be treated as stock or securities."

(d) SECTION 356.—Section 356 is amended by redesignating subsections (e) and (f) as subsections (f) and (g), respectively, and by inserting after subsection (d) the following new subsection:

"(e) NONQUALIFIED PREFERRED STOCK TREATED AS OTHER PROPERTY.—For purposes of this section—

"(1) IN GENERAL.—Except as provided in paragraph (2), the term 'other property' includes nonqualified preferred stock (as defined in section 351(g)(2)).

"(2) EXCEPTION.—The term 'other property' does not include nonqualified preferred stock (as so defined) to the extent that, under section 354 or 355, such preferred stock would be permitted to be received without the recognition of gain."

(e) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 354(a)(2) and subparagraph (C) of section 355(a)(3)(C) are each amended by inserting "(including nonqualified preferred stock, as defined in section 351(g)(2))" after "stock".

(2) Subparagraph (A) of section 354(a)(3) and subparagraph (A) of section 355(a)(4) are each amended by inserting "nonqualified preferred stock and" after "including".

(3) Section 1036 is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

"(b) NONQUALIFIED PREFERRED STOCK NOT TREATED AS STOCK.—For purposes of this section, nonqualified preferred stock (as defined in section 351(g)(2)) shall be treated as property other than stock."

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transactions after June 8, 1997.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any transaction after June 8, 1997, if such transaction is—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission required solely by reason of the distribution.

Subtitle D—Administrative Provisions

SEC. 1031. REPORTING OF CERTAIN PAYMENTS MADE TO ATTORNEYS.

(a) IN GENERAL.—Section 6045 (relating to returns of brokers) is amended by adding at the end the following new subsection:

"(f) RETURN REQUIRED IN THE CASE OF PAYMENTS TO ATTORNEYS.—

"(1) IN GENERAL.—Any person engaged in a trade or business and making a payment (in the course of such trade or business) to which this subsection applies shall file a return under subsection (a) and a statement under subsection (b) with respect to such payment.

"(2) APPLICATION OF SUBSECTION.—

"(A) IN GENERAL.—This subsection shall apply to any payment to an attorney in connection with legal services (whether or not such services are performed for the payor).

"(B) EXCEPTION.—This subsection shall not apply to the portion of any payment which is required to be reported under section 6041(a) (or would be so required but for the dollar limitation contained therein) or section 6051."

(b) REPORTING OF ATTORNEYS' FEES PAYABLE TO CORPORATIONS.—The regulations providing an exception under section 6041 of the Internal Revenue Code of 1986 for payments made to corporations shall not apply to payments of attorneys' fees.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 1997.

SEC. 1032. DECREASE OF THRESHOLD FOR REPORTING PAYMENTS TO CORPORATIONS PERFORMING SERVICES FOR FEDERAL AGENCIES.

(a) IN GENERAL.—Subsection (d) of section 6041A (relating to returns regarding payments of remuneration for services and direct sales) is amended by adding at the end the following new paragraph:

"(3) PAYMENTS TO CORPORATIONS BY FEDERAL EXECUTIVE AGENCIES.—

"(A) IN GENERAL.—Notwithstanding any regulation prescribed by the Secretary before the date of the enactment of this paragraph, subsection (a) shall apply to remuneration paid to a corporation by any Federal executive agency (as defined in section 6050M(b)).

"(B) EXCEPTION.—Subparagraph (A) shall not apply to—

"(i) services under contracts described in section 6050M(e)(3) with respect to which the requirements of section 6050M(e)(2) are met, and

"(ii) such other services as the Secretary may specify in regulations prescribed after the date of the enactment of this paragraph."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns the due date for which (determined without regard to any extension) is more than 90 days after the date of the enactment of this Act.

SEC. 1033. DISCLOSURE OF RETURN INFORMATION FOR ADMINISTRATION OF CERTAIN VETERANS PROGRAMS.

(a) GENERAL RULE.—Subparagraph (D) of section 6103(l)(7) (relating to disclosure of return information to Federal, State, and local agencies administering certain programs) is amended by striking "Clause (viii) shall not apply after September 30, 1998."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 1034. CONTINUOUS LEVY ON CERTAIN PAYMENTS.

(a) IN GENERAL.—Section 6331 (relating to levy and distraint) is amended—

(1) by redesignating subsection (h) as subsection (i), and

(2) by inserting after subsection (g) the following new subsection:

"(h) CONTINUING LEVY ON CERTAIN PAYMENTS.—

"(1) IN GENERAL.—The effect of a levy on specified payments to or received by a taxpayer shall be continuous from the date such levy is first made until such levy is released. Notwithstanding section 6334, such levy shall attach up to 15 percent of any salary or pension payment due to the taxpayer.

"(2) SPECIFIED PAYMENTS.—For the purposes of paragraph (1), the term 'specified payments' means—

"(A) Federal payments other than payments for which eligibility is based on the income or assets (or both) of a payee,

"(B) payments described in subsection (a)(4) (relating to unemployment benefits), and

"(C) payments described in subsection (a)(11) (relating to certain public assistance payments)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to levies issued after the date of the enactment of this Act.

SEC. 1035. RETURNS OF BENEFICIARIES OF ESTATES AND TRUSTS REQUIRED TO FILE RETURNS CONSISTENT WITH ESTATE OR TRUST RETURN OR TO NOTIFY SECRETARY OF INCONSISTENCY.

(a) DOMESTIC ESTATES AND TRUSTS.—Section 6034A (relating to information to beneficiaries of estates and trusts) is amended by adding at the end the following new subsection:

"(c) BENEFICIARY'S RETURN MUST BE CONSISTENT WITH ESTATE OR TRUST RETURN OR SECRETARY NOTIFIED OF INCONSISTENCY.—

"(1) IN GENERAL.—A beneficiary of any estate or trust to which subsection (a) applies shall, on such beneficiary's return, treat any reported item in a manner which is consistent with the treatment of such item on the applicable entity's return.

"(2) NOTIFICATION OF INCONSISTENT TREATMENT.—

"(A) IN GENERAL.—In the case of any reported item, if—

"(i)(I) the applicable entity has filed a return but the beneficiary's treatment on such beneficiary's return is (or may be) inconsistent with the treatment of the item on the applicable entity's return, or

"(II) the applicable entity has not filed a return, and

"(ii) the beneficiary files with the Secretary a statement identifying the inconsistency,

paragraph (1) shall not apply to such item.

"(B) BENEFICIARY RECEIVING INCORRECT INFORMATION.—A beneficiary shall be treated as having complied with clause (ii) of subparagraph (A) with respect to a reported item if the beneficiary—

"(i) demonstrates to the satisfaction of the Secretary that the treatment of the reported item on the beneficiary's return is consistent with the treatment of the item on the statement furnished under subsection (a) to the beneficiary by the applicable entity, and

"(ii) elects to have this paragraph apply with respect to that item.

"(3) EFFECT OF FAILURE TO NOTIFY.—In any case—

"(A) described in subparagraph (A)(i)(I) of paragraph (2), and

"(B) in which the beneficiary does not comply with subparagraph (A)(ii) of paragraph (2),

any adjustment required to make the treatment of the items by such beneficiary consistent with the treatment of the items on the applicable entity's return shall be treated as arising out of mathematical or clerical errors and assessed according to section 6213(b)(1). Paragraph (2) of section 6213(b) shall not apply to any assessment referred to in the preceding sentence.

"(4) DEFINITIONS.—For purposes of this subsection—

"(A) REPORTED ITEM.—The term 'reported item' means any item for which information is required to be furnished under subsection (a).

"(B) APPLICABLE ENTITY.—The term 'applicable entity' means the estate or trust of which the taxpayer is the beneficiary.

"(5) ADDITION TO TAX FOR FAILURE TO COMPLY WITH SECTION.—For addition to tax in the case of a beneficiary's negligence in connection with, or disregard of, the requirements of this section, see part II of subchapter A of chapter 68."

(b) FOREIGN TRUSTS.—Subsection (d) of section 6048 (relating to information with respect to certain foreign trusts) is amended by adding at the end the following new paragraph:

"(5) UNITED STATES PERSON'S RETURN MUST BE CONSISTENT WITH TRUST RETURN OR SECRETARY NOTIFIED OF INCONSISTENCY.—Rules similar to the rules of section 6034A(c) shall apply to items reported by a trust under subsection (b)(1)(B) and to United States persons referred to in such subsection."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns of beneficiaries and owners filed after the date of the enactment of this Act.

Subtitle E—Excise and Employment Tax Provisions

SEC. 1041. EXTENSION AND MODIFICATION OF AIRPORT AND AIRWAY TRUST FUND TAXES.

(a) FUEL TAXES.—

(1) AVIATION FUEL.—Clause (ii) of section 4091(b)(3)(A) is amended by striking "September 30, 1997" and inserting "September 30, 2007".

(2) AVIATION GASOLINE.—Subparagraph (B) of section 4081(d)(2) is amended by striking "September 30, 1997" and inserting "September 30, 2007".

(3) NONCOMMERCIAL AVIATION.—Subparagraph (B) of section 4041(c)(3) is amended by striking "September 30, 1997" and inserting "September 30, 2007".

(b) TICKET TAXES.—

(1) PERSONS.—Clause (ii) of section 4261(g)(1)(A) is amended by striking "September 30, 1997" and inserting "September 30, 2007".

(2) PROPERTY.—Clause (ii) of section 4271(d)(1)(A) is amended by striking "September 30, 1997" and inserting "September 30, 2007".

(c) MODIFICATIONS TO TAX ON TRANSPORTATION OF PERSONS BY AIR.—Subsection (c) of section 4261 (relating to use of international travel facilities) is amended to read as follows:

"(c) USE OF INTERNATIONAL TRAVEL FACILITIES.—

"(1) IN GENERAL.—There is hereby imposed a tax of $10 on any amount paid (whether within or without the United States) for any transportation of any person by air, if such transportation begins or ends in the United States.

"(2) EXCEPTION FOR TRANSPORTATION ENTIRELY TAXABLE UNDER SUBSECTION (a).—This subsection shall not apply to any transportation all of which is taxable under subsection (a) (determined without regard to sections 4281 and 4282).

"(3) SPECIAL RULE FOR ALASKA AND HAWAII.—In any case in which the tax imposed by paragraph (1) applies to a domestic segment, such tax shall apply only on departure.

"(4) INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—In the case of transportation beginning in a calendar year after 1998, the dollar amount contained in paragraph (1) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING.—If any increase determined under subparagraph (A) is not a multiple of 10 cents, such increase shall be rounded to the nearest multiple of 10 cents."

(d) EFFECTIVE DATES.—

(1) FUEL TAXES.—The amendment made by subsection (a) shall apply take effect on October 1, 1997.

(2) TICKET TAXES.—

(A) IN GENERAL.—The amendments made by subsections (b) and (c) shall apply to transportation beginning on or after October 1, 1997.

(B) TREATMENT OF AMOUNTS PAID FOR TICKETS PURCHASED BEFORE DATE OF ENACTMENT.—The amendments made by subsection (c) shall not apply to amounts paid for a ticket purchased before the date of the enactment of this Act for a specified flight beginning on or after October 1, 1997.

SEC. 1042. CREDIT FOR TIRE TAX IN LIEU OF EXCLUSION OF VALUE OF TIRES IN COMPUTING PRICE.

(a) IN GENERAL.—Subsection (e) of section 4051 is amended to read as follows:

"(e) CREDIT AGAINST TAX FOR TIRE TAX.—If—

"(1) tires are sold on or in connection with the sale of any article, and

"(2) tax is imposed by this subchapter on the sale of such tires,

there shall be allowed as a credit against the tax imposed by this subchapter an amount equal to the tax (if any) imposed by section 4071 on such tires."

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 4052(b)(1) is amended by striking clause (iii), by adding "and" at the end of clause (ii), and by redesignating clause (iv) as clause (iii).

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1998.

SEC. 1043. RESTORATION OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND TAXES.

Paragraph (3) of section 4081(d) is amended by inserting before the period ", and before the date of the enactment of the Revenue Reconciliation Act of 1997".

SEC. 1044. REINSTATEMENT OF OIL SPILL LIABILITY TRUST FUND TAX.

(a) IN GENERAL.—Paragraph (1) of section 4611(f) is amended by striking "December 31, 1989, and before January 1, 1995" and inserting "December 31, 1997". Paragraph (2) of section 4611(f) is hereby repealed.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 1998.

SEC. 1045. EXTENSION OF FEDERAL UNEMPLOYMENT SURTAX.

(a) IN GENERAL.—Section 3301 is amended by striking "equal to—" and all that follows through "thereafter;" and inserting "6.2 percent in the case of calendar year 1998 and each calendar year thereafter".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to calendar years beginning after December 31, 1997.

Subtitle F—Provisions Relating to Tax-Exempt Entities

SEC. 1051. EXPANSION OF LOOK-THRU RULE FOR INTEREST, ANNUITIES, ROYALTIES, AND RENTS DERIVED BY SUBSIDIARIES OF TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended to read as follows:

"(13) SPECIAL RULES FOR CERTAIN AMOUNTS RECEIVED FROM CONTROLLED ENTITIES.—

"(A) IN GENERAL.—If an organization (in this paragraph referred to as the 'controlling organization') receives (directly or indirectly) a specified payment from another entity which it controls (in this paragraph referred to as the 'controlled entity'), notwithstanding paragraphs (1), (2), and (3), the controlling organization shall include such payment as an item of gross income derived from an unrelated trade or business to the extent such payment reduces the net unrelated income of the controlled entity (or increases any net unrelated loss of the controlled entity). There shall be allowed all deductions of the controlling organization directly connected with amounts treated as derived from an unrelated trade or business under the preceding sentence.

"(B) NET UNRELATED INCOME OR LOSS.—For purposes of this paragraph—

"(i) NET UNRELATED INCOME.—The term 'net unrelated income' means—

"(I) in the case of a controlled entity which is not exempt from tax under section 501(a), the portion of such entity's taxable income which would be unrelated business taxable income if such entity were exempt from tax under section 501(a) and had the same exempt purposes (as defined in section 513A(a)(5)(A)) as the controlling organization, or

"(II) in the case of a controlled entity which is exempt from tax under section 501(a), the amount of the unrelated business taxable income of the controlled entity.

"(ii) NET UNRELATED LOSS.—the term 'net unrelated loss' means the net operating loss adjusted under rules similar to the rules of clause (i).

"(C) SPECIFIED PAYMENT.—For purposes of this paragraph, the term 'specified payment' means any interest, annuity, royalty, or rent.

"(D) DEFINITION OF CONTROL.—For purposes of this paragraph—

"(i) CONTROL.—The term 'control' means—

"(I) in the case of a corporation, ownership (by vote or value) of more than 50 percent of the stock in such corporation,

"(II) in the case of a partnership, ownership of more than 50 percent of the profits interests or capital interests in such partnership, or

"(III) in any other case, ownership of more than 50 percent of the beneficial interests in the entity.

"(ii) CONSTRUCTIVE OWNERSHIP.—Section 318 (relating to constructive ownership of stock) shall apply for purposes of determining ownership of stock in a corporation. Similar principles shall apply for purposes of determining ownership of interests in any other entity.

"(E) RELATED PERSONS.—The Secretary shall prescribe such rules as may be necessary or appropriate to prevent avoidance of the purposes of this paragraph through the use of related persons."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) CONTROL TEST.—In the case of taxable years beginning before January 1, 1999, an organization shall be treated as controlling another organization for purposes of section 512(b)(13) of the Internal Revenue Code of 1986 (as amended by this section) only if it controls such organization within the meaning of such section, determined by substituting "80 percent" for "50 percent" each place it appears in subparagraph (D) thereof.

Subtitle G—Foreign-Related Provisions

SEC. 1061. DEFINITION OF FOREIGN PERSONAL HOLDING COMPANY INCOME.

(a) INCOME FROM NOTIONAL PRINCIPAL CONTRACTS AND PAYMENTS IN LIEU OF DIVIDENDS.—

(1) IN GENERAL.—Paragraph (1) of section 954(c) (defining foreign personal holding company income) is amended by adding at the end the following new subparagraph:

"(F) INCOME FROM NOTIONAL PRINCIPAL CONTRACTS.—Net income from notional principal contracts. Any item of income, gain, deduction, or loss from a notional principal contract entered into for purposes of hedging any item described in any preceding subparagraph shall not be taken into account for purposes of this subparagraph but shall be taken into account under such other subparagraph.

"(G) PAYMENTS IN LIEU OF DIVIDENDS.—Payments in lieu of dividends which are made pursuant to an agreement to which section 1058 applies."

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 954(c)(1) is amended—

(A) by striking the second sentence, and

(B) by striking "also" in the last sentence.

(b) EXCEPTION FOR DEALERS.—Paragraph (2) of section 954(c) is amended by adding at the end the following new subparagraph:

"(C) EXCEPTION FOR DEALERS.—Except as provided in subparagraph (A), (E), or (G) of paragraph (1) or by regulations, in the case of a regular dealer in property (within the meaning of paragraph (1)(B)), forward contracts, option contracts, or similar financial instruments (including notional principal contracts and all instruments referenced to commodities), there shall not be taken into account in computing foreign personal holding income any item of income, gain, deduction, or loss from any transaction (including hedging transactions) entered into in the ordinary course of such dealer's trade or business as such a dealer."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 1062. PERSONAL PROPERTY USED PREDOMINANTLY IN THE UNITED STATES TREATED AS NOT PROPERTY OF A LIKE KIND WITH RESPECT TO PROPERTY USED PREDOMINANTLY OUTSIDE THE UNITED STATES.

(a) IN GENERAL.—Subsection (h) of section 1031 (relating to exchange of property held for productive use or investment) is amended to read as follows:

"(h) SPECIAL RULES FOR FOREIGN REAL AND PERSONAL PROPERTY.—For purposes of this section—

"(1) REAL PROPERTY.—Real property located in the United States and real property located outside the United States are not property of a like kind.

"(2) PERSONAL PROPERTY.—

"(A) IN GENERAL.—Personal property used predominantly within the United States and personal property used predominantly outside the United States are not property of a like kind.

"(B) PREDOMINANT USE.—Except as provided in subparagraph (C) and (D), the predominant use of any property shall be determined based on—

"(i) in the case of the property relinquished in the exchange, the 2-year period ending on the date of such relinquishment, and

"(ii) in the case of the property acquired in the exchange, the 2-year period beginning on the date of such acquisition.

"(C) PROPERTY HELD FOR LESS THAN 2 YEARS.—Except in the case of an exchange which is part of a transaction (or series of transactions) structured to avoid the purposes of this subsection—

"(i) only the periods the property was held by the person relinquishing the property (or any related person) shall be taken into account under subparagraph (B)(i), and

"(ii) only the periods the property was held by the person acquiring the property (or any related person) shall be taken into account under subparagraph (B)(ii).

"(D) SPECIAL RULE FOR CERTAIN PROPERTY.—Property described in any subparagraph of section 168(g)(4) shall be treated as used predominantly in the United States."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to transfers after June 8, 1997, in taxable years ending after such date.

(2) BINDING CONTRACTS.—The amendment made by this section shall not apply to any transfer pursuant to a written binding contract in effect on June 8, 1997, and at all times thereafter before the disposition of property. A contract shall not fail to meet the requirements of the preceding sentence solely because—

(A) it provides for a sale in lieu of an exchange, or

(B) the property to be acquired as replacement property was not identified under such contract before June 9, 1997.

SEC. 1063. HOLDING PERIOD REQUIREMENT FOR CERTAIN FOREIGN TAXES.

(a) IN GENERAL.—Section 901 is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

"(k) MINIMUM HOLDING PERIOD FOR CERTAIN TAXES.—

"(1) IN GENERAL.—No credit shall be allowed to the taxpayer under subsection (a) for any income, war profits, or excess profits tax by reason of a dividend or other inclusion with respect to stock in a foreign corporation or a regulated investment company if—

"(A) such stock is held by the taxpayer for 15 days or less during the 30-day period beginning on the date which is 15 days before the date on which such share becomes ex-dividend with respect to such dividend, or

"(B) to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property.

"(2) LOWER TIER CORPORATIONS.—To the extent that the credit otherwise allowable under subsection (a) is for taxes deemed paid under section 853, 902, or 960 through a chain of ownership of stock in 1 or more other foreign corporations, no credit shall be allowed under subsection (a) for such taxes to the extent—

"(A) attributable to stock held by any corporation in such chain for less than the period described in paragraph (1)(A), or

"(B) that such corporation is under an obligation referred to in paragraph (1)(B).

"(3) 45-DAY RULE IN THE CASE OF CERTAIN PREFERENCE DIVIDENDS.—In the case of stock having preference in dividends, if the taxpayer receives dividends with respect to such stock which are attributable to a period or periods aggregating in excess of 366 days, paragraph (1)(A) shall be applied—

"(A) by substituting '45 days' for '15 days' each place it appears, and

"(B) by substituting '90-day period' for '30-day period'.

"(4) EXCEPTION FOR CERTAIN TAXES PAID BY SECURITIES DEALERS.—

"(A) IN GENERAL.—Paragraphs (1) and (2) shall not apply to any qualified tax with respect to any security held in the active conduct in a foreign country of a securities business of any person—

"(i) who is registered as a securities broker or dealer under section 15(a) of the Securities Exchange Act of 1934,

"(ii) who is registered as a Government securities broker or dealer under section 15C(a) of such Act, or

"(iii) who is licensed or authorized in such foreign country to conduct securities activities in such country and is subject to bona fide regulation by a securities regulating authority of such country.

"(B) QUALIFIED TAX.—For purposes of subparagraph (A), the term 'qualified tax' means a tax paid to a foreign country (other than the foreign country referred to in subparagraph (A)) if—

"(i) the dividend to which such tax is attributable is subject to taxation on a net basis by the country referred to in subparagraph (A), and

"(ii) such country allows a credit against its net basis tax for the full amount of the tax paid to such other foreign country.

"(C) REGULATIONS.—The Secretary may prescribe such regulations as may be appropriate to prevent the abuse of the exception provided by this paragraph.

"(5) CERTAIN RULES TO APPLY.—For purposes of this subsection, the rules of paragraphs (3) and (4) of section 246(c) shall apply.

"(6) TAXES ALLOWED AS DEDUCTION, ETC.—Sections 275 and 78 shall not apply to any tax which is not allowable as a credit under subsection (a) by reason of this subsection."

(b) NOTICE OF WITHHOLDING TAXES PAID BY REGULATED INVESTMENT COMPANY.—Subsection (c) of section 853 (relating to foreign tax credit allowed to shareholders) is amended by adding at the end the following new sentence: "Such notice shall also include the amount of such taxes which (without regard to the election under this section) would not be allowable as a credit under section 901(a) to the regulated investment company by reason of section 901(k)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends paid or accrued more than 30 days after the date of the enactment of this Act.

SEC. 1064. PENALTIES FOR FAILURE TO DISCLOSE POSITION THAT CERTAIN INTERNATIONAL TRANSPORTATION INCOME IS NOT INCLUDIBLE IN GROSS INCOME.

(a) IN GENERAL.—Section 883 is amended by adding at the end the following new subsection:

"(d) PENALTIES FOR FAILURE TO DISCLOSE POSITION THAT CERTAIN INTERNATIONAL TRANSPORTATION INCOME IS NOT INCLUDIBLE IN GROSS INCOME.—

"(1) IN GENERAL.—A taxpayer who, with respect to any tax imposed by this title, takes the position that any of its gross income derived from the international operation of 1 or more ships or aircraft is not includible in gross income by reason of paragraph (1) or (2) of subsection (a) or paragraph (1) or (2) of section 872(b) (or by reason of any applicable treaty) shall be entitled to such treatment only if such position is disclosed (in such manner as the Secretary may prescribe) on the return of tax for such tax (or any statement attached to such return).

"(2) ADDITIONAL PENALTIES FOR FAILING TO DISCLOSE POSITION.—If a taxpayer fails to meet the requirement of paragraph (1) for any taxable year with respect to the international operation of 1 or more ships or one or more aircraft—

"(A) the amount of the income from the international operation to which such failure relates—

"(i) which is from sources without the United States, and

"(ii) which is attributable to a fixed place of business in the United States,

shall be treated for purposes of this title as effectively connected with the conduct of a trade or business within the United States, and

"(B) no deductions or credits shall be allowed which are attributable to income from the international operation to which the failure relates.

"(3) REASONABLE CAUSE EXCEPTION.—This subsection shall not apply to a failure to disclose a position if it is shown that such failure is due to reasonable cause and not due to willful neglect."

(b) CONFORMING AMENDMENTS.—Paragraphs (1) and (2) of section 872(b), and paragraph (1) and (2) of 883(a), are each amended by striking "Gross income" each place it appears and inserting "Except as provided in section 883(d), gross income".

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

(2) COORDINATION WITH TREATIES.—The amendments made by this section shall not apply in any case where their application would be contrary to any treaty obligation of the United States.

(d) INFORMATION TO BE PROVIDED BY CUSTOMS SERVICE.—The United States Custom Service shall provide the Secretary of the Treasury or his delegate with such information as may be specified by such Secretary in order to enable such Secretary to determine whether ships which are not registered in the United States are engaged in transportation to or from the United States.

SEC. 1065. INTEREST ON UNDERPAYMENTS NOT REDUCED BY FOREIGN TAX CREDIT CARRYBACKS.

(a) IN GENERAL.—Subsection (d) of section 6601 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) FOREIGN TAX CREDIT CARRYBACKS.—If any credit allowed for any taxable year is increased by reason of a carryback of tax paid or accrued to foreign countries or possessions of the United States, such increase shall not affect the computation of interest under this section for the period ending with the filing date for the taxable year in which such taxes were in fact paid or accrued, or, with respect to any portion of such credit carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, such increase shall not affect the computation of interest under this section for the period ending with the filing date for such subsequent taxable year."

(b) CONFORMING AMENDMENT TO REFUNDS ATTRIBUTABLE TO FOREIGN TAX CREDIT CARRYBACKS.—

(1) IN GENERAL.—Subsection (f) of section 6611 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) FOREIGN TAX CREDIT CARRYBACKS.—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from a carryback of tax paid or accrued to foreign countries or possessions of the United States, such overpayment shall be deemed not to have been made before the filing date for the taxable year in which such taxes were in fact paid or accrued, or, with respect to any portion of such credit carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, such overpayment shall be deemed not to have been made before the filing date for such subsequent taxable year."

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (4) of section 6611(f) (as so redesignated) is amended—

(i) by striking "PARAGRAPHS (1) AND (2)" and inserting "PARAGRAPHS (1), (2), AND (3)", and

(ii) by striking "paragraph (1) or (2)" each place it appears and inserting "paragraph (1), (2), or (3)".

(B) Clause (ii) of section 6611(f)(4)(B) (as so redesignated) is amended by striking "and" at the end of subclause (I), by redesignating subclause (II) as subclause (III), and by inserting after subclause (I) the following new subclause:

"(II) in the case of a carryback of taxes paid or accrued to foreign countries or possessions of the United States, the taxable year in which such taxes were in fact paid or accrued (or, with respect to any portion of such carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, such subsequent taxable year), and".

(C) Subclause (III) of section 6611(f)(4)(B)(ii) (as so redesignated) is amended by inserting "(as defined in paragraph (3)(B))" after "credit carryback" the first place it appears.

(D) Section 6611 is amended by striking subsection (g) and by redesignating subsections (h) and (i) as subsections (g) and (h), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to carrybacks arising in taxable years beginning after the date of the enactment of this Act.

Subtitle H—Other Revenue Provisions

SEC. 1071. TERMINATION OF SUSPENSE ACCOUNTS FOR FAMILY CORPORATIONS REQUIRED TO USE ACCRUAL METHOD OF ACCOUNTING.

(a) IN GENERAL.—Subsection (i) of section 447 (relating to method of accounting for corporations engaged in farming) is amended by adding at the end the following new paragraph:

"(7) TERMINATION.—

"(A) IN GENERAL.—No suspense account may be established under this subsection by any corporation required by this section to change its method of accounting for any taxable year ending after June 8, 1997.

"(B) PHASEOUT OF EXISTING SUSPENSE ACCOUNTS.—

"(i) IN GENERAL.—Each suspense account under this subsection shall be reduced (but not below zero) for each taxable year beginning after June 8, 1997, by an amount equal to the lesser of—

"(I) the applicable portion of such account, or

"(II) 50 percent of the taxable income of the corporation for the taxable year, or, if the corporation has no taxable income for such year, the amount of any net operating loss (as defined in section 172(c)) for such taxable year.

For purposes of the preceding sentence, the amount of taxable income and net operating loss shall be determined without regard to this paragraph.

"(ii) COORDINATION WITH OTHER REDUCTIONS.—The amount of the applicable portion for any taxable year shall be reduced (but not below zero) by the amount of any reduction required for such taxable year under any other provision of this subsection.

"(iv) INCLUSION IN INCOME.—Any reduction in a suspense account under this paragraph shall be included in gross income for the taxable year of the reduction.

"(C) APPLICABLE PORTION.—For purposes of subparagraph (B), the term 'applicable portion' means, for any taxable year, the amount which would ratably reduce the amount in the account (after taking into account prior reductions) to zero over the period consisting of such taxable year and the remaining taxable years in such first 20 taxable years.

"(D) AMOUNTS AFTER 20TH YEAR.—Any amount in the account as of the close of the 20th year referred to in subparagraph (C) shall be treated as the applicable portion for each succeeding year thereafter to the extent not reduced under this paragraph for any prior taxable year after such 20th year."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after June 8, 1997.

SEC. 1072. ALLOCATION OF BASIS AMONG PROPERTIES DISTRIBUTED BY PARTNERSHIP.

(a) IN GENERAL.—Subsection (c) of section 732 is amended to read as follows:

"(c) ALLOCATION OF BASIS.—

"(1) IN GENERAL.—The basis of distributed properties to which subsection (a)(2) or (b) is applicable shall be allocated—

"(A) first to any unrealized receivables (as defined in section 751(c)) and inventory items (as defined in section 751(d)(2)) in an amount equal to the adjusted basis of each such property to the partnership (or if the basis to be allocated is less than the sum of the adjusted bases of such properties to the partnership, in the manner provided in paragraph (3)), and

"(B) to the extent of any remaining basis, to other distributed properties—

"(i) first to the extent of each such property's adjusted basis to the partnership, and

"(ii) then, to the extent any increase or decrease in basis is required in order to have the adjusted bases of such other distributed properties equal such remaining basis, in the manner provided in paragraph (2) or (3), whichever is appropriate.

"(2) METHOD OF ALLOCATING INCREASE.—Any increase required under paragraph (1)(B) shall be allocated among the properties—

"(A) first to properties with unrealized appreciation in proportion to their respective amounts of unrealized appreciation before such increase (but only to the extent of each property's unrealized appreciation), and

"(B) then, to the extent such increase is not allocated under subparagraph (A), in proportion to their respective fair market values.

"(3) METHOD OF ALLOCATING DECREASE.—Any decrease required under paragraph (1)(A) or (1)(B) shall be allocated—

"(A) first to properties with unrealized depreciation in proportion to their respective amounts of unrealized depreciation before such decrease (but only to the extent of each property's unrealized depreciation), and

"(B) then, to the extent such decrease is not allocated under subparagraph (A), in proportion to their respective adjusted bases (as adjusted under subparagraph (A))."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after the date of the enactment of this Act.

SEC. 1073. REPEAL OF REQUIREMENT THAT INVENTORY BE SUBSTANTIALLY APPRECIATED.

(a) IN GENERAL.—Paragraph (2) of section 751(a) is amended to read as follows:

"(2) inventory items of the partnership,".

(b) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 751 is amended to read as follows:

"(d) INVENTORY ITEMS.—For purposes of this subchapter, the term 'inventory items' means—

"(1) property of the partnership of the kind described in section 1221(1),

"(2) any other property of the partnership which, on sale or exchange by the partnership, would be considered property other than a capital asset and other than property described in section 1231,

"(3) any other property of the partnership which, if sold or exchanged by the partnership, would result in a gain taxable under subsection (a) of section 1246 (relating to gain on foreign investment company stock), and

"(4) any other property held by the partnership which, if held by the selling or distributee partner, would be considered property of the type described in paragraph (1), (2), or (3)."

(2) Sections 724(d)(2), 731(a)(2)(B), 731(c)(6), 732(c)(1)(A) (as amended by the preceding section), 735(a)(2), and 735(c)(1) are each amended by striking "section 751(d)(2)" and inserting "section 751(d)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales, exchanges, and distributions after the date of the enactment of this Act.

SEC. 1074. EXTENSION OF TIME FOR TAXING PRECONTRIBUTION GAIN.

(a) IN GENERAL.—Sections 704(c)(1)(B) and 737(b)(1) are each amended by striking "5 years" and inserting "10 years".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to property contributed to a partnership after June 8, 1997.

SEC. 1075. LIMITATION ON PROPERTY FOR WHICH INCOME FORECAST METHOD MAY BE USED.

(a) LIMITATION.—Subsection (g) of section 167 is amended by adding at the end the following new paragraph:

"(6) LIMITATION ON PROPERTY FOR WHICH INCOME FORECAST METHOD MAY BE USED.—The depreciation deduction allowable under this section may be determined under the income forecast method or any similar method only with respect to—

"(A) property described in paragraph (3) or (4) of section 168(f),

"(B) copyrights,

"(C) books,

"(D) patents, and

"(E) other property specified in regulations.

Such methods may not be used with respect to any amortizable section 197 intangible (as defined in section 197(c))."

(b) DEPRECIATION PERIOD FOR RENT-TO-OWN PROPERTY.—

(1) IN GENERAL.—Subparagraph (A) of section 168(e)(3) (relating to 3-year property) is amended by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", and", and by adding at the end the following new clause:

"(iii) any qualified rent-to-own property."

(2) 4-YEAR CLASS LIFE.—The table contained in section 168(g)(3)(B) is amended by inserting before the first item the following new item:

"(A)(iii) ..... 4 "

(3) DEFINITION OF QUALIFIED RENT-TO-OWN PROPERTY.—Subsection (i) of section 168 is amended by adding at the end the following new paragraph:

"(14) QUALIFIED RENT-TO-OWN PROPERTY.—

"(A) IN GENERAL.—The term 'qualified rent-to-own property' means property held by a rent-to-own dealer for purposes of being subject to a rent-to-own contract.

"(B) RENT-TO-OWN DEALER.—The term 'rent-to-own dealer' means a person that, in the ordinary course of business, regularly enters into rent-to-own contracts with customers for the use of consumer property, if a substantial portion of those contracts terminate and the property is returned to such person before the receipt of all payments required to transfer ownership of the property from such person to the customer.

"(C) CONSUMER PROPERTY.—The term 'consumer property' means tangible personal property of a type generally used within the home. Such term shall not include cellular telephones and any computer or peripheral equipment (as defined in section 168(i)).

"(D) RENT-TO-OWN CONTRACT.—The term 'rent-to-own contract' means any lease for the use of consumer property between a rent-to-own dealer and a customer who is an individual which—

"(i) is titled 'Rent-to-Own Agreement' or 'Lease Agreement with Ownership Option,' or uses other similar language,

"(ii) provides for level, regular periodic payments (for a payment period which is a week or month),

"(iii) provides that legal title to such property remains with the rent-to-own dealer until the customer makes all the payments described in clause (ii) or early purchase payments required under the contract to acquire legal title to the item of property,

"(iv) provides a beginning date and a maximum period of time for which the contract may be in effect that does not exceed 156 weeks or 36 months from such beginning date (including renewals or options to extend),

"(v) provides for level payments within the 156-week or 36-month period that, in the aggregate, generally exceed the normal retail price of the consumer property plus interest,

"(vi) provides for payments under the contract that, in the aggregate, do not exceed $10,000 per item of consumer property,

"(vii) provides that the customer does not have any legal obligation to make all the payments referred to in clause (ii) set forth under the contract, and that at the end of each payment period the customer may either continue to use the consumer property by making the payment for the next payment period or return such property to the rent-to-own dealer in good working order, in which case the customer does not incur any further obligations under the contract and is not entitled to a return of any payments previously made under the contract, and

"(viii) provides that the customer has no right to sell, sublease, mortgage, pawn, pledge, encumber, or otherwise dispose of the consumer property until all the payments stated in the contract have been made."

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 1076. REPEAL OF SPECIAL RULE FOR RENTAL USE OF VACATION HOMES, ETC., FOR LESS THAN 15 DAYS.

(a) IN GENERAL.—Section 280A (relating to disallowance of certain expenses in connection with business use of home, rental of vacation homes, etc.) is amended by striking subsection (g).

(b) NO BASIS REDUCTION UNLESS DEPRECIATION CLAIMED.—Section 1016 is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) SPECIAL RULE WHERE RENTAL USE OF VACATION HOME, ETC., FOR LESS THAN 15 DAYS.—If a dwelling unit is used during the taxable year by the taxpayer as a residence and such dwelling unit is actually rented for less than 15 days during the taxable year, the reduction under subsection (a)(2) by reason of such rental use in any taxable year beginning after December 31, 1997, shall not exceed the depreciation deduction allowed for such rental use."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 1077. EXPANSION OF REQUIREMENT THAT INVOLUNTARILY CONVERTED PROPERTY BE REPLACED WITH PROPERTY ACQUIRED FROM AN UNRELATED PERSON.

(a) IN GENERAL.—Subsection (i) of section 1033 is amended to read as follows:

"(i) REPLACEMENT PROPERTY MUST BE ACQUIRED FROM UNRELATED PERSON IN CERTAIN CASES.—

"(1) IN GENERAL.—If the property which is involuntarily converted is held by a taxpayer to which this subsection applies, subsection (a) shall not apply if the replacement property or stock is acquired from a related person. The preceding sentence shall not apply to the extent that the related person acquired the replacement property or stock

from an unrelated person during the period applicable under subsection (a)(2)(B).

"(2) TAXPAYERS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to—

"(A) a C corporation,

"(B) a partnership in which 1 or more C corporations own, directly or indirectly (determined in accordance with section 707(b)(3)), more than 50 percent of the capital interest, or profits interest, in such partnership at the time of the involuntary conversion, and

"(C) any other taxpayer if, with respect to property which is involuntarily converted during the taxable year, the aggregate of the amount of realized gain on such property on which there is realized gain exceeds $100,000. In the case of a partnership, subparagraph (C) shall apply with respect to the partnership and with respect to each partner. A similar rule shall apply in the case of an S corporation and its shareholders.

"(3) RELATED PERSON.—For purposes of this subsection, a person is related to another person if the person bears a relationship to the other person described in section 267(b) or 707(b)(1)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to involuntary conversions occurring after June 8, 1997.

SEC. 1078. TREATMENT OF EXCEPTION FROM INSTALLMENT SALES RULES FOR SALES OF PROPERTY BY A MANUFACTURER TO A DEALER.

(a) IN GENERAL.—Paragraph (2) of section 811(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) COORDINATION WITH SECTION 481.—In the case of any taxpayer required by this section to change its method of accounting for any taxable year—

(A) such changes shall be treated as initiated by the taxpayer,

(B) such changes shall be treated as made with the consent of the Secretary, and

(C) the net amount of the adjustments required to be taken into account under section 481(a) of the Internal Revenue Code of 1986 shall be taken into account ratably over the 4 taxable year period beginning with the first taxable year beginning after the date of the enactment of this Act.

H.R. 2014

OFFERED BY: MR. ARCHER

AMENDMENT NO. 2: Strike "Revenue Reconciliation Act of 1997" each place it appears and insert "Taxpayer Relief Act of 1997".

Page 13, strike lines 1 through 10, and insert the following:

"(2) REDUCTION FOR DEPENDENT CARE CREDIT.—In the case of taxable years beginning after December 31, 1999—

"(A) IN GENERAL.—The credit allowed by subsection (a) for the taxable year (determined after paragraph (1) but before paragraph (3)) shall be reduced by the amount equal to 50 percent of the credit allowed under section 21 for such taxable year (determined after section 26(c)).

"(B) EXCEPTION BASED ON ADJUSTED GROSS INCOME.—

"(i) IN GENERAL.—Subparagraph (A) shall not apply to a taxpayer whose modified adjusted gross income for the taxable year does not exceed the threshold amount.

"(ii) PHASEIN OF REDUCTION.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds the threshold amount by less than $5,000, the amount of the reduction under subparagraph (A) shall be an amount which bears the same ratio to the amount of such reduction (determined without regard to this clause) as the excess of the taxpayer's modified adjusted gross income over the threshold amount bears to $5,000. In the case of a joint return, the preceding sentence shall be applied by substituting '$10,000' for '$5,000' each place it appears.

"(iii) THRESHOLD AMOUNT.—For purposes of this subparagraph, the term 'threshold amount' means—

"(I) $60,000 in the case of a joint return,

"(II) $33,000 in the case of an individual who is not married, and

"(III) $25,000 in the case of a married individual filing a separate return.

For purposes of this clause, marital status shall be determined under section 7703.

"(iv) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subparagraph, the term 'modified adjusted gross income' has the meaning given such term by section 26(c)."

Page 13, line 11, strike "(B)" and insert "(C)".

Page 16, after line 5, insert the following new subsections:

(e) NOTICE OF CREDIT.—The Secretary of the Treasury or his delegate shall include in any booklet of instructions for Form 1040, 1040A, or 1040EZ prepared by such Secretary for filing individual income tax returns for taxable years beginning in 1998 a notice which states only the following: "The Taxpayer Relief Act of 1997 which was recently passed by the Congress has fulfilled its promise to provide tax relief to American families. The Act's child tax credit allows American families to reduce their taxes by $400 per child for 1998 and $500 per child after 1998. You may wish to check with your employer about changing your tax withholding."

(f) ADJUSTMENTS TO WITHHOLDING.—

(1) IN GENERAL.—The Secretary of the Treasury or his delegate shall modify the tables and procedures under section 3402 of the Internal Revenue Code of 1986 such that every employer making payment of wages during calendar year 1998 to any specified employee—

(A) shall reduce the amount deducted and withheld as tax under chapter 24 of such Code for any payroll or other period during such year to reflect such period's proportionate share of the child care credit amount, and

(B) shall, before implementing such reduction, provide reasonable notice to such employees that such a reduction will apply to each specified employee who does not provide the employer with the notice referred to in paragraph (5).

(2) SPECIFIED EMPLOYEE.—For purposes of this subsection, the term "specified employee" means any employee—

(A) whose wages from the employer on an annualized basis are reasonably expected to be at least $30,000 but not more than $100,000, and

(B) who claims more than the base number of withholding exemptions on the withholding exemption certificate furnished to the employer.

For purposes of the preceding sentence, the term "base number" means 1 withholding exemption if the certificate reflects withholding for an unmarried individual and 2 withholding exemptions if the certificate reflects withholding for a married individual.

(3) CHILD CARE CREDIT AMOUNT.—For purposes of this subsection, the term "child care credit amount" means the lesser of $800 or the amount equal to the product of—

(A) $400, and

(B) the number of withholding exemptions claimed by the employee on the withholding exemption certificate furnished to the employer to the extent such number exceeds the base number (as defined in paragraph (2)) of such exemptions.

(4) PROPORTIONATE SHARE.—For purposes of this subsection, except as provided by the Secretary of the Treasury or his delegate, a period's proportionate share of the child care credit amount is the amount which bears the same ratio to the child care credit amount as the number of days in such period bears to 365.

(5) NOTICE TO HAVE SUBSECTION NOT APPLY TO EMPLOYEE.—This subsection shall not apply to any employee who provides written notice (in such form as the Secretary shall prescribe) to the employer of such employee's decision not to have this subsection apply to such employee.

(6) DEFINITIONS.—Terms used in this subsection which are also used in chapter 24 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such chapter.

Page 99, after line 22, insert the following new paragraph:

(4) APPLICATION OF ESTIMATED TAX RULES FOR 1998.—Clause (i) of section 6654(d)(1)(C) of the Internal Revenue Code of 1986 shall be applied by substituting "105 percent" for "110 percent" where the preceding taxable year referred to in such clause is a taxable year beginning in calendar year 1997.

Page 141, strike lines 4 through 7 and insert the following new section:

SEC. 403. REPEAL OF ADJUSTMENT FOR DEPRECIATION.

(a) IN GENERAL.—Clause (i) of section 56(a)(1)(A) is amended by inserting "and before January 1, 1999," after "December 31, 1986,".

(b) STUDY.—

(1) IN GENERAL.—Because it is the intent of Congress that the amendment made by subsection (a) not have the result of permitting any corporation with taxable income from current year operations to pay no Federal income tax, the Secretary of the Treasury or his delegate shall conduct a study to determine whether such amendment has that result and, if so, the policy implications of that result.

(2) REPORT.—The report of such study shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than January 1, 2001.

Page 173, after line 22, insert the following new section (and amend the table of contents accordingly):

SEC. 605. BUDGETARY TREATMENT OF EXPIRING PREFERENTIAL EXCISE TAX RATES WHICH ARE DEDICATED TO TRUST FUNDS.

(a) IN GENERAL.—Subparagraph (C) of section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 (relating to the baseline) is amended by inserting before the period "; except that any expiring preferential rate (and any credit or refund related thereto) shall be assumed not to be extended".

(b) ESTIMATE OF REVENUE GAIN FROM CORRECTING BASELINE.—For purposes of estimating revenues under budget reconciliation, the impact of the amendment made by subsection (a) on the calculation of the baseline shall be determined in the same manner as if such amendment were an amendment to the Internal Revenue Code of 1986.

(c) BUDGET ACT POINT OF ORDER.—For purposes of section 311(a) of the Congressional

Budget Act of 1974, the appropriate level of revenues shall be determined on the assumption that any expiring preferential rate (and any credit or refund related thereto) of any excise tax dedicated to a trust fund shall expire according to current law.

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to budget years beginning after the date of the enactment of this Act.

Page 377, strike lines 10 through 15, and insert the following new subsection:

(g) DELAYED DEPOSITS OF AIRLINE TICKET TAX REVENUES.—Notwithstanding section 6302 of the Internal Revenue Code of 1986, in the case of deposits of taxes imposed by section 4261 of the Internal Revenue Code of 1986, the due date for any such deposit which would (but for this subsection) be required to be made—

(1) after August 14, 1997, and before October 1, 1997, shall be October 10, 1997, or

(2) after June 30, 1998, and before October 1, 1998, shall be October 13, 1998.

Page 387, strike line 1 and all that follows through line 6 on page 395 (relating to reduction of incentives for alcohol fuels) and amend the table of contents accordingly.

Page 395, line 7, strike "1044" and insert "1043" (and amend the table of contents accordingly).

H.R. 2015

OFFERED BY: MR. KASICH

AMENDMENT NO. 1: In section 1002, in the amendment made to section 16(h)(1)(B) of the Food Stamp Act of 1977, amend clause (ii) to read as follows:

"(ii) not less than 80 percent of the funds provided in this subparagraph shall be used by a State agency for employment and training programs under section 6(d)(4), other than job search or job search training programs, for food stamp recipients not excepted by section 6(o)(3).

Strike subtitle D of title III and insert the following:

Subtitle D—Communications

SEC. 3301. SPECTRUM AUCTIONS.

(a) EXTENSION AND EXPANSION OF AUCTION AUTHORITY.—

(1) AMENDMENTS.—Section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) is amended—

(A) by striking paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) GENERAL AUTHORITY.—If, consistent with the obligations described in paragraph (6)(E), mutually exclusive applications are accepted for any initial license or construction permit which will involve an exclusive use of the electromagnetic spectrum, then the Commission shall grant such license or permit to a qualified applicant through a system of competitive bidding that meets the requirements of this subsection.

"(2) EXEMPTIONS.—The competitive bidding authority granted by this subsection shall not apply to licenses or construction permits issued by the Commission—

"(A) that, as the result of the Commission carrying out the obligations described in paragraph (6)(E), are not mutually exclusive;

"(B) for public safety radio services, including private internal radio services used by non-Government entities, that—

"(i) protect the safety of life, health, or property; and

"(ii) are not made commercially available to the public;

"(C) for initial licenses or construction permits assigned by the Commission to existing terrestrial broadcast licensees for new terrestrial digital television services; or

"(D) for public telecommunications services, as defined in section 397(14) of the Communications Act of 1934 (47 U.S.C. 397(14)), when the license application is for channels reserved for noncommercial use.";

(B) in paragraph (3)—

(i) by inserting after the second sentence the following new sentence: "The Commission shall, directly or by contract, provide for the design and conduct (for purposes of testing) of competitive bidding using a contingent combinatorial bidding system that permits prospective bidders to bid on combinations or groups of licenses in a single bid and to enter multiple alternative bids within a single bidding round.";

(ii) by striking "and" at the end of subparagraph (C);

(iii) by striking the period at the end of subparagraph (D) and inserting "; and"; and

(iv) by adding at the end the following new subparagraph:

"(E) ensuring that, in the scheduling of any competitive bidding under this subsection, an adequate period is allowed—

"(i) before issuance of bidding rules, to permit notice and comment on proposed auction procedures; and

"(ii) after issuance of bidding rules, to ensure that interested parties have a sufficient time to develop business plans, assess market conditions, and evaluate the availability of equipment for the relevant services.";

(C) in paragraph (4)—

(i) by striking "and" at the end of subparagraph (D);

(ii) by striking the period at the end of subparagraph (E) and inserting "; and"; and

(iii) by adding at the end the following new subparagraph:

"(F) establish methods by which a minimum bid, in an amount that is more than nominal in relation to the value of the public spectrum resource being made available, will be required to obtain any license or permit being assigned pursuant to the competitive bidding.";

(D) in paragraph (8)—

(i) by striking subparagraph (B); and

(ii) by redesignating subparagraph (C) as subparagraph (B);

(E) in paragraph (11), by striking "September 30, 1998" and inserting "December 31, 2002"; and

(F) in paragraph (13)(F), by striking "September 30, 1998" and inserting "the date of enactment of the Balanced Budget Act of 1997".

(2) CONFORMING AMENDMENT.—Subsection (i) of section 309 of the Communications Act of 1934 (47 U.S.C. 309(i)) is repealed.

(3) EFFECTIVE DATE.—The amendment made by paragraph (1)(A) shall not apply with respect to any license or permit for which the Federal Communications Commission has accepted mutually exclusive applications on or before the date of enactment of this Act.

(b) COMMISSION OBLIGATION TO MAKE ADDITIONAL SPECTRUM AVAILABLE BY AUCTION.—

(1) IN GENERAL.—The Federal Communications Commission shall complete all actions necessary to permit the assignment, by September 30, 2002, by competitive bidding pursuant to section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) of licenses for the use of bands of frequencies that—

(A) individually span not less than 25 megahertz, unless a combination of smaller bands can, notwithstanding the provisions of paragraph (7) of such section, reasonably be expected to produce greater receipts;

(B) in the aggregate span not less than 100 megahertz;

(C) are located below 3 gigahertz;

(D) have not, as of the date of enactment of this Act—

(i) been designated by Commission regulation for assignment pursuant to such section;

(ii) been identified by the Secretary of Commerce pursuant to section 113 of the National Telecommunications and Information Administration Organization Act;

(iii) been allocated for Federal Government use pursuant to section 305 of the Communications Act of 1934 (47 U.S.C. 305);

(iv) been designated in section 3303 of this Act; or

(v) been allocated for unlicensed use pursuant to part 15 of the Commission's regulations (47 C.F.R. Part 15), if the competitive bidding for licenses would interfere with operation of end-user products permitted under such regulations;

(E) notwithstanding section 115(b)(1)(B) of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 925(b)(1)(B)) or any proposal pursuant to such section, include frequencies at 1,710–1,755 megahertz;

(F) include frequencies at 2,110–2,150 megahertz; and

(G) include 15 megahertz from within the bands of frequencies at 1,990–2,110 megahertz.

(2) SCHEDULE FOR ASSIGNMENT OF 1,710–1,755 MEGAHERTZ.—The Commission shall commence competitive bidding for the commercial licenses pursuant to paragraph (1)(E) after January 1, 2001. The Commission shall complete the assignment of such commercial licenses, and report to the Congress the total revenues from such competitive bidding, by September 30, 2002.

(3) USE OF BANDS AT 2,110–2,150 MEGAHERTZ.—The Commission shall reallocate spectrum located at 2,110-2,150 megahertz for assignment by competitive bidding unless the Commission determines that auction of other spectrum (A) better serves the public interest, convenience, and necessity, and (B) can reasonably be expected to produce greater receipts. If the Commission makes such a determination, then the Commission shall, within 2 years after the date of enactment of this Act, identify an alternative 40 megahertz, and report to the Congress an identification of such alternative 40 megahertz for assignment by competitive bidding.

(4) USE OF 15 MEGAHERTZ FROM BANDS AT 1,990–2,110 MEGAHERTZ.—The Commission shall reallocate 15 megahertz from spectrum located at 1,990-2,110 megahertz for assignment by competitive bidding unless the President determines such spectrum cannot be reallocated due to the need to protect incumbent Federal systems from interference, and that allocation of other spectrum (A) better serves the public interest, convenience, and necessity, and (B) can reasonably be expected to produce greater receipts. If the President makes such a determination, then the President shall, within 2 years after the date of enactment of this Act, identify alternative bands of frequencies totalling 15 megahertz, and report to the Congress an identification of such alternative bands for assignment by competitive bidding.

(5) CRITERIA FOR REASSIGNMENT.—In making available bands of frequencies for competitive bidding pursuant to paragraph (1), the Commission shall—

(A) seek to promote the most efficient use of the spectrum;

(B) take into account the cost to incumbent licensees of relocating existing uses to other bands of frequencies or other means of communication; and

(C) comply with the requirements of international agreements concerning spectrum allocations.

(6) NOTIFICATION TO NTIA.—The Commission shall notify the Secretary of Commerce if—

(A) the Commission is not able to provide for the effective relocation of incumbent licensees to bands of frequencies that are available to the Commission for assignment; and

(B) the Commission has identified bands of frequencies that are—

(i) suitable for the relocation of such licensees; and

(ii) allocated for Federal Government use, but that could be reallocated pursuant to part B of the National Telecommunications and Information Administration Organization Act (as amended by this Act).

(c) IDENTIFICATION AND REALLOCATION OF FREQUENCIES.—The National Telecommunications and Information Administration Organization Act (47 U.S.C. 901 et seq.) is amended—

(1) in section 113, by adding at the end the following new subsection:

"(f) ADDITIONAL REALLOCATION REPORT.—If the Secretary receives a notice from the Commission pursuant to section 3301(b)(3) of the Balanced Budget Act of 1997, the Secretary shall prepare and submit to the President, the Commission, and the Congress a report recommending for reallocation for use other than by Federal Government stations under section 305 of the 1934 Act (47 U.S.C. 305), bands of frequencies that are suitable for the uses identified in the Commission's notice. The Commission shall, not later than one year after receipt of such report, prepare, submit to the President and the Congress, and implement, a plan for the immediate allocation and assignment of such frequencies under the 1934 Act to incumbent licencees described in section 3301(b)(3) of the Balanced Budget Act of 1997."; and

(2) in section 114(a)(1), by striking "(a) or (d)(1)" and inserting "(a), (d)(1), or (f)".

(d) IDENTIFICATION AND REALLOCATION OF AUCTIONABLE FREQUENCIES.—The National Telecommunications and Information Administration Organization Act (47 U.S.C. 901 et seq.) is amended—

(1) in section 113(b)—

(A) by striking the heading of paragraph (1) and inserting "INITIAL REALLOCATION REPORT";

(B) by inserting "in the first report required by subsection (a)" after "recommend for reallocation" in paragraph (1);

(C) by inserting "or (3)" after "paragraph (1)" each place it appears in paragraph (2); and

(D) by inserting after paragraph (2) the following new paragraph:

"(3) SECOND REALLOCATION REPORT.—In accordance with the provisions of this section, the Secretary shall recommend for reallocation in the second report required by subsection (a), for use other than by Federal Government stations under section 305 of the 1934 Act (47 U.S.C. 305), a band or bands of frequencies that—

"(A) in the aggregate span not less than 20 megahertz;

"(B) individually span not less than 20 megahertz, unless a combination of smaller bands can reasonably be expected to produce greater receipts;

"(C) are located below 3 gigahertz; and

"(D) meet the criteria specified in paragraphs (1) through (5) of subsection (a)."; and

(2) in section 115—

(A) in subsection (b), by striking "the report required by section 113(a)" and inserting "the initial reallocation report required by section 113(a)"; and

(B) by adding at the end the following new subsection:

"(c) ALLOCATION AND ASSIGNMENT OF FREQUENCIES IDENTIFIED IN THE SECOND REALLOCATION REPORT.—With respect to the frequencies made available for reallocation pursuant to section 113(b)(3), the Commission shall, not later than one year after receipt of the second reallocation report required by such section, prepare, submit to the President and the Congress, and implement, a plan for the immediate allocation and assignment under the 1934 Act of all such frequencies in accordance with section 309(j) of such Act.".

SEC. 3302. AUCTION OF RECAPTURED BROADCAST TELEVISION SPECTRUM.

Section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) is amended by adding at the end the following new paragraph:

"(14) AUCTION OF RECAPTURED BROADCAST TELEVISION SPECTRUM.—

"(A) LIMITATIONS ON TERMS OF TERRESTRIAL TELEVISION BROADCAST LICENSES.—A television license that authorizes analog television services may not be renewed to authorize such service for a period that extends beyond December 31, 2006. The Commission shall have the authority to grant by regulation an extension of such date to licensees in a market if the Commission determines that more than 5 percent of households in such market continue to rely exclusively on over-the-air terrestrial analog television signals.

"(B) SPECTRUM REVERSION AND RESALE.—

"(i) The Commission shall ensure that, when the authority to broadcast analog television services under a license expires pursuant to subparagraph (A), each licensee shall return spectrum according to the Commission's direction and the Commission shall reclaim such spectrum.

"(ii) Licensees for new services occupying spectrum reclaimed pursuant to clause (i) shall be selected in accordance with this subsection. The Commission shall complete the assignment of such licenses, and report to the Congress the total revenues from such competitive bidding, by September 30, 2002.

"(C) CERTAIN LIMITATIONS ON QUALIFIED BIDDERS PROHIBITED.—In prescribing any regulations relating to the qualification of bidders for spectrum reclaimed pursuant to subparagraph (B)(i), the Commission shall not—

"(i) preclude any party from being a qualified bidder for spectrum that is allocated for any use that includes digital television service on the basis of—

"(I) the Commission's duopoly rule (47 C.F.R. 73.3555(b)); or

"(II) the Commission's newspaper cross-ownership rule (47 C.F.R. 73.3555(d)); or

"(ii) apply either such rule to preclude such a party that is a successful bidder in a competitive bidding for such spectrum from using such spectrum for digital television service.

"(D) DEFINITIONS.—As used in this paragraph:

"(i) The term 'digital television service' means television service provided using digital technology to enhance audio quality and video resolution, as further defined in the Memorandum Opinion, Report, and Order of the Commission entitled 'Advanced Television Systems and Their Impact Upon the Existing Television Service', MM Docket No. 87-268 and any subsequent Commission proceedings dealing with digital television.

"(ii) The term 'analog television service' means service provided pursuant to the transmission standards prescribed by the Commission in section 73.682(a) of its regulation (47 CFR 73.682(a)).".

SEC. 3303. ALLOCATION AND ASSIGNMENT OF NEW PUBLIC SAFETY AND COMMERCIAL LICENSES.

(a) IN GENERAL.—The Federal Communications Commission shall, not later than January 1, 1998, allocate on a national, regional, or market basis, from radio spectrum between 746 megahertz and 806 megahertz—

(1) 24 megahertz of that spectrum for public safety services according to the terms and conditions established by the Commission, unless the Commission determines that the needs for public safety services can be met in particular areas with allocations of less than 24 megahertz; and

(2) the remainder of that spectrum for commercial purposes to be assigned by competitive bidding in accordance with section 309(j).

(b) ASSIGNMENT.—The Commission shall—

(1) assign the licenses for public safety created pursuant to subsection (a) no later than March 31, 1998;

(2) commence competitive bidding for the commercial licenses created pursuant to subsection (a) after January 1, 2001; and

(3) complete competitive bidding for such commercial licenses, and report to the Congress the total revenues from such competitive bidding, by September 30, 2002.

(c) LICENSING OF UNUSED FREQUENCIES FOR PUBLIC SAFETY RADIO SERVICES.—

(1) USE OF UNUSED CHANNELS FOR PUBLIC SAFETY.—It shall be the policy of the Commission, notwithstanding any other provision of this Act or any other law, to waive whatever licensee eligibility and other requirements (including bidding requirements) are applicable in order to permit the use of unassigned frequencies for public safety purposes by a State or local governmental agency upon a showing that—

(A) no other existing satisfactory public safety channel is immediately available to satisfy the requested use;

(B) the proposed use is technically feasible without causing harmful interference to existing stations in the frequency band entitled to protection from such interference under the rules of the Commission; and

(C) use of the channel for public safety purposes is consistent with other existing public safety channel allocations in the geographic area of proposed use.

(2) APPLICABILITY.—Paragraph (1) shall apply to any application that is pending before the Federal Communications Commission, or that is not finally determined under either section 402 or 405 of the Communications Act of 1934 (47 U.S.C. 402, 405) on May 15, 1997, or that is filed after such date.

(d) CONDITIONS ON LICENSES.—With respect to public safety and commercial licenses granted pursuant to this subsection, the Commission shall—

(1) establish interference limits at the boundaries of the spectrum block and service area;

(2) establish any additional technical restrictions necessary to protect full-service analog television service and digital television service during a transition to digital television service; and

(3) permit public safety and commercial licensees—

(A) to aggregate multiple licenses to create larger spectrum blocks and service areas; and

(B) to disaggregate or partition licenses to create smaller spectrum blocks or service areas.

(e) PROTECTION OF QUALIFYING LOW-POWER STATIONS.—After making any allocation or

assignment under this section the Commission shall seek to assure that each qualifying low-power television station is assigned a frequency below 746 megahertz to permit the continued operation of such station.

(f) DEFINITIONS.—For purposes of this section:

(1) COMMISSION.—The term "Commission" means the Federal Communications Commission.

(2) DIGITAL TELEVISION SERVICE.—The term "digital television service" means television service provided using digital technology to enhance audio quality and video resolution, as further defined in the Memorandum Opinion, Report, and Order of the Commission entitled 'Advanced Television Systems and Their Impact Upon the Existing Television Service', MM Docket No. 87-268 and any subsequent Commission proceedings dealing with digital television.

(3) ANALOG TELEVISION SERVICE.—The term "analog television service" means services provided pursuant to the transmission standards prescribed by the Commission in section 73.682(a) of its regulation (47 CFR 73.682(a)).

(4) PUBLIC SAFETY SERVICES.—The term "public safety services" means services—

(A) the sole or principal purpose of which is to protect the safety of life, health, or property;

(B) that are provided—

(i) by State or local government entities; or

(ii) by nongovernmental, private organizations that are authorized by a governmental entity whose primary mission is the provision of such services; and

(C) that are not made commercially available to the public by the provider.

(5) SERVICE AREA.—The term "service area" means the geographic area over which a licensee may provide service and is protected from interference.

(6) SPECTRUM BLOCK.—The term "spectrum block" means the range of frequencies over which the apparatus licensed by the Commission is authorized to transmit signals.

(7) QUALIFYING LOW-POWER TELEVISION STATIONS.—A station is a qualifying low-power television station if, during the 90 days preceding the date of enactment of this Act—

(A) such station broadcast a minimum of 18 hours per day;

(B) such station broadcast an average of at least 3 hours per week of programming that was produced within the community of license of such station; and

(C) such station was in compliance with the requirements applicable to low-power television stations.

SEC. 3304. ADMINISTRATIVE PROCEDURES FOR SPECTRUM AUCTIONS.

(a) EXPEDITED PROCEDURES.—The rules governing competitive bidding under this subtitle shall be effective immediately upon publication in the Federal Register notwithstanding section 553(d), 801(a)(3), and 806(a) of title 5, United States Code. Chapter 6 of such title, and sections 3507 and 3512 of title 44, United States Code, shall not apply to such rules and competitive bidding procedures governing frequencies assigned under this subtitle. Notwithstanding section 309(b) of the Communications Act of 1934 (47 U.S.C. 309(b)), no application for an instrument of authorization for such frequencies shall be granted by the Commission earlier than 7 days following issuance of public notice by the Commission of the acceptance for filing of such application or of any substantial amendment thereto. Notwithstanding section 309(d)(1) of such Act (47 U.S.C. 309(d)(1)), the Commission may specify a period (no less than 5 days following issuance of such public notice) for the filing of petitions to deny any application for an instrument of authorization for such frequencies.

(b) DEADLINE FOR COLLECTION.—The Commission shall conduct the competitive bidding under this subtitle in a manner that ensures that all proceeds of the bidding are deposited in accordance with section 309(j)(8) of the Communications Act of 1934 not later September 30, 2002.

SEC. 3305. UNIVERSAL SERVICE FUND PAYMENT SCHEDULE.

(a) ACCELERATION OF PAYMENTS.—There shall be available in fiscal year 2001 from funds in the Treasury not otherwise appropriated $2,000,000,000 to the universal service fund under part 54 of the Federal Communications Commission's regulations (47 C.F.R. Part 54) in addition to any other revenues required to be collected under such part.

(b) LIMITATION ON EXPENDITURES.—The outlays of the universal service fund under part 54 of the Federal Communications Commission's regulations (47 C.F.R. Part 54) in fiscal year 2002 shall not exceed the amount of revenue required to be collected in such fiscal year, less $2,000,000,000.

SEC. 3306. INQUIRY REQUIRED.

The Federal Communications Commission shall, not later than July 1, 1997, initiate the inquiry required by section 309(j)(12) of the Communications Act of 1934 (47 U.S.C. 309(j)(12)) for the purposes of collecting the information required for its report under each of subparagraphs (A) through (E) of such section, and shall keep the Congress fully and currently informed with respect to the progress of such inquiry.

Amend section 3422 to read as follows (and conform the table of contents of subtitle E of title III accordingly):

SEC. 3422. PAYMENT OF PART OR ALL OF MEDICARE PART B PREMIUM FOR CERTAIN LOW-INCOME INDIVIDUALS.

(a) ELIGIBILITY.—Section 1902(a)(10)(E) (42 U.S.C. 1396a(a)(10)(E)) is amended—

(1) by striking "and" at the end of clause (ii),

(2) in clause (iii), by striking "and 120 percent in 1995 and years thereafter" and inserting "120 percent in 1995, 1996, and 1997, and 135 percent in 1998 and years thereafter"; and

(3) by inserting after clause (iii) the following:

"(iv) subject to section 1905(p)(4), for making medical assistance available for the portion of medicare cost sharing described in section 1905(p)(3)(A)(ii) that is attributable to the application under section 1839(a)(5) of section 1833(d)(2) for individuals who would be described in clause (iii) but for the fact that their income exceeds 135 percent, but is less than 175 percent, of the official poverty line (referred to in section 1905(p)(2)) for a family of the size involved; and".

(b) 100 PERCENT FEDERAL PAYMENT.—The third sentence of section 1905(b) (42 U.S.C. 1396d(b)) is amended by inserting "and with respect to amounts expended for medical assistance described in section 1902(a)(10)(E)(iii) for individuals described in such section whose income is equal to or exceeds 120 percent of the official poverty line and with respect to amounts expended for medical assistance described in section 1902(a)(10)(E)(iv) for individuals described in such section" before the period at the end.

Strike section 3405 (relating to determination of hospital stay), and conform the table of contents of subtitle E of title III accordingly.

In section 3471(c), strike "October" each place it appears and insert "July".

In section 3502, in the section 2101(a) added by such section, amend paragraphs (3) and (4) to read as follows:

"(3) Direct purchase of services for targeted low-income children from providers, such as Federally qualified health centers and rural health clinics.

"(4) Other methods specified under the plan for the provision of health insurance coverage or medical assistance for targeted low-income children.

In section 3502, amend the section 2103(a) (added by such section) to read as follows:

"(a) TOTAL ALLOTMENT.—The total allotment that is available under this title for—

"(1) fiscal year 1998 is $2,830,000,000,

"(2) fiscal year 1999 is $2,830,000,000,

"(3) fiscal year 2000 is $2,830,000,000,

"(4) fiscal year 2001 is $2,830,000,000,

"(5) fiscal year 2002 is $2,830,000,000, and

"(6) fiscal year 2003 and each succeeding fiscal year is $2,850,000,000.

In section 3502, in the section 2108(c)(4) added by such section, strike "200 percent" and insert "300 percent".

Add at the end of subtitle F of title III the following new section (and conform the table of contents of such subtitle accordingly):

SEC. 3505. STATE OPTION OF CONTINUATION OF MEDICAID ELIGIBILITY FOR DISABLED CHILDREN WHO LOSE SSI BENEFITS.

Section 1902(a)(10)(A)(ii) (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

(1) by striking "or" at the end of subclause (XI),

(2) by striking "or" at the end of subclause (XII), and

(3) by adding at the end the following:

"(XIII) with respect to whom supplemental security income benefits were being paid under title XVI as of the date of the enactment of section 211(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193)) and would continue to be paid but for the enactment of that section;".

In section 4617(a), in the subparagraph (T)(i) inserted by such section, strike "immediately after, or at" and insert "at, or within 48 hours after".

Strike the last sentence of section 403(a)(5)(B)(iv) of the Social Security Act, as proposed to be added by section 5001(a).

Strike subparagraph (H) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 5001(a), and insert the following:

"(H) FUNDING.—The amount specified in this subparagraph is $1,500,000,000 for each of fiscal years 1998 and 1999.

Strike sections 5002 and 5004, redesignate sections 5003 and 5005 as sections 5002 and 5003, respectively, and insert after section 5003 (as so redesignated) the following:

SEC. 5004. RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407 of the Social Security Act (42 U.S.C. 607) is amended by adding at the end the following:

"(j) RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.—

"(1) IN GENERAL.—To the extent that a State to which a grant is made under section 403(a)(5) or any other provision of section 403 uses the grant to establish or operate a work experience or community service program, the State may establish and operate the program in accordance with this subsection.

"(2) PURPOSE.—The purpose of a work experience or community experience program is to provide experience or training for individuals not able to obtain employment in order

to assist them to move to regular employment. Such a program shall be designed to improve the employability of participants through actual work experience to enable individuals participating in the program to move promptly into regular public or private employment. Such a program shall not place individuals in private, for-profit entities.

"(3) LIMITATION ON PROJECTS THAT MAY BE UNDERTAKEN.—A work experience or community service program shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care, and other purposes identified by the State.

"(4) MAXIMUM HOURS OF PARTICIPATION PER MONTH.—A State that elects to establish a work experience or community service program shall operate the program so that each participant participates in the program with the maximum number of hours that any such individual may be required to participate in any month being a number equal to—

"(A)(i) the amount of assistance provided during the month to the family of which the individual is a member under the State program funded under this part; plus

"(ii) the dollar value equivalent of any benefits provided during the month to the household of which the individual is a member under the food stamp program under the Food Stamp Act of 1977; minus

"(iii) any amount collected by the State as child support with respect to the family that is retained by the State; divided by

"(B) the greater of the Federal minimum wage or the applicable State minimum wage.

"(5) MAXIMUM HOURS OF PARTICIPATION PER WEEK.—A State that elects to establish a work experience or community service program may not require any participant in any such program to participate in any such program for a combined total of more than 40 hours per week.

"(6) RULE OF INTERPRETATION.—This subsection shall not be construed as authorizing the provision of assistance under a State program funded under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of participation in a work experience or community service program described in this subsection.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 5005. STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407(c) of the Social Security Act (42 U.S.C. 607(c)) is amended by adding at the end the following:

"(3) STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.—Notwithstanding paragraphs (1) and (2) of this subsection and subsection (d)(8), for purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), an individual who, during a month, has participated in a work experience or community service program operated in accordance with subsection (j), for the maximum number of hours that the individual may be required to participate in such a program during the month shall be treated as engaged in work for the month if, during the month, the individual has participated in any other work activity for a number of hours that is not less than the number of hours required by subsection (c)(1) for the month minus such maximum number of hours.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 5006. WORKER PROTECTIONS.

Section 407(f) of the Social Security Act (42 U.S.C. 607(f)) is amended to read as follows:

"(f) WORKER PROTECTIONS.—

"(1) NONDISPLACEMENT IN WORK ACTIVITIES.—

"(A) GENERAL PROHIBITION.—Subject to this paragraph, an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a work activity.

"(B) PROHIBITION AGAINST VIOLATION OF CONTRACTS.—A work activity shall not violate an existing contract for services or collective bargaining agreement.

"(C) OTHER PROHIBITIONS.—An adult participant in a work activity shall not be employed or assigned—

"(i) when any other individual is on layoff from the same or any substantially equivalent job; or

"(ii) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction if its workforce with the intention of filling the vacancy so created with the participant.

"(2) HEALTH AND SAFETY.—Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working conditions of participants engaged in a work activity.

"(3) NONDISCRIMINATION.—In addition to the protections provided under the provisions of law specified in section 408(c), an individual may not be discriminated against with respect to participation in work activities by reason of gender.

"(4) GRIEVANCE PROCEDURE.—

"(A) IN GENERAL.—Each State to which a grant is made under section 403 shall establish and maintain a procedure for grievances or complaints from employees alleging violations of paragraph (1) and participants in work activities alleging violations of paragraph (1), (2), or (3).

"(B) HEARING.—The procedure shall include an opportunity for a hearing.

"(C) REMEDIES.—The procedure shall include remedies for violation of paragraph (1), (2), or (3), which may include—

"(i) prohibition against placement of a participant with an employer that has violated paragraph (1), (2), or (3);

"(ii) where applicable, reinstatement of an employee, payment of lost wages and benefits, and reestablishment of other relevant terms, conditions and privileges of employment; and

"(iii) where appropriate, other equitable relief.

"(5) NONPREEMPTION OF STATE NONDISPLACEMENT LAWS.—The provisions of this subsection relating to nondisplacement of employees shall not be construed to preempt any provision of State law relating to nondisplacement of employees that affords greater protections to employees than is afforded by such provisions of this subsection.".

In section 5302(a), strike subsection (c) of section 809 of the new part 8 being inserted thereby.

In section 8013(a), in the section 1729A of title 38, United States Code, proposed to be added by that section, strike paragraph (1) of subsection (c) and insert the following (and redesignate the succeeding paragraph accordingly):

"(c)(1) Subject to the provisions of appropriations Acts, amounts in the fund shall be available, without fiscal year limitation, to the Secretary for the following purposes:

"(A) Furnishing medical care and services under this chapter, to be available during any fiscal year for the same purposes and subject to the same limitations (other than with respect to the period of availability for obligation) as apply to amounts appropriated from the general fund of the Treasury for that fiscal year for medical care.

"(B) Expenses of the Department for the identification, billing, auditing, and collection of amounts owed the United States by reason of medical care and services furnished under this chapter.

"(2) Amounts available under paragraph (1) may not be used for any purpose other than a purpose set forth in subparagraph (A) or (B) of that paragraph.

In section 403(a)(5)(B)(i) of the Social Security Act, as proposed to be added by section 9001(a), strike "2000" and insert "1999".

Strike subparagraphs (H) and (I) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 9001(a), and insert the following:

"(H) FUNDING.—The amount specified in this subparagraph is $1,500,000,000 for each of fiscal years 1998 and 1999.

Redesignate subparagraph (J) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 9001(a), as subparagraph (I).

Strike subparagraph (K) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 9001(a).

Strike section 9004, redesignate section 9005 as section 9007, and insert after section 9003 the following (and amend the table of contents of title IX accordingly):

SEC. 9004. RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407 of the Social Security Act (42 U.S.C. 607) is amended by adding at the end the following:

"(j) RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.—

"(1) IN GENERAL.—To the extent that a State to which a grant is made under section 403(a)(5) or any other provision of section 403 uses the grant to establish or operate a work experience or community service program, the State may establish and operate the program in accordance with this subsection.

"(2) PURPOSE.—The purpose of a work experience or community experience program is to provide experience or training for individuals not able to obtain employment in order to assist them to move to regular employment. Such a program shall be designed to improve the employability of participants through actual work experience to enable individuals participating in the program to move promptly into regular public or private employment. Such a program shall not place individuals in private, for-profit entities.

"(3) LIMITATION ON PROJECTS THAT MAY BE UNDERTAKEN.—A work experience or community service program shall be limited to

projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care, and other purposes identified by the State.

"(4) MAXIMUM HOURS OF PARTICIPATION PER MONTH.—A State that elects to establish a work experience or community service program shall operate the program so that each participant participates in the program with the maximum number of hours that any such individual may be required to participate in any month being a number equal to—

"(A)(i) the amount of assistance provided during the month to the family of which the individual is a member under the State program funded under this part; plus

"(ii) the dollar value equivalent of any benefits provided during the month to the household of which the individual is a member under the food stamp program under the Food Stamp Act of 1977; minus

"(iii) any amount collected by the State as child support with respect to the family that is retained by the State; divided by

"(B) the greater of the Federal minimum wage or the applicable State minimum wage.

"(5) MAXIMUM HOURS OF PARTICIPATION PER WEEK.—A State that elects to establish a work experience or community service program may not require any participant in any such program to participate in any such program for a combined total of more than 40 hours per week.

"(6) RULE OF INTERPRETATION.—This subsection shall not be construed as authorizing the provision of assistance under a State program funded under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of participation in a work experience or community service program described in this subsection.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 9005. STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407(c) of the Social Security Act (42 U.S.C. 607(c)) is amended by adding at the end the following:

"(3) STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.—Notwithstanding paragraphs (1) and (2) of this subsection and subsection (d)(8), for purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), an individual who, during a month, has participated in a work experience or community service program operated in accordance with subsection (j), for the maximum number of hours that the individual may be required to participate in such a program during the month shall be treated as engaged in work for the month if, during the month, the individual has participated in any other work activity for a number of hours that is not less than the number of hours required by subsection (c)(1) for the month minus such maximum number of hours.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 9006. WORKER PROTECTIONS.

Section 407(f) of the Social Security Act (42 U.S.C. 607(f)) is amended to read as follows:

"(f) WORKER PROTECTIONS.—

"(1) NONDISPLACEMENT IN WORK ACTIVITIES.—

"(A) GENERAL PROHIBITION.—Subject to this paragraph, an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a work activity.

"(B) PROHIBITION AGAINST VIOLATION OF CONTRACTS.—A work activity shall not violate an existing contract for services or collective bargaining agreement.

"(C) OTHER PROHIBITIONS.—An adult participant in a work activity shall not be employed or assigned—

"(i) when any other individual is on layoff from the same or any substantially equivalent job; or

"(ii) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction if its workforce with the intention of filling the vacancy so created with the participant.

"(2) HEALTH AND SAFETY.—Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working conditions of participants engaged in a work activity.

"(3) NONDISCRIMINATION.—In addition to the protections provided under the provisions of law specified in section 408(c), an individual may not be discriminated against with respect to participation in work activities by reason of gender.

"(4) GRIEVANCE PROCEDURE.—

"(A) IN GENERAL.—Each State to which a grant is made under section 403 shall establish and maintain a procedure for grievances or complaints from employees alleging violations of paragraph (1) and participants in work activities alleging violations of paragraph (1), (2), or (3).

"(B) HEARING.—The procedure shall include an opportunity for a hearing.

"(C) REMEDIES.—The procedure shall include remedies for violation of paragraph (1), (2), or (3), which may include—

"(i) prohibition against placement of a participant with an employer that has violated paragraph (1), (2), or (3);

"(ii) where applicable, reinstatement of an employee, payment of lost wages and benefits, and reestablishment of other relevant terms, conditions and privileges of employment; and

"(iii) where appropriate, other equitable relief.

"(5) NONPREEMPTION OF STATE NONDISPLACEMENT LAWS.—The provisions of this subsection relating to nondisplacement of employees shall not be construed to preempt any provision of State law relating to nondisplacement of employees that affords greater protections to employees than is afforded by such provisions of this subsection.".

In section 10617(a)(2), in the subparagraph (T) inserted by such section—

(1) strike "(or under the supervision of a physician)" and insert "(or as prescribed by a physician)", and

(2) strike "immediately after, or at" in clause (i) and insert "at, or within 48 hours after".

At the end, add the following new title:

TITLE XI—BUDGET ENFORCEMENT

SEC. 11001. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Budget Enforcement Act of 1997".

(b) TABLE OF CONTENTS.—

TITLE XI—BUDGET ENFORCEMENT

Sec. 11001. Short title; table of contents.
Subtitle A—Amendments to the Congressional Budget and Impoundment Control Act of 1974
Sec. 11101. Amendments to section 3.
Sec. 11102. Amendments to section 201.
Sec. 11103. Amendments to section 202.
Sec. 11104. Amendment to section 300.
Sec. 11105. Amendments to section 301.
Sec. 11106. Amendments to section 302.
Sec. 11107. Amendments to section 303.
Sec. 11108. Amendment to section 305.
Sec. 11109. Amendments to section 308.
Sec. 11110. Amendments to section 310.
Sec. 11111. Amendments to section 311.
Sec. 11112. Amendment to section 312.
Sec. 11113. Adjustments and Budget Committee determinations.
Sec. 11114. Effect of self-executing amendments on points of order in the House of Representatives.
Sec. 11115. Amendment of section 401 and repeal of section 402.
Sec. 11116. Repeal of title VI.
Sec. 11117. Amendments to section 904.
Sec. 11118. Repeal of sections 905 and 906.
Sec. 11119. Amendments to sections 1022 and 1024.
Sec. 11120. Amendment to section 1026.
Subtitle B—Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985
Sec. 11201. Purpose.
Sec. 11202. General statement and definitions.
Sec. 11203. Enforcing discretionary spending limits.
Sec. 11204. Violent crime reduction trust fund.
Sec. 11205. Enforcing pay-as-you-go.
Sec. 11206. Reports and orders.
Sec. 11207. Exempt programs and activities.
Sec. 11208. General and special sequestration rules.
Sec. 11209. The baseline.
Sec. 11210. Technical correction.
Sec. 11211. Judicial review.
Sec. 11212. Effective date.
Sec. 11213. Reduction of preexisting balances and exclusion of effects of this Act from paygo scorecard.

Subtitle A—Amendments to the Congressional Budget and Impoundment Control Act of 1974

SEC. 11101. AMENDMENTS TO SECTION 3.

Section 3 of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622) is amended—

(1) in paragraph (2)(A), by striking "and" at the end of clause (iii), by striking the period and inserting "; and" at the end of clause (iv), and by adding at the end the following:

"(v) entitlement authority and the food stamp program."; and

(2) in paragraph (9), by inserting ", but such term does not include salary or basic pay funded through an appropriation Act" before the period.

SEC. 11102. AMENDMENTS TO SECTION 201.

(a) TERM OF OFFICE.—The first sentence of section 201(a)(3) of the Congressional Budget

Act of 1974 is amended to read as follows: "The term of office of the Director shall be four years and shall expire on January 3 of the year preceding a Presidential election.".

(b) REDESIGNATION OF EXECUTED PROVISION.—Section 201 of the Congressional Budget Act of 1974 is amended by redesignating subsection (g) (relating to revenue estimates) as subsection (f).

SEC. 11103. AMENDMENTS TO SECTION 202.

(a) ASSISTANCE TO BUDGET COMMITTEES.—The first sentence of section 202(a) of the Congressional Budget Act of 1974 is amended by inserting "primary" before "duty".

(b) ELIMINATION OF EXECUTED PROVISION.—Section 202 of the Congressional Budget Act of 1974 is amended by striking subsection (e) and by redesignating subsections (f), (g), and (h) as subsections (e), (f), and (g), respectively.

SEC. 11104. AMENDMENT TO SECTION 300.

The item relating to February 25 in the timetable set forth in section 300 of the Congressional Budget Act of 1974 is amended by striking "February 25" and inserting "Within 6 weeks after President submits budget".

SEC. 11105. AMENDMENTS TO SECTION 301.

(a) TERMS OF BUDGET RESOLUTIONS.—Section 301(a) of the Congressional Budget Act of 1974 is amended by striking ", and planning levels for each of the two ensuing fiscal years," and inserting "and for at least each of the 4 ensuing fiscal years".

(b) CONTENTS OF BUDGET RESOLUTIONS.—Paragraphs (1) and (4) of section 301(a) of the Congressional Budget Act of 1974 are amended by striking ", budget outlays, direct loan obligations, and primary loan guarantee commitments" each place it appears and inserting "and budget outlays".

(c) ADDITIONAL MATTERS.—Section 301(b) of the Congressional Budget Act of 1974 is amended by amending paragraph (7) to read as follows—

"(7) set forth pay-as-you-go procedures in the Senate whereby committee allocations, aggregates, and other levels can be revised for legislation within a committee's jurisdiction if such legislation would not increase the deficit for the first year covered by the resolution and will not increase the deficit for the period of 5 fiscal years covered by the resolution;".

(d) VIEWS AND ESTIMATES.—The first sentence of section 301(d) of the Congressional Budget Act of 1974 is amended by inserting "or at such time as may be requested by the Committee on the Budget," after "Code,".

(e) HEARINGS AND REPORT.—Section 301(e)(2) of the Congressional Budget Act of 1974 is amended by striking "total direct loan obligations, total primary loan guarantee commitments,".

(f) SOCIAL SECURITY CORRECTIONS.—Section 301(i) of the Congressional Budget Act of 1974 is amended by—

(1) inserting "SOCIAL SECURITY POINT OF ORDER.—" after "(i)"; and

(2) striking "as reported to the Senate" and inserting "(or amendment, motion, or conference report on such a resolution)".

SEC. 11106. AMENDMENTS TO SECTION 302.

(a) ALLOCATIONS AND SUBALLOCATIONS.—Subsections (a) and (b) of section 302 of the Congressional Budget Act of 1974 are amended to read as follows:

"(a) COMMITTEE SPENDING ALLOCATIONS.—

"(1) ALLOCATION AMONG COMMITTEES.—The joint explanatory statement accompanying a conference report on a budget resolution shall include allocations, consistent with the resolution recommended in the conference report, of the appropriate levels (for each fiscal year covered by that resolution and a total for all such years, except in the case of the Committee on Appropriations only for the first such fiscal year) of—

"(A) total new budget authority;

"(B) total outlays; and

"(C) in the Senate, social security outlays; among each committee of the House of Representatives or the Senate that has jurisdiction over legislation providing or creating such amounts.

"(2) NO DOUBLE COUNTING.—In the House of Representatives, any item allocated to one committee may not be allocated to another such committee.

"(3) FURTHER DIVISION OF AMOUNTS.—In the House of Representatives, the amounts allocated to each committee for each fiscal year, other than the Committee on Appropriations, shall be further divided between amounts provided or required by law on the date of filing of that conference report and amounts not so provided or required. The amounts allocated to the Committee on Appropriations for each fiscal year shall be further divided between discretionary and mandatory amounts or programs, as appropriate.

"(4) AMOUNTS NOT ALLOCATED.—(A) In the House of Representatives, if a committee receives no allocation of new budget authority or outlays, that committee shall be deemed to have received an allocation equal to zero for new budget authority or outlays.

"(B) In the Senate, if a committee receives no allocation of new budget authority, outlays, or social security outlays, that committee shall be deemed to have received an allocation equal to zero for new budget authority, outlays, or social security outlays.

"(5) SOCIAL SECURITY LEVELS IN THE SENATE.—

"(A) IN GENERAL.—For purposes of paragraph (1)(C), social security surpluses equal the excess of social security revenues over social security outlays in a fiscal year or years with such an excess and social security deficits equal the excess of social security outlays over social security revenues in a fiscal year or years with such an excess.

"(B) TAX TREATMENT.—For purposes of paragraph (1)(C), no provision of any legislation involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues or outlays unless such provision changes the income tax treatment of social security benefits.

"(6) ADJUSTING ALLOCATION OF DISCRETIONARY SPENDING IN THE HOUSE OF REPRESENTATIVES.—(A) If a concurrent resolution on the budget is not adopted by April 15, the chairman of the Committee on the Budget of the House of Representatives shall submit to the House, as soon as practicable, an allocation under paragraph (1) to the Committee on Appropriations consistent with the discretionary spending limits contained in the most recently agreed to concurrent resolution on the budget for the second fiscal year covered by that resolution.

"(B) As soon as practicable after an allocation under paragraph (1) is submitted under this section, the Committee on Appropriations shall make suballocations and promptly report those suballocations to the House of Representatives.

"(b) SUBALLOCATIONS BY APPROPRIATION COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to, the Committee on Appropriations of each House (after consulting with the Committee on Appropriations of the other House) shall suballocate each amount allocated to it for the budget year under subsection (a) among its subcommittees. Each Committee on Appropriations shall promptly report to its House suballocations made or revised under this paragraph.".

(b) POINT OF ORDER.—Section 302(c) of the Congressional Budget Act of 1974 is amended to read as follows:

"(c) POINT OF ORDER.—After the Committee on Appropriations has received an allocation pursuant to subsection (a) for a fiscal year, it shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report providing new budget authority for that fiscal year within the jurisdiction of that committee, until such committee makes the suballocations required by subsection (b).".

(c) ENFORCEMENT OF POINT OF ORDER.—(1) Section 302(f)(1) of the Congressional Budget Act of 1974 is amended by—

(A) striking "providing new budget authority for such fiscal year or new entitlement authority effective during such fiscal year" and inserting "providing new budget authority for any fiscal year covered by the concurrent resolution";

(B) striking "appropriate allocation made pursuant to subsection (b) for such fiscal year" and inserting "appropriate allocation made under subsection (a) or any suballocation made under subsection (b), as applicable, for the fiscal year of the concurrent resolution or for the total of all fiscal years covered by the concurrent resolution"; and

(C) striking "of new discretionary budget authority or new entitlement authority to be exceeded" and inserting "of new discretionary budget authority to be exceeded".

(2) Section 302(f)(2) of the Congressional Budget Act of 1974 is amended to read as follows:

"(2) ENFORCEMENT OF COMMITTEE ALLOCATIONS AND SUBALLOCATIONS IN THE SENATE.—After a concurrent resolution on the budget is agreed to, it shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would cause—

"(A) in the case of any committee except the Committee on Appropriations, the appropriate allocation of new budget authority or outlays under subsection (a) to be exceeded; or

"(B) in the case of the Committee on Appropriations, the appropriate suballocation of new budget authority or outlays under subsection (b) to be exceeded.".

(d) SEPARATE ALLOCATIONS.—Section 302(g) of the Congressional Budget Act of 1974 is amended to read as follows:

"(g) SEPARATE ALLOCATIONS.—The Committees on Appropriations and the Budget shall make separate allocations and suballocations under this section consistent with the categories in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985."

SEC. 11107. AMENDMENTS TO SECTION 303.

(a) IN GENERAL.—Section 303 of the Congressional Budget Act of 1974 is amended to read as follows:

"CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT IS CONSIDERED

"SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report as reported to the House or Senate which provides—

"(1) new budget authority for a fiscal year;

"(2) an increase or decrease in revenues to become effective during a fiscal year;

"(3) an increase or decrease in the public debt limit to become effective during a fiscal year;

"(4) in the Senate only, new spending authority (as defined in section 401(c)(2)) for a fiscal year; or

"(5) in the Senate only, outlays,

until the concurrent resolution on the budget for such fiscal year (or, in the Senate, a concurrent resolution on the budget covering such fiscal year) has been agreed to pursuant to section 301.

"(b) EXCEPTIONS.—(1) In the House of Representatives, subsection (a) does not apply to any bill or resolution—

"(A) providing advance discretionary new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

"(B) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

After May 15 of any calendar year, subsection (a) does not apply in the House of Representatives to any general appropriation bill, or amendment thereto, which provides new budget authority for the fiscal year beginning in such calendar year.

"(2) In the Senate, subsection (a) does not apply to any bill or resolution making advance appropriations for the fiscal year to which the concurrent resolution applies and the two succeeding fiscal years.

(b) CONFORMING AMENDMENT.—The item relating to section 303 in the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking "new credit authority,".

SEC. 11108. AMENDMENT TO SECTION 305.

Section 305(a)(1) of the Congressional Budget Act of 1974 is amended by inserting "when the House is not in session" after "holidays" each place it appears.

SEC. 11109. AMENDMENTS TO SECTION 308.

Section 308 of the Congressional Budget Act of 1974 is amended—

(1)(A) in the side heading of subsection (a), by striking "OR NEW CREDIT AUTHORITY," and by striking the first comma and inserting "OR";

(B) in paragraphs (1) and (2) of subsection (a), by striking "or new credit authority," each place it appears and by striking the comma before "new spending authority" each place it appears and inserting "or";

(2) in subsection (b)(1), by striking "or new credit authority," and by striking the comma before "new spending authority" and inserting "or";

(3) in subsection (c), by inserting "and" after the semicolon at the end of paragraph (3), by striking "; and" at the end of paragraph (4) and inserting a period; and by striking paragraph (5); and

(4) by inserting "joint" before "resolution" each place it appears and, in subsection (b)(1), by inserting "joint" before "resolutions".

SEC. 11110. AMENDMENTS TO SECTION 310.

Section 310 of the Congressional Budget Act of 1974 is amended by—

(1) in subsection (a)(1), by inserting "and" after the semicolon at the end of subparagraph (B), by striking "subparagraphs (C) and (D), and by inserting after subparagraph (B) the following new subparagraph:

"(C) direct spending (as defined in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985),"; and

(2) in subsection (c)(1)(A), by inserting "of the absolute value" after "20 percent" each place it appears.

SEC. 11111. AMENDMENTS TO SECTION 311.

Section 311 of the Congressional Budget Act of 1974 is amended to read as follows:

"NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

"SEC. 311. (a) ENFORCEMENT OF BUDGET AGGREGATES.—

"(1) IN THE HOUSE OF REPRESENTATIVES.—Except as provided by subsection (c), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, joint resolution, amendment, motion, or conference report providing new budget authority for such fiscal year or reducing revenues for such fiscal year, if—

"(A) the enactment of such bill or resolution as reported;

"(B) the adoption and enactment of such amendment; or

"(C) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution such fiscal year or for the total of all fiscal years covered by the concurrent resolution, except in the case that a declaration of war by the Congress is in effect.

"(2) IN THE SENATE.—After a concurrent resolution on the budget is agreed to, it shall not be in order in the Senate to consider any bill, resolution, amendment, motion, or conference report that—

"(A) would cause the appropriate level of total new budget authority or total outlays set forth for the first fiscal year in such resolution to be exceeded; or

"(B) would cause revenues to be less than the appropriate level of total revenues set forth for the first fiscal year covered by such resolution or for the period including the first fiscal year plus the following 4 fiscal years in such resolution.

"(3) ENFORCEMENT OF SOCIAL SECURITY LEVELS IN THE SENATE.—After a concurrent resolution on the budget is agreed to, it shall not be in order in the Senate to consider any bill, resolution, amendment, motion, or conference report that would cause a decrease in social security surpluses or an increase in social security deficits derived from the levels of social security revenues and social security outlays set forth for the first fiscal year covered by the resolution and for the period including the first fiscal year plus the following 4 fiscal years in such resolution.

"(b) SOCIAL SECURITY LEVELS.—

"(1) IN GENERAL.—For the purposes of subsection (a)(3), social security surpluses equal the excess of social security revenues over social security outlays in a fiscal year or years with such an excess and social security deficits equal the excess of social security outlays over social security revenues in a fiscal year or years with such an excess.

"(2) TAX TREATMENT.—For the purposes of this section, no provision of any legislation involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues or outlays unless such provision changes the income tax treatment of social security benefits.

"(c) EXCEPTION IN THE HOUSE OF REPRESENTATIVES.—Subsection (a)(1) shall not apply in the House of Representatives to any bill, resolution, or amendment that provides new budget authority for a fiscal year or to any conference report on any such bill or resolution, if—

"(1) the enactment of such bill or resolution as reported;

"(2) the adoption and enactment of such amendment; or

"(3) the enactment of such bill or resolution in the form recommended in such conference report;

would not cause the appropriate allocation of new budget authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.".

SEC. 11112. AMENDMENT TO SECTION 312.

(a) IN GENERAL.—Section 312 of the Congressional Budget Act of 1974 is amended to read as follows:

"POINTS OF ORDER

"SEC. 312. (a) BUDGET COMMITTEE DETERMINATIONS.—For purposes of this title and title IV, the levels of new budget authority, budget outlays, spending authority as described in section 401(c)(2), direct spending, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

"(b) DISCRETIONARY SPENDING POINT OF ORDER IN THE SENATE.—

"(1) Except as otherwise provided in this subsection, it shall not be in order in the Senate to consider any concurrent resolution on the budget (or amendment, motion, or conference report on such a resolution) that would exceed any of the discretionary spending limits in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985.

"(2) This subsection shall not apply if a declaration of war by the Congress is in effect or if a joint resolution pursuant to section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985 has been enacted.

"(c) MAXIMUM DEFICIT AMOUNT POINT OF ORDER IN THE SENATE.—It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year under section 301, or to consider any amendment to that concurrent resolution, or to consider a conference report on that concurrent resolution—

"(1) if the level of total budget outlays for the first fiscal year that is set forth in that concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount, if any, specified in the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year; or

"(2) if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount, if any, specified in the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year.

"(d) TIMING OF POINTS OF ORDER IN THE SENATE.—A point of order under this Act may not be raised against a bill, resolution, amendment, motion, or conference report

while an amendment or motion, the adoption of which would remedy the violation of this Act, is pending before the Senate.

"(e) POINTS OF ORDER IN THE SENATE AGAINST AMENDMENTS BETWEEN THE HOUSES.—Each provision of this Act that establishes a point of order against an amendment also establishes a point of order in the Senate against an amendment between the Houses. If a point of order under this Act is raised in the Senate against an amendment between the Houses, and the Presiding Officer sustains the point of order, the effect shall be the same as if the Senate had disagreed to the amendment.

"(f) EFFECT OF A POINT OF ORDER ON A BILL IN THE SENATE.—In the Senate, if the Chair sustains a point of order under this Act against a bill, the Chair shall then send the bill to the committee of appropriate jurisdiction for further consideration.".

(b) CONFORMING AMENDMENT.—The item relating to section 312 in the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking "Effect of point" and inserting "Point".

SEC. 11113. ADJUSTMENTS AND BUDGET COMMITTEE DETERMINATIONS.

(a) IN GENERAL.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

"ADJUSTMENTS

"SEC. 314. (a) ADJUSTMENTS.—When—

"(1)(A) the Committee on Appropriations reports an appropriation measure for fiscal year 1998, 1999, 2000, 2001, or 2002 that specifies an amount for emergencies pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 or for continuing disability reviews pursuant to section 251(b)(2)(C) of that Act;

"(B) any other committee reports emergency legislation described in section 252(e) of that Act;

"(C) the Committee on Appropriations reports an appropriation measure for fiscal year 1998, 1999, 2000, 2001, or 2002 that includes an appropriation with respect to clause (i) or (ii), the adjustment shall be the amount of budget authority in the measure that is the dollar equivalent, in terms of Special Drawing Rights, of—

"(i) increases the United States quota as part of the International Monetary Fund Eleventh General Review of Quotas (United States Quota); or

"(ii) increases the maximum amount available to the Secretary of the Treasury pursuant to section 17 of the Bretton Woods Agreement Act, as amended from time to time (New Arrangements to Borrow); or

"(D) the Committee on Appropriations reports an appropriation measure for fiscal year 1998, 1999, or 2000 that includes an appropriation for arrearages for international organizations, international peacekeeping, and multilateral development banks during that fiscal year, and the sum of the appropriations for the period of fiscal years 1998 through 2000 do not exceed $1,884,000,000 in budget authority; or

"(2) a conference committee submits a conference report thereon;

the chairman of the Committee on the Budget of the Senate or House of Representatives shall make the adjustments referred to in subsection (c) to reflect the additional new budget authority for such matter provided in that measure or conference report and the additional outlays flowing in all fiscal years from such amounts for such matter.

"(b) APPLICATION OF ADJUSTMENTS.—The adjustments and revisions to allocations, aggregates, and limits made by the Chairman of the Committee on the Budget pursuant to subsection (a) for legislation shall only apply while such legislation is under consideration and shall only permanently take effect upon the enactment of that legislation.

"(c) CONTENT OF ADJUSTMENTS.—The adjustments referred to in subsection (a) shall consist of adjustments, as appropriate, to—

"(1) the discretionary spending limits as set forth in the most recently agreed to concurrent resolution on the budget;

"(2) the allocations made pursuant to the most recently adopted concurrent resolution on the budget pursuant to section 302(a); and

"(3) the budgetary aggregates as set forth in the most recently adopted concurrent resolution on the budget.

"(d) REPORTING REVISED SUBALLOCATIONS.—Following the adjustments made under subsection (a), the Committees on Appropriations of the Senate and the House of Representatives may report appropriately revised suballocations pursuant to section 302(b) to carry out this subsection.

"(e) DEFINITIONS.—As used in subsection (a)(1)(A), when referring to continuing disability reviews, the terms 'continuing disability reviews', 'additional new budget authority', and 'additional outlays' shall have the same meanings as provided in section 251(b)(2)(C)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.".

(b) CONFORMING AMENDMENTS.—(1) Sections 302(g), 311(c), and 313(e) of the Congressional Budget Act of 1974 are repealed.

(2) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding after the item relating to section 313 the following new item:

"Sec. 314. Adjustments.".

SEC. 11114. EFFECT OF SELF-EXECUTING AMENDMENTS ON POINTS OF ORDER IN THE HOUSE OF REPRESENTATIVES.

(a) EFFECT OF POINTS OF ORDER.—Title III of the Congressional Budget Act of 1974 is amended by adding after section 314 the following new section:

"EFFECT OF SELF-EXECUTING AMENDMENTS ON POINTS OF ORDER IN THE HOUSE OF REPRESENTATIVES

"SEC. 315. In the House of Representatives, if a provision of a bill, as reported, violates a section of this title or title IV and a self-executing rule providing for consideration of that bill modifies that provision to eliminate such violation, then such point of order shall not lie against consideration of that bill.".

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding after the item relating to section 314 the following new item:

"Sec. 315. Effect of self-executing amendments on points of order in the house of representatives.".

SEC. 11115. AMENDMENT OF SECTION 401 AND REPEAL OF SECTION 402.

(a) SECTION 401.—Subsections (a) and (b) of section 401 of the Congressional Budget Act of 1974 are amended to read as follows:

"BILLS PROVIDING NEW SPENDING AUTHORITY OR NEW CREDIT AUTHORITY

"SEC. 401. (a) CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY OR CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2)(A) or (B) or new credit authority, unless that bill, resolution, conference report, or amendment also provides that such new spending authority as described in subsection (c)(2) (A) or (B) or new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

"(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2)(C) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.".

(b) REPEALER OF SECTION 402.—(1) Section 402 of the Congressional Budget Act of 1974 is repealed.

(2) CONFORMING AMENDMENTS.—(1) Sections 403 through 407 of the Congressional Budget Act of 1974 are redesignated as sections 402 through 406, respectively.

(2) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by deleting the item relating to section 402 and by redesignating the items relating to sections 403 through 407 as the items relating to sections 402 through 406, respectively.

SEC. 11116. REPEAL OF TITLE VI.

(a) REPEALER.—Title VI of the Congressional Budget Act of 1974 is repealed.

(b) CONFORMING AMENDMENTS.—The items relating to title VI of the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 are repealed.

SEC. 11117. AMENDMENTS TO SECTION 904.

(a) CONFORMING AMENDMENT.—Section 904(a) of the Congressional Budget Act of 1974 is amended by striking "(except section 905)" and by striking "V, and VI (except section 601(a))" and inserting "and V".

(b) WAIVERS.—Section 904(c) of the Congressional Budget Act of 1974 is amended to read as follows:

"(c) WAIVERS.—

"(1) Sections 305(b)(2), 305(c)(4), 306, 310(d)(2), 313, 904(c), and 904(d) of this Act may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.

"(2) Sections 301(i), 302(c), 302(f), 310(g), 311(a), and 315 of this Act and sections 258(a)(4)(C), 258(A)(b)(3)(C)(I), 258(B)(f)(1), 258B(h)(1), 258(h)(3), 258C(a)(5), and 258(C)(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.".

(c) APPEALS.—Section 904(d) of the Congressional Budget Act of 1974 is amended to read as follows:

"(d) APPEALS.—

"(1) Appeals in the Senate from the decisions of the Chair relating to any provision of title III or IV of section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be.

"(2) An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under sections 305(b)(2), 305(c)(4), 306, 310(d)(2), 313, 904(c), and 904(d) of this Act.

"(3) An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under sections 301(i), 302(c), 302(f), 310(g), 311(a), and 315 of this Act and sections 258(a)(4)(C), 258(A)(b)(3)(C)(I), 258(B)(f)(1), 258B(h)(1), 258(h)(3), 258C(a)(5), and 258(C)(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985.".

(d) EXPIRATION OF SUPERMAJORITY VOTING REQUIREMENTS.—Section 904 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

"(e) EXPIRATION OF CERTAIN SUPERMAJORITY VOTING REQUIREMENTS.—Subsections (c)(2) and (d)(3) shall expire on September 30, 2002.".

SEC. 11118. REPEAL OF SECTIONS 905 AND 906.

(a) REPEALER.—Sections 905 and 906 of the Congressional Budget and Impoundment Control Act of 1974 are repealed.

(b) CONFORMING AMENDMENTS.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking the items relating to sections 905 and 906.

SEC. 11119. AMENDMENTS TO SECTIONS 1022 AND 1024.

(a) SECTION 1022.—Section 1022(b)(1)(F) of Congressional Budget and Impoundment Control Act of 1974 is amended by striking "section 601" and inserting "section 251(c) the Balanced Budget and Emergency Deficit Control Act of 1985".

(b) SECTION 1024.—Section 1024(a)(1)(B) of Congressional Budget and Impoundment Control Act of 1974 is amended by striking "section 601(a)(2)" and inserting "section 251(c) the Balanced Budget and Emergency Deficit Control Act of 1985".

SEC. 11120. AMENDMENT TO SECTION 1026.

Section 1026(7)(A)(iv) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking "and" and inserting "or".

Subtitle B—Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985

SEC. 11201. PURPOSE.

This subtitle extends discretionary spending limits and pay-as-you-go requirements.

SEC. 11202. GENERAL STATEMENT AND DEFINITIONS.

(a) GENERAL STATEMENT.—Section 250(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900(b)) is amended by striking the first two sentences and inserting the following: "This part provides for the enforcement of a balanced budget by fiscal year 2002 as called for in House Concurrent Resolution 84 (105th Congress, 1st session).".

(b) DEFINITIONS.—Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking paragraph (4) and inserting the following:

"(4) The term 'category' means defense, nondefense, and violent crime reduction discretionary appropriations as specified in the joint explanatory statement accompanying a conference report on the Balanced Budget Act of 1997.";

(2) by striking paragraph (6) and inserting the following:

"(6) The term 'budgetary resources' means new budget authority, unobligated balances, direct spending authority, and obligation limitations.";

(3) in paragraph (9), by striking "submission of the fiscal year 1992 budget that are not included with a budget submission" and inserting "that budget submission that are not included with it";

(4) in paragraph (14), by inserting "first 4" before "fiscal years" and by striking "1995" and inserting "2006";

(5) by striking paragraphs (17) and (20) and by redesignating paragraphs (18), (19), and (21) as paragraphs (17), (18), and (19), respectively;

(6) in paragraph (17) (as redesignated), by striking "Omnibus Budgtet Reconciliation Act of 1990" and inserting "Balanced Budget Act of 1997";

(7) in paragraph (20) (as redesignated), by striking the second sentence; and

(8) by adding at the end the following new paragraph:

"(20) The term 'consultation', when applied to the Committee on the Budget of either the House of Representatives or of the Senate, means written communication with that committee that affords that committee an opportunity to comment on the matter that is the subject of the consultation before official action is taken on such matter.".

SEC. 11203. ENFORCING DISCRETIONARY SPENDING LIMITS.

(a) EXTENSION THROUGH FISCAL YEAR 2002.—Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in the side heading of subsection (a), by striking "1991–1998" and inserting "1997–2002";

(2) in subsection (a)(7) by inserting "(excluding Saturdays, Sundays, or legal holidays)" after "5 calendar days";

(3) in the first sentence of subsection (b)(1), by striking "1992, 1993, 1994, 1995, 1996, 1997 or 1998" and inserting "1997 or any fiscal year thereafter through 2002" and by striking "through 1998" and inserting "through 2002";

(4) in subsection (b)(1), by striking "the following:" and all that follows through "in concepts and definitions" the first place it appears and inserting "the following: the adjustments" and by striking subparagraphs (B) and (C);

(5) in subsection (b)(2), by striking "1991, 1992, 1993, 1994, 1995, 1996, 1997, or 1998" and inserting "1997 or any fiscal year thereafter through 2002", by striking "through 1998" and inserting "through 2002", and by striking subparagraphs (A), (B), (C), (E), and (G), and by redesignating subparagraphs (D), (F), and (H) as subparagraphs (A), (B), and (C), respectively;

(6) in subsection (b)(2)(A) (as redesignated), by striking "(i)", by striking clause (ii), and by inserting "fiscal" before "years";

(7) in subsection (b)(2)(B) (as redesignated), by striking everything after "the adjustment in outlays" and inserting "for a fiscal year is the amount of the excess but not to exceed 0.5 percent of the adjusted discretionary spending limit on outlays for that fiscal year in fiscal year 1997 or any fiscal year thereafter through 2002; and

(8) by adding at the end of subsection (b)(2) the following new subparagraphs:

"(D) ALLOWANCE FOR IMF.—If an appropriations bill or joint resolution is enacted for fiscal year 1998, 1999, 2000, 2001, or 2002 that includes an appropriation with respect to clause (i) or (ii), the adjustment shall be the amount of budget authority in the measure that is the dollar equivalent, in terms of Special Drawing Rights, of—

"(i) an increase in the United States quota as part of the International Monetary Fund Eleventh General Review of Quotas (United States Quota); or

"(ii) any increase in the maximum amount available to the Secretary of the Treasury pursuant to section 17 of the Bretton Woods Agreement Act, as amended from time to time (New Arrangements to Borrow).

"(E) ALLOWANCE FOR INTERNATIONAL ARREARAGES.—

"(i) ADJUSTMENTS.—If an appropriations bill or joint resolution is enacted for fiscal year 1998, 1999, or 2000 that includes an appropriation for arrearages for international organizations, international peacekeeping, and multilateral banks for that fiscal year, the adjustment shall be the amount of budget authority in such measure and the outlays flowing in all fiscal years from such budget authority.

"(ii) LIMITATIONS.—The total amount of adjustments made pursuant to this subparagraph for the period of fiscla years 1998 through 2000 shall not exceed $1,884,000,000 in budget authority.".

(b) SHIFTING OF DISCRETIONARY SPENDING LIMITS INTO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new subsection:

"(c) DISCRETIONARY SPENDING LIMIT.—As used in this part, the term 'discretionary spending limit' means—

"(1) with respect to fiscal year 1997, for the discretionary category, the current adjusted amount of new budget authority and outlays;

"(2) with respect to fiscal year 1998—

"(A) for the defense category: $269,000,000,000 in new budget authority and $266,823,000,000 in outlays;

"(B) for the nondefense category: $252,357,000,000 in new budget authority and $282,853,000,000 in outlays; and

"(C) for the violent crime reduction category: $5,500,000,000 in new budget authority and $3,592,000,000 in outlays;

"(3) with respect to fiscal year 1999—

"(A) for the defense category: $271,500,000,000 in new budget authority and $266,518,000,000 in outlays; and

"(B) for the nondefense category: $261,499,000,000 in new budget authority and $292,803,000,000 in outlays;

"(4) with respect to fiscal year 2000, for the discretionary category: $537,193,000,000 in new budget authority and $564,265,000,000 in outlays;

"(5) with respect to fiscal year 2001, for the discretionary category: $542,032,000,000 in new budget authority and $564,396,000,000 in outlays; and

"(6) with respect to fiscal year 2002, for the discretionary category: $551,074,000,000 in new budget authority and $560,799,000,000 in outlays;

as adjusted in strict conformance with subsection (b).".

SEC. 11204. VIOLENT CRIME REDUCTION TRUST FUND.

(a) SEQUESTRATION REGARDING VIOLENT CRIME REDUCTION TRUST FUND.—Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 is repealed.

(b) CONFORMING AMENDMENT.—Section 310002 of Public Law 103–322 (42 U.S.C. 14212) is repealed.

SEC. 11205. ENFORCING PAY-AS-YOU-GO.

(a) EXTENSION.—Section 252 (2 U.S.C. 902) is amended—

(1) by striking subsections (a) and (b) and inserting the following:

"(a) PURPOSE.—The purpose of this section is to assure that any legislation enacted prior to September 30, 2002, affecting direct spending or receipts that increases the deficit will trigger an offsetting sequestration.

"(b) SEQUESTRATION.—

"(1) TIMING.—Within 15 calendar days after Congress adjourns to end a session and on the same day as a sequestration (if any) under sections 251 and 253, there shall be a sequestration to offset the amount of any net deficit increase in the budget year caused by all direct spending and receipts legislation (after adjusting for any prior sequestration as provided by paragraph (2)) plus any net deficit increase in the prior fiscal year caused by all direct spending and receipts legislation not reflected in the final OMB sequestration report for that year.

"(2) CALCULATION OF DEFICIT INCREASE.—OMB shall calculate the amount of deficit increase, if any, in the budget year by adding—

"(A) all applicable estimates of direct spending and receipts legislation transmitted under subsection (d) applicable to the budget year, other than any amounts included in such estimates resulting from—

"(i) full funding of, and continuation of, the deposit insurance guarantee commitment in effect on the date of enactment of this section; and

"(ii) emergency provisions as designated under subsection (e); and

"(B) the estimated amount of savings in direct spending programs applicable to the budget year resulting from the prior year's sequestration under this section or section 253, if any (except for any amounts sequestered as a result of any deficit increase in the fiscal year immediately preceding the prior fiscal year), as published in OMB's final sequestration report for that prior year; and

"(C) all applicable estimates of direct spending and receipts legislation transmitted under subsection (d) for the current year that are not reflected in the final OMB sequestration report for that year, other than any amounts included in such estimates resulting from emergency provisions as designated under subsection (e).";

(2) by amending subsection (c)(1)(B), by inserting "and direct" after "guaranteed";

(3) by amending subsection (d) to read as follows:

"(d) ESTIMATES.—

"(1) CBO ESTIMATES.—As soon as practicable after Congress completes action on any direct spending or receipts legislation, CBO shall provide an estimate of the budgetary effects of that legislation.

"(2) OMB ESTIMATES.—Not later than 5 calendar days (excluding Saturdays, Sundays, or legal holidays) after the enactment of any direct spending or receipts legislation, OMB shall transmit a report to the House of Representatives and to the Senate containing—

"(A) the CBO estimate of the budgetary effects of that legislation;

"(B) an OMB estimate of the budgetary effects of that legislation using current economic and technical assumptions; and

"(C) an explanation of any difference between the two estimates.

"(3) SCOPE OF ESTIMATES.—The estimates under this section shall include the amount of change in outlays or receipts, as the case may be, for the current year (if applicable), the budget year, and each outyear.

"(4) SCOREKEEPING GUIDELINES.—OMB and CBO, after consultation with each other and the Committees on the Budget of the House of Representatives and the Senate, shall—

"(A) determine common scorekeeping guidelines; and

"(B) in conformance with such guidelines, prepare estimates under this section."; and

(4) in subsection (e), by striking ", for any fiscal year from 1991 through 1998," and by striking "through 1995".

SEC. 11206. REPORTS AND ORDERS.

Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking subsection (c) and redesignating subsections (d) through (k) as (c) through (j), respectively;

(2) in subsection (c)(2) (as redesignated), by striking "1998" and inserting "2002"; and

(3)(A) in subsection (f)(2)(A) (as redesignated), by striking "1998" and inserting "2002"; and

(B) in subsection (f)(3) (as redesignated), by striking "through 1998".

SEC. 11207. EXEMPT PROGRAMS AND ACTIVITIES.

(a) VETERANS PROGRAMS.—Section 255(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) In the item relating to Veterans Insurance and Indemnity, strike "Indemnity" and insert "Indemnities".

(2) In the item relating to Veterans' Canteen Service Revolving Fund, strike "Veterans'".

(3) In the item relating to Benefits under chapter 21 of title 38, strike "(36-0137-0-1-702)" and insert "(36-0120-0-1-701)".

(4) In the item relating to Veterans' compensation, strike "Veterans' compensation" and insert "Compensation".

(5) In the item relating to Veterans' pensions, strike "Veterans' pensions" and insert "Pensions".

(6) After the last item, insert the following new items:

"Benefits under chapter 35 of title 38, United States Code, related to educational assistance for survivors and dependents of certain veterans with service-connected disabilities (36-0137-0-1-702);

"Assistance and services under chapter 31 of title 38, United States Code, relating to training and rehabilitation for certain veterans with service-connected disabilities (36-0137-0-1-702);

"Benefits under subchapters I, II, and III of chapter 37 of title 38, United States Code, relating to housing loans for certain veterans and for the spouses and surviving spouses of certain veterans Guaranty and Indemnity Program Account (36-1119-0-1-704);

"Loan Guaranty Program Account (36-1025-0-1-704); and

"Direct Loan Program Account (36-1024-0-1-704).".

(b) CERTAIN PROGRAM BASES.—Section 255(f) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(f) OPTIONAL EXEMPTION OF MILITARY PERSONNEL.—

"(1) The President may, with respect to any military personnel account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

"(2) The President may not use the authority provided by paragraph (1) unless he notifies the Congress of the manner in which such authority will be exercised on or before the date specified in section 254(a) for the budget year.".

(c) OTHER PROGRAMS AND ACTIVITIES.—(1) Section 255(g)(1)(A) of the Balanced Budget Emergency Deficit Control Act of 1985 is amended as follows:

(A) After the first item, insert the following new item:

"Activities financed by voluntary payments to the Government for goods or services to be provided for such payments;".

(B) Strike "Thrift Savings Fund (26-8141-0-7-602);".

(C) In the first item relating to the Bureau of Indian Affairs, insert "Indian land and water claims settlements and" after the comma.

(D) In the second item relating to the Bureau of Indian Affairs, strike "miscellaneous" and insert "Miscellaneous" and strike ", tribal trust funds".

(E) Strike "Claims, defense (97-0102-0-1-051);".

(F) In the item relating to Claims, judgments, and relief acts, strike "806" and insert "808".

(G) Strike "Coinage profit fund (20-5811-0-2-803)".

(H) Insert "Compact of Free Association (14-0415-0-1-808);" after the item relating to the Claims, judgments, and relief acts.

(I) Insert "Conservation Reserve Program (12-2319-0-1-302);" after the item relating to the Compensation of the President.

(J) In the item relating to the Customs Service, strike "852" and insert "806".

(K) In the item relating to the Comptroller of the Currency, insert ", Assessment funds (20-8413-0-8-373)" before the semicolon.

(L) Strike "Director of the Office of Thrift Supervision;".

(M) Strike "Eastern Indian land claims settlement fund (14-2202-0-1-806);".

(N) After the item relating to the Exchange stabilization fund, insert the following new items:

"Farm Credit Administration, Limitation on Administrative Expenses (78-4131-0-3-351);

"Farm Credit System Financial Assistance Corporation, interest payment (20-1850-0-1-908);".

(O) Strike "Federal Deposit Insurance Corporation;".

(P) In the first item relating to the Federal Deposit Insurance Corporation, insert "(51-4064-0-3-373)" before the semicolon.

(Q) In the second item relating to the Federal Deposit Insurance Corporation, insert "(51-4065-0-3-373)" before the semicolon.

(R) In the third item relating to the Federal Deposit Insurance Corporation, insert "(51-4066-0-3-373)" before the semicolon.

(S) In the item relating to the Federal Housing Finance Board, insert "(95-4039-0-3-371)" before the semicolon.

(T) In the item relating to the Federal payment to the railroad retirement account, strike "account" and insert "accounts".

(U) In the item relating to the health professions graduate student loan insurance fund, insert "program account" after "fund" and strike "(Health Education Assistance Loan Program) (75-4305-0-3-553)" and insert "(75-0340-0-1-552)".

(V) In the item relating to Higher education facilities, strike "and insurance".

(W) In the item relating to Internal revenue collections for Puerto Rico, strike "852" and insert "806".

(X) Amend the item relating to the Panama Canal Commission to read as follows:

"Panama Canal Commission, Panama Canal Revolving Fund (95-4061-0-3-403);".

(Y) In the item relating to the Medical facilities guarantee and loan fund, strike "(75-4430-0-3-551)" and insert "(75-9931-0-3-550)".

(Z) In the first item relating to the National Credit Union Administration, insert "operating fund (25-4056-0-3-373)" before the semicolon.

(AA) In the second item relating to the National Credit Union Administration, strike "central" and insert "Central" and insert "(25-4470-0-3-373)" before the semicolon.

(BB) In the third item relating to the National Credit Union Administration, strike "credit" and insert "Credit" and insert "(25-4468-0-3-373)" before the semicolon.

(CC) After the third item relating to the National Credit Union Administration, insert the following new item:

"Office of Thrift Supervision (20-4108-0-3-373);".

(DD) In the item relating to Payments to health care trust funds, strike "572" and insert "571".

(EE) Strike "Compact of Free Association, economic assistance pursuant to Public Law 99-658 (14-0415-0-1-806);".

(FF) In the item relating to Payments to social security trust funds, strike "571" and insert "651".

(GG) Strike "Payments to state and local government fiscal assistance trust fund (20-2111-0-1-851);".

(HH) In the item relating to Payments to the United States territories, strike "852" and insert "806".

(II) Strike "Resolution Funding Corporation;".

(JJ) In the item relating to the Resolution Trust Corporation, insert "Revolving Fund (22-4055-0-3-373)" before the semicolon.

(KK) After the item relating to the Tennessee Valley Authority funds, insert the following new items:

"Thrift Savings Fund;

"United States Enrichment Corporation (95-4054-0-3-271);

"Vaccine Injury Compensation (75-0320-0-1-551);

"Vaccine Injury Compensation Program Trust Fund (20-8175-0-7-551);".

(2) Section 255(g)(1)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(A) Strike "The following budget" and insert "The following Federal retirement and disability".

(B) In the item relating to Black lung benefits, strike "lung benefits" and insert "Lung Disability Trust Fund".

(C) In the item relating to the Court of Federal Claims Court Judges' Retirement Fund, strike "Court of Federal".

(D) In the item relating to Longshoremen's compensation benefits, insert "Special workers compensation expenses," before "Longshoremen's".

(E) In the item relating to Railroad retirement tier II, strike "retirement tier II" and insert "Industry Pension Fund".

(3) Section 255(g)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(A) Strike the following items:

"Agency for International Development, Housing, and other credit guarantee programs (72-4340-0-3-151);

"Agricultural credit insurance fund (12-4140-0-1-351);".

(B) In the item relating to Check forgery, strike "Check" and insert "United States Treasury check".

(C) Strike "Community development grant loan guarantees (86-0162-0-1-451);".

(D) After the item relating to the United States Treasury Check forgery insurance fund, insert the following new item:

"Credit liquidating accounts;".

(E) Strike the following items:

"Credit union share insurance fund (25-4468-0-3-371);

"Economic development revolving fund (13-4406-0-3);

"Export-Import Bank of the United States, Limitation of program activity (83-4027-0-1-155);

"Federal deposit Insurance Corporation (51-8419-0-8-371);

"Federal Housing Administration fund (86-4070-0-3-371);

"Federal ship financing fund (69-4301-0-3-403);

"Federal ship financing fund, fishing vessels (13-4417-0-3-376);

"Government National Mortgage Association, Guarantees of mortgage-backed securities (86-4238-0-3-371);

"Health education loans (75-4307-0-3-553);

"Indian loan guarantee and insurance fund (14-4410-0-3-452);

"Railroad rehabilitation and improvement financing fund (69-4411-0-3-401);

"Rural development insurance fund (12-4155-0-3-452);

"Rural electric and telephone revolving fund (12-4230-8-3-271);

"Rural housing insurance fund (12-4141-0-3-371);

"Small Business Administration, Business loan and investment fund (73-4154-0-3-376);

"Small Business Administration, Lease guarantees revolving fund (73-4157-0-3-376);

"Small Business Administration, Pollution control equipment contract guarantee revolving fund (73-4147-0-3-376);

"Small Business Administration, Surety bond guarantees revolving fund (73-4156-0-3-376);

"Department of Veterans Affairs Loan guaranty revolving fund (36-4025-0-3-704);".

(d) LOW-INCOME PROGRAMS.—Section 255(h) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Amend the item relating to Child nutrition to read as follows:

"State child nutrition programs (with the exception of special milk programs) (12-3539-0-1-605);".

(2) Amend the item relating to the Women, infants, and children program to read as follows:

"Special supplemental nutrition program for women, infants, and children (WIC) (12-3510-0-1-605).".

(e) IDENTIFICATION OF PROGRAMS.—Section 255(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(i) IDENTIFICATION OF PROGRAMS.—For purposes of subsections (b), (g), and (h), each account is identified by the designated budget account identification code number set forth in the Budget of the United States Government 1996-Appendix, and an activity within an account is designated by the name of the activity and the identification code number of the account.".

(f) OPTIONAL EXEMPTION OF MILITARY PERSONNEL.—Section 255(h) of the Balanced Budget and Emergency Deficit Control Act of 1985 (relating to optional exemption of military personnel) is repealed.

SEC. 11208. GENERAL AND SPECIAL SEQUESTRATION RULES.

(a) SECTION HEADING.—(1) The section heading of section 256 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking "exceptions, limitations, and special rules" and inserting "general and special sequestration rules".

(2) The item relating to section 256 in the table contents set forth in section 250(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"Sec. 256. General and special sequestration rules.".

(b) AUTOMATIC SPENDING INCREASES.—Section 256(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(c) GUARANTEED AND DIRECT STUDENT LOAN PROGRAMS.—Section 256(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(b) STUDENT LOANS.—(1) For all student loans under part B or D of title IV of the Higher Education Act of 1965 made during the period when a sequestration order under section 254 is in effect, origination fees under sections 438(c)(2) and 455(c) of that Act shall be increased by a uniform percentage sufficient to produce the dollar savings in student loan programs (as a result of that sequestration order) required by section 252 or 253, as applicable.

"(2) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year and ending at the close of such fiscal year, the origination fees which are authorized to be collected pursuant to sections 438(c)(2) and 455(c) of such Act shall be increased by 0.50 percent.".

(d) HEALTH CENTERS.—Section 256(e)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking the dash and all that follows thereafter and inserting "2 percent.".

(e) FEDERAL PAY.—Section 256(g)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting "(including any amount payable under section 5303 or 5304 of title 5, United States Code)" after "such statutory pay system".

(f) TREATMENT OF FEDERAL ADMINISTRATIVE EXPENSES.—Section 256(h)(4) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking subparagraphs (D) and (H), by redesignating subparagraphs (E), (F), (G), and (I), as subparagraphs (D), (E), (F), and (G), respectively, and by adding at the end the following new subparagraph:

"(H) Farm Credit Administration.".

(g) COMMODITY CREDIT CORPORATION.—Section 256(j)(5) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

"(5) DAIRY PROGRAM.—Notwithstanding other provisions of this subsection, as the sole means of achieving any reduction in outlays under the milk price support program, the Secretary of Agriculture shall provide for a reduction to be made in the price received by producers for all milk produced in the United States and marketed by producers for commercial use. That price reduction (measured in cents per hundred weight of milk marketed) shall occur under section 201(d)(2)(A) of the Agricultural Act of 1949 (7 U.S.C. 1446(d)(2)(A)), shall begin on the day any sequestration order is issued under section 254, and shall not exceed the aggregate amount of the reduction in outlays under the milk price support program that otherwise would have been achieved by reducing payments for the purchase of milk or the products of milk under this subsection during the applicable fiscal year.".

(h) EFFECTS OF SEQUESTRATION.—Section 256(k) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) In paragraph (1), strike "other than a trust or special fund account" and insert ", except as provided in paragraph (5)" before the period.

(2) Strike paragraph (4), redesignate paragraphs (5) and (6) as paragraphs (4) and (5), respectively, and amend paragraph (5) (as redesignated) to read as follows:

"(5) Budgetary resources sequestered in revolving, trust, and special fund accounts, and offsetting collections sequestered in appropriation accounts shall not be available

for obligation during the fiscal year in which the sequestration occurs, but shall be available in subsequent years to the extent otherwise provided in law.".

SEC. 11209. THE BASELINE.

Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (b)(2) by amending subparagraph (A) to read as follows:

"(A)(i) Except as provided in clause (ii), no program with estimated current year outlays greater than $50,000,000 shall be assumed to expire in the budget year or the outyears.

"(ii) Clause (i) shall not apply to a program if legislation establishing or modifying that program contains a provision stating 'Section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall not apply to the program specified in ___ of this Act.', the blank space being filled in with the appropriate section or sections of that legislation.

"(iii) No bill, resolution, amendment, motion, or conference report shall be subject to a point of order under section 306 of the Congressional Budget Act of 1974 solely because it includes the provision specified in clause (ii).

"(iv) Upon the expiration of the suspensions contained in section 171 of Public Law 104–193 with regard to a program in such Act with estimated fiscal year outlays greater than $50,000,000, that program shall be assumed to operate under that Act as in effect immediately before reversion to the laws suspended by such Act."

(2) by adding the end of subsection (b)(2) the following new subparagraph:

"(D) If any law expires before the budget year or any outyear, then any program with estimated current year outlays greater than $50 million which operates under that law shall be assumed to continue to operate under that law as in effect immediately before its expiration.";

(3) in the second sentence of subsection (c)(5), by striking "national product fixed-weight price index" and inserting "domestic product chain-type price index"; and

(4) by striking subsection (e) and inserting the following:

"(e) ASSET SALES.—Amounts realized from the sale of an asset other than a loan asset shall not be counted against legislation if that sale would result in a financial cost to the Federal Government.".

SEC. 11210. TECHNICAL CORRECTION.

Section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985, entitled "Modification of Presidential Order", is repealed.

SEC. 11211. JUDICIAL REVIEW.

Section 274 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Strike "252" or "252(b)" each place it occurs and insert "254".

(2) In subsection (d)(1)(A), strike "257(1) to the extent that" and insert "256(a) if", strike the parenthetical phrase, and at the end insert "or".

(3) In subsection (d)(1)(B), strike "new budget" and all that follows through "spending authority" and insert "budgetary resources" and strike "or" after the comma.

(4) Strike subsection (d)(1)(C).

(5) Strike subsection (f) and redesignate subsections (g) and (h) as subsections (f) and (g), respectively.

(6) In subsection (g) (as redesignated), strike "base levels of total revenues and total budget outlays, as" and insert "figures", and "251(a)(2)(B) or (c)(2)," and insert "254".

SEC. 11212. EFFECTIVE DATE.

(a) EXPIRATION.—Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking "Part C of this title, section" and inserting "Sections 251, 253, 258B, and";

(2) by striking "1995" and inserting "2002"; and

(3) by adding at the end the following new sentence: "The remaining sections of part C of this title shall expire September 30, 2006.".

(b) EXPIRATION.—Section 14002(c)(3) of the Omnibus Budget Reconciliation Act of 1993 (2 U.S.C. 900 note) is repealed.

SEC. 11213. REDUCTION OF PREEXISTING BALANCES AND EXCLUSION OF EFFECTS OF THIS ACT FROM PAYGO SCORECARD.

Upon the enactment of this Act, the Director of the Office of Management and Budget shall—

(1) reduce any balances of direct spending and receipts legislation for any fiscal year under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 to zero; and

(2) not make any estimates of changes in direct spending outlays and receipts under subsection (d) of such section 252 for any fiscal year resulting from the enactment of this Act or the Revenue Reconciliation Act of 1997.

In the table of contents set forth in section 2, after the item relating to title X, add the following new item:

"Title XI—Budget Enforcement.".