

104

BUSINESS MEETING AND TRIBUTE TO RETIRING MEMBERS

Y 4. F 76/2: S. HRG. 104-666

Business Meeting and Tribute to Ret...

BUSINESS MEETING OF THE COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE ONE HUNDRED FOURTH CONGRESS SECOND SESSION

SEPTEMBER 25, 1996

Printed for the use of the Committee on Foreign Relations



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C O N T E N T S

SEPTEMBER 25, 1996

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BUSINESS MEETING AND TRIBUTE TO RETIRING MEMBERS

WEDNESDAY, SEPTEMBER 25, 1996

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:20 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Lugar, Brown, Coverdell, Snowe, Thomas, Aschcroft, Pell, Sarbanes, Dodd, Kerry, Robb, and Feingold.

The CHAIRMAN. For those who know the rules of the committee, you are aware that we already have a working quorum. We need 10 Senators to report anything out, and of course we will have one or two things to report out.

Senator Kassebaum is on her way. She is in another committee meeting.

Senator BROWN. Mr. Chairman, is it appropriate to make some comments while we wait for other members to come?

The CHAIRMAN. That would be fine. We were going to proceed with a little bit of testimony here in just a minute, but you proceed. So that she will take it down for posterity, this committee will come to order. The gentleman from Colorado is recognized.

Senator BROWN. Mr. Chairman, I did not have anything that posterity might be interested in, but I did not want the moment to pass without noting that we have before us one of the greatest tax dodgers in recent history. Mr. Kies had had gainful employment outside of Congress at terribly lucrative numbers, and chose to give it up for public service. It is obvious it was simply to avoid the taxes that he would have to pay. But I do think that the country is the beneficiary of a great tax mind, if that is not an oxymoron, and someone who has served at great financial sacrifice, and I believe he has made a difference.

Mr. KIES. Thank you, Senator. It did work to reduce my taxes, but my wife was not terribly enthused at the result.

The CHAIRMAN. While we are waiting for the arrival of a couple of other Senators, I have had at least three staff members point out that we have some other business, and that is what we pay them to do. We certainly welcome you, and I am interested in what the Senator from Colorado said.

The committee today has a full agenda that includes legislative items, nominations, two tax protocols, one with the Netherlands Antilles, one with Indonesia, and one tax treaty with Kazakstan.

Is that the way you pronounce that? I have never been there. You have been there, have you not?

Senator PELL. I have been there, but I cannot pronounce it.

The CHAIRMAN. Due to a scheduling conflict, the committee was unable to hold a hearing on the two protocols prior to today. In an effort to expedite their consideration, I asked the staff sometime back to put them on the agenda, and I understand that Mr. Kies is ready to talk about it a little bit. He is Staff Director for the Joint Committee on Taxation, and I appreciate your coming, sir, and you may proceed.

**STATEMENT OF KENNETH J. KIES, CHIEF OF STAFF, JOINT
COMMITTEE ON TAXATION, U.S. CONGRESS**

Mr. KIES. Thank you, Senator Helms. My name is Ken Kies. I am the Chief of Staff of the Joint Committee on Taxation. I am accompanied here today by two senior members of my staff, Angela Yu and Barbara Angus. Both Barbara and Angela have worked tirelessly with your staff on the matters before your committee today. It is my pleasure to present a brief statement regarding the proposed income tax treaty with Kazakstan and the proposed protocols with respect to existing income tax treaties covering Indonesia and the Netherlands Antilles.

The proposed treaty with Kazakstan was considered by the committee at its June 13, 1995 hearing. Following that hearing Treasury requested that the committee suspend consideration of the proposed treaty until assurances were received from the Government of Kazakstan that bank secrecy laws in Kazakstan would not operate to prevent access to bank information under the treaty's exchange of information rules. Treasury recently informed the committee that legislation has been introduced in Kazakstan that would resolve the outstanding bank account information issues. We received word this morning that it has now passed both houses of the Kazakstan parliament, and is expected to be signed by the President within the next 2 days.

The proposed protocol with Indonesia would modify the income tax treaty that was signed in 1988 and entered into force December 30, 1990. The existing treaty contains a number of departures from the treaty positions preferred by the United States; in particular, the preferred U.S. treaty position is that source country tax generally should be minimized on direct investment dividends and eliminated on interest in royalties. However, the existing treaty permits the source country to tax certain types of income earned by residents of the other country at maximum rates that are higher than those generally reflected in the U.S. tax treaties.

The proposed protocol would reduce the maximum rate of source country tax on dividends received by a company that owns at least 25 percent of the voting interest in the dividend-paying company from 15 to 10 percent. Similarly, the proposed protocol would reduce the maximum rate for branch profits taxes from 15 to 10 percent. The proposed protocol also would reduce the maximum rate of source country tax on certain interest and royalties from 15 to 10 percent. The reduction in source country taxation reflected in the proposed protocol brings the existing treaty more in line with preferred U.S. treaty policy.

The United States terminated, for the most part, the existing treaty with respect to the Netherlands Antilles in 1987 because of concern about treaty shopping abuses pursuant to which residents of third countries inappropriately derive treaty benefits. The only treaty provision that remains in effect provides an exemption from U.S. tax for interest income derived by Netherlands Antilles residents. This provision was retained when the treaty was partially terminated in order to avoid a market disruption for certain international debt offerings commonly referred to as Eurobonds that were issued by U.S. corporations through the Netherlands Antilles subsidiaries in reliance on the exemption provided by the then existing treaty.

The proposed protocol would limit the applicability of this exemption to interest paid with respect to certain debt instruments that were issued on or before October 15, 1984. The proposed protocol effectively would preserve the exemption from U.S. tax for interest paid to Netherlands Antilles finance subsidiaries pursuant to international financing arrangements that were established before this type of conduit structure was made obsolete through modifications in 1984 in the U.S. internal law that provide an exemption from U.S. tax for the interest on Eurobonds issued directly by U.S. corporations.

Detailed descriptions of the proposed treaty and protocols are contained in the pamphlets prepared by the staff of the Joint Committee. Mr. Chairman, I would be happy to answer any questions that you may have on either the treaty or the two protocols. Thank you.

Senator FEINGOLD. Mr. Chairman.

The CHAIRMAN. Yes, sir.

Senator FEINGOLD. Mr. Chairman, there are just two items on the agenda that I would like to comment on briefly, one of which was just discussed. One is the nomination for the rank of Ambassador for our coordinator for Asia-Pacific Economic Cooperation and the other is the protocol just discussed amending the tax convention with the Republic of Indonesia. I will say right out I am not going to oppose either of these items, but I would like to take advantage of this opportunity to, for just a minute, reiterate my views on U.S. policy toward Indonesia.

I remained concerned about the administration's plans to carry on with the sale of the nine F-16's to Indonesia. These plans are continuing despite the recent crackdowns in the streets of Jakarta and despite the fact that we have seen no real improvement in the human rights situation in East Timor. I bring this up now, at this business meeting, because I think that our relationship with Indonesia in the context of APEC provides another forum through which the United States can continue to bring up the issues of human rights. Furthermore, obviously, I hope, as does the administration, a viable tax treaty protocol that we will approve today will make it easier for U.S. companies to operate in Indonesia.

So again, Mr. Chairman, I think it is important for us to remember the status of human rights in Indonesia when we are making decisions on matters of economic and military importance to both of our countries.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the Senator.

Any further comment? [No response.]

Well, I want to thank you, and I do not know whether your ears have been burning or not, but our folks have been mighty complimentary about you and Barbara Anges and Angela Yu for the excellent cooperation and work you have done with them in preparing the background material, et cetera.

Now, I am correct, am I not, when I say that the recommended resolutions of ratification on the two protocols and the treaty before the committee are very straightforward, and the resolutions for the two protocols contain no conditions, is that right?

Mr. KIES. That is correct, Mr. Chairman.

The CHAIRMAN. And the resolution for the treaty is conditioned only on the elimination of anonymous bank accounts in Kazakstan—you see, I have acted quickly and I have learned how to pronounce it. Do you believe there are any further issues that should be addressed with regard to these protocols and treaty?

Mr. KIES. No, Mr. Chairman.

The CHAIRMAN. Well, with a working quorum, is there any objection to recommending that they be approved when we get the 10th member here? [No response.]

Without objection, they are approved, and we will confirm that. I thank you, sir.

Mr. KIES. Thank you, Mr. Chairman.

The CHAIRMAN. Now, then, I do not want to put the cart before the horse. This is one of these bittersweet mornings, insofar as I am concerned, because barring any unforeseen development between today and final adjournment or recess, this is likely to be the last meeting of the Foreign Relations Committee for the 104th Congress.

Now, members of this committee I think can be very proud of what has been accomplished during the 104th. We have had our honest disagreements about major pieces of legislation, such as the State Department authorization bill. We have also worked together on other items, and we have moved a lot of them to the Senate for consideration. In addition to legislative items, we have reported virtually all of the President's ambassadorial nominations, and a number of treaties important to Americans and American interests abroad. So as I say, this is sort of a bittersweet occasion for me, and I presume for the rest of the Senators present.

Today, the Foreign Relations Committee bids farewell to three of our colleagues who are retiring from the Senate at the end of this session. Senator Pell has served this committee with distinction since 1965. He became the committee's ranking member in 1981, and later served as chairman for 8 years. He and I and he and you have worked together on many issues over the years, and I have many times publicly described him accurately as a consummate gentleman.

If I appear to be a little bit sentimental about Claiborne Pell, it is because I am a little bit sentimental about him. On occasion we have disagreed, we have always disagreed agreeably, and I have always been respectful of his views, and I think he of mine, and for that I am grateful, and I certainly wish him the very best.

We have a few mementos for Senator Pell this morning, but before we do that, I want to recognize his best friend for several years, Mrs. Pell, who made a surprise visit here this morning. It is always good to see you anywhere, particularly here this morning.

Now, the first thing that we have is the gavel that you have used so many times. And here is what he rapped it on. And it reads: The Honorable Claiborne Pell, Senate Committee on Foreign Relations, January 1965 to January 1997; Chairman, January 1987 to January 1995. So you have that.

Senator PELL. Thank you.

The CHAIRMAN. Now, we are not through yet. I do not think you will need this at home, but it is nice to have it. This has sat before him on many occasions, and that is the one most recent. And I believe we have the original one—no, not the original one, but the one when you were chairman.

Senator PELL. Thank you.

The CHAIRMAN. So those are the goodies.

Senator, you are much loved on this committee and in the Senate, and it is an understatement to say you are going to be missed.

Senator PELL. Thank you.

The CHAIRMAN. Now, on our side of the aisle we are bidding farewell to two valuable and highly respected members. Senator Kassebaum has served on the Foreign Relations Committee since 1981. She is tied up in another committee right now, but I will whisper in her ear what I am saying publicly right now when she comes.

Seriously, Nancy Kassebaum has developed a remarkable expertise on issues concerning the continent of Africa. I have constantly been amazed at the information that she speaks during hearings and on other occasions that would send most of the rest of us to textbooks trying to find. But she knows it. She knows it by heart. As a matter of fact, I have thought many times that I have yet to discover an issue on which Nancy Kassebaum is not conversant and well-informed. She is a tremendous asset to this committee, and we will miss her.

Now, then, it is a personal loss to me, and I am sure other Senators, to see Hank Brown leave. He has served on the Foreign Relations Committee throughout his 6 years in the Senate. We have worked together on countless issues concerning the Middle East and Asia and other regions of the world. I am groping for a compliment to pay him, there are so many, but if I had to pick one I would say that Hank Brown is a Senator's Senator. He does his homework, he knows what he is talking about, he is eloquent, he is articulate, and he is fair. That is the ultimate compliment to a Senator, to say that other Senators respect and admire him, as all of us do.

Senator Russell of Georgia, with whom I served way back then, not as a Senator but as a friend and as a staff member around this place, used to describe special people as nature's noblemen, and Hank, that is what you are to me.

Now, we bring it up to the point that I believe somebody on this side of the house has a resolution to offer. The distinguished Senator for Maryland is recognized for that purpose.

Senator SARBANES. Thank you very much, Mr. Chairman.

Senator Biden had intended to be here, but apparently he did not catch the train this morning in Wilmington and will be coming in somewhat later. And in his absence I am pleased to offer a resolution of commendation to the committee for services rendered by The Honorable Claiborne Pell, the United States Senator from Rhode Island. If my colleagues will indulge me, I would like to read the resolution:

Whereas Senator Claiborne Pell has been a Member of the Committee on Foreign Relations since January 8, 1965; served as Ranking Minority Member from January 5, 1981 until January 6, 1987; served as Chairman from January 6, 1987 until January 4, 1995; and served again as Ranking Minority Member from January 4, 1995 until January 3, 1997;

Whereas by serving as Chairman of the Foreign Relations Committee, Senator Pell became the second Rhode Islander, following The Honorable Theodore F. Green, to serve the State of Rhode Island as Chairman of this distinguished Committee;

Whereas as a Member and Chairman of the Committee, Senator Pell has always been courteous, extending to all members true respect for their views, and leaving an indelible mark on the Committee as a true gentleman of diplomacy;

Whereas in the discharge of his duties as Chairman, Senator Pell has at every opportunity encouraged the development and furtherance of a bipartisan foreign policy;

Whereas Senator Pell, having served on the International Secretariat of the San Francisco Conference which drew up the Charter of the United Nations, has always worked to find international solutions to global problems in such areas as the environment, the oceans, climate control, human rights, the plight of refugees, and the rights of oppressed minorities throughout the world;

Whereas Senator Pell has steadfastly argued for greater contact and dialogue between all nations so as to reduce tensions, resolve differences, and promote the development of democracy, advocating negotiations and diplomacy as an alternative to armed conflict and military action;

Whereas Senator Pell has been instrumental in the initiation of arms control accords such as the Environmental Modification Treaty and the Seabed Arms Control Treaty, in the successful Senate consideration of numerous arms control treaties with such goals as the limitation, reduction and elimination of various classes of nuclear weapons in the passage of legislation to restrain the proliferation of weapons of mass destruction, and in the inception, fostering and strengthening of the Arms Control and Disarmament Agency;

Whereas Senator Pell, through his energy and vision, has contributed immeasurably to the development of United States leadership in world affairs and the establishment of better relations among nations;

Whereas Senator Pell has announced his intention to retire from the Senate in January 1997; and

Whereas Senator Pell's leadership and wisdom will be sorely missed by his colleagues on the committee and his many friends in the Senate;

Now, therefore be it

Resolved, that the Committee on Foreign Relations expresses its warm and deep affection for Senator Claiborne Pell, its profound appreciation for his devotion to duty, and its sincere gratitude for the outstanding service which he has rendered to the Committee, the Senate, the United States of America, and to the entire world through his great ability, initiative, and statesmanship.

The CHAIRMAN. Very good. Is there further comment?

Senator LUGAR. Mr. Chairman, I would like to be heard on the resolution. First of all, I congratulate you on a constructive 104th Congress. The committee has achieved much, and it is a special privilege to support the remarkable resolution that Senator Sarbanes has offered. It is remarkable because it encompasses a span of service and says so much about Senator Pell, a man who has been our good friend.

Thirty-one years is a long time to serve on this committee. Very few Senators have had that privilege in the history of the Senate including the 8 years as chairman of our committee. These were historic years because, as mention has been made by Senator Sar-

banes, Claiborne Pell's advocacy of arms control goes all the way back to his thoughts about world peace with the UN, and more recently with participation on the Senate arms control observer group. He took many trips to Geneva, to Vienna, to the other sites where historic agreements have occurred during this period of time, and he was an effective participant in those trips.

I appreciated his work as ranking member during the tenure I was chairman of our committee, and it was a privilege always to be with him as we worked in a strong bipartisan fashion. I pay tribute to Nuala likewise. She and Claiborne have opened their home to members of the committee on many occasions. We have enjoyed their hospitality, which helped to bring us together. So this is a very great privilege to commend this remarkable public servant.

While I have the floor, I would like to pay tribute to Senator Kassebaum for her exceptional service to this committee, especially her unique interest on Africa, unique in the sense that she has been deeply interested in the African continent for a long time. I can remember many, many times, and the chairman and Senator Pell will recall this likewise, when Senator Kassebaum entertained in her office heads of state of Africa, and implored us to come and be with her to express that interest. She has been constant throughout the 16-year period of time, and her work especially on South African legislation was historic. She shaped that legislation from her experience, was a strong floor advocate, and has followed through during those difficult years, and now, of course, during the remarkable democracy in that country.

I want to also pay tribute to Senator Brown and his specific work in the Middle East and in Asia and particularly Pakistan in which falls between those situations. Through his personal leadership he has tried to bring about a better relationship between our country and Pakistan in particular, but also with other countries. He has been indefatigable in visiting other nations, entertaining the leadership here, working with people with a conservative point of view in our party and in the Senate to understand that international relations are tremendously important to economic development in our country. And it has been my privilege to be with him in his home State to hear him speak to his constituents. What he says here, he says there. He is an advocate for constructive change.

So, Mr. Chairman, I appreciate having the floor to say these words about three wonderful people, and obviously I strongly support and second the motion Senator Sarbanes has made.

The CHAIRMAN. I will tell you what. I am going to ask Senator Pell to keep his seat, and everybody in this room who is in favor of the resolution stand up. [Standing ovation.]

Senator Pell just told me he has changed his mind.

Senator DODD. Mr. Chairman, before you turn to Senator Pell, I just want to thank you and thank Senator Sarbanes and Senator Lugar for those great comments about Senator Pell. I hesitate to tell him this, because it will make him feel like he is older than he is, but I was a Senate page and served under Senator Pell back many years ago, and of course, he served with my father here. Having served with two Dodds on this committee is more than any-

one should ever have to bear over the years. I am just going to miss him terribly.

Last evening, Senate Democrats gathered together to pay tribute to the retiring members on the Democratic side. Our colleague from Maryland gave some very eloquent remarks regarding Senator Pell. I wish all of my colleagues—all of America—could have listened to the words last evening spoken by our colleagues and those who gave the remarks and those who are retiring.

The one thing that Senator Sarbanes said that I think all of us would agree on, is that Senator Pell has contributed so significantly to the Senate in ways that go beyond any single issue. Rather one simple word best described it—civility.

And I hope in the months and years to come when Senator Pell is no longer sitting at this table with us that from time to time all of us, when we get into the heat of argument and debate, we ask ourselves what would Claiborne Pell say at a moment like this? If we do that, I think we might restore some of the civility and courtesy which was a centerpiece of Senate business and how we conducted ourselves over the years.

As we all know, there are many accomplishments that Senator Pell has achieved over his distinguished years of service, any one of these would make any single Senator proud. In the area of foreign relations Claiborne's leadership has been indispensable; particularly in the areas of environmental protection, law of the sea, human rights, arms control, and the development of international organizations. His accomplishments have been recognized by successive Presidents, Secretaries, and foreign leaders. As members of the Foreign Relations Committee, we have been very fortunate to have such a wonderful leader.

As all the other accomplishments deserve praise and deserve recognition, the contribution of civility, decency and courtesy of a public man is something that I will always cherish and remember.

The CHAIRMAN. Before we go further, if one Senator leaves I am in trouble. Senator Pell, for the last time perhaps, will you move?

Senator PELL. I would move the items on the agenda, for today's four nominations—12 nominations in the motion, and two treaty nominations—four treaty nominations and five items of legislation. I would move all the items on the agenda before us be approved.

The CHAIRMAN. You add, I believe, that the approval will be subject to technical and conforming amendments?

Senator PELL. Right. I would move that they be subject to technical and conforming amendments.

Senator DODD. Mr. Chairman, just one point: Senator Coverdell and I were going to offer an amendment recognizing Loret Ruppe, who, as you all know, has passed away, as part of a Peace Corps resolution that is here. Senator Coverdell is not here, and I would just ask that that amendment recognizing her for a wonderful contribution, we lost a remarkable public servant who has just passed away, and this amendment really adds that language to the Peace Corps resolution. Without objection, I would like to add that.

The CHAIRMAN. Without objection, so ordered.

[The information referred to follows:]

STATEMENT OF SENATOR CHRISTOPHER J. DODD ON PEACE CORPS' 35TH
ANNIVERSARY

Mr. Chairman, on the occasion of the Peace Corps' 35th Anniversary, I want to thank you for putting H.J. Res. 158 on today's agenda. I am pleased to recognize the accomplishments of the Peace Corps and the thousands of volunteers who have served overseas.

Thirty-five years after President Kennedy issued his call to service, the Peace Corps continues to be a vibrant institution that each year draws thousands of Americans to international service, and represents to communities across the globe the human face of America.

Since its creation in 1961, over 140,000 Americans have volunteered in 128 countries. They have taught English, math and science to hundreds of thousands of students in the developing world. They have introduced new agriculture techniques to poor rural communities, immunized tens of thousands of children and improved health care for mothers and infants. In recent years, volunteers have developed and implemented environmental education programs, and they have been teaching business management, commercial banking and related skills needed in free market economies.

As valuable as the technical assistance is, I believe strongly that the personal exchange that occurs between our American volunteers and the communities they serve is equally important. In an interdependent and complex world, where unfortunately divisions between people tend to dominate the world stage, it is so important to continue to support those who build bridges among us. Every Peace Corps volunteer we send overseas helps us better understand the world, and the people who are touched by those volunteers come to better understand Americans.

I am one of seven Members of Congress who have served as a Peace Corps volunteer. We also have a former Peace Corps Director among us—our colleague Paul Coverdell of Georgia. I was privileged to serve in the Dominican Republic and have often said that with the exception of my family, no other experience has meant as much to me as those two years as a Peace Corps volunteer.

As I look at the Peace Corps today, there are certain core values that have remained a constant even as other aspects of the program have quite appropriately changed over time. It is exciting to see Peace Corps volunteers working and living side by side with Russians, Armenians and Ukrainians, to see volunteers returning to Ethiopia and Eritrea or going for the first time to South Africa.

But, regardless of where volunteers serve, whether they are teaching small business development in Honduras or Kazakhstan, environmental education in Nepal or Slovakia, or health care in Chad or Turkmenistan, the key to their success is the direct, personal connection to the people. After thirty-five years, it is still true that the thing that sets the Peace Corps apart, and is the reason for its credibility and success, is its focus on human relationships, its faith in the value and benefits of people-to-people contacts.

This is a unique institution that holds a special place in American society. Americans of all ages and backgrounds serve in it. And it enjoys broad support across the political spectrum. The other day I saw something Ronald Reagan said about the Peace Corps back in 1981:

"Each one of us is responsible for building the society we want. Peace Corps volunteers do that with people-to-people exchanges, using their energy, their spirit and their creativity to solve problems * * * This is the American way."

And in 1995, President Clinton observed:

"* * * the best guarantee of peace and freedom and democracy is the ability of people, freely to develop their God-given capacities to strengthen their families and see their communities succeed. That is really what the Peace Corps is all about."

And so, Mr. Chairman, it is with great pride and enthusiasm that I commend to my colleagues this resolution recognizing the Peace Corps for its distinguished record of service.

Senator SARBANES. Mr. Chairman, the resolution I offered for Senator Pell is not, in fact, listed on the agenda. I would obviously like to add it to the agenda.

The CHAIRMAN. It is there because she took it down.

All in favor of the motion, including the resolution offered by Senator Sarbanes, will say aye. [A chorus of ayes.]

Opposed, no. [No response.]

The ayes have it unanimously.

Senator KERRY. Mr. Chairman, could I just very quickly add to what my colleagues Senator Sarbanes and Senator Dodd have said. I do not want to bore everybody with a story I have told before about my only appearance before the committee, but I want to thank Senator Pell again for his invitation for me to join this committee years before I was elected to the Senate. And just to add to what Chris said, I think the resolution covered so much of Senator Pell's contributions to this committee and the field of foreign affairs, but as we think about his extraordinary journey through the Senate, none of us, obviously, can turn away from the remarkable legacy of the Pell grants and his commitment to education, his authorship of the Sea Grant College and Program Act, his amazing efforts on the law of the sea through the years, his devotion to the environment which has been really extraordinary, and I think is no small part of his commitment to arms control, which is environment, and finally, just the personal aspect that Chris referred to.

Every fall Senator Pell and Nuala host all the Rhode Island students here in Washington at an annual cookout at their home, because they want to keep contact with the kids of their State and also make a statement about the importance of education. I would just add that Chris hit the nail on the head when he talked about civility and decency, but there are two other things that I always observed about Senator Pell. One of them is in his attitude about the filibuster and his votes on it. The other is a steadfast sense of the center, of his center, the moral compass, if you will, his commitment to principle and his word.

As we all know, your word is one of the most important things you have in public life and in life itself, and Senator Pell is somebody about whom you would always hear everybody say and never question that he was a person of his word and a person of principle who steadfastly stuck by it. So, Senator Pell, thank you for your remarkable example to all of us, and would that we could just have an automatic transfusion into the other 99, this would be a better place.

Senator DODD. Mr. Chairman, by the way, I have some comments on my colleagues Hank Brown and Nancy Kassebaum.

The CHAIRMAN. Let me do it side to side.

Senator DODD. I just want to make sure those are included.

Senator COVERDELL. Mr. President, first I want to thank Senator Dodd for his assistance on the insertion of the language dealing with the Peace Corps and former director Ruppe. I appreciate that, Chris, very much in my absence. I would just echo what Senator Kerry had to say. I have only had a limited opportunity to be in the presence of Senator Pell, but I feel the better for it, and I have enjoyed my service with him.

With regard to my colleague Senator Brown, the cantankerous Senator from Colorado, and Senator Kassebaum, of course, have enriched this body greatly, and our Nation has been the great beneficiary of the service of all of these Senators, and I thank the Chairman for allowing me an opportunity to express myself.

The CHAIRMAN. Senator Dodd mentioned that he was a page, but I can top that. Somebody told me that Strom Thurmond started off

as a page in the Senate. The first Congress he heard Washington read his farewell address.

Senator KERRY. That is when the Senate opened, 1780—he still thinks that 13 States are too big, Senator. [Laughter.]

The CHAIRMAN. Senator Robb.

Senator ROBB. Thank you, Mr. Chairman. I would just add my own word of thanks to Senator Pell and Senator Kassebaum, who is not here, and Senator Brown who are retiring. We will miss all three. Let me say with respect to our two colleagues on the opposite side of the dais, at least from those of us here, that I particularly appreciate their consistent attempt to try to find consensus and common ground and to make the institution work. They have been valued colleagues, and we will miss them in many, many different ways, but particularly their efforts over a long period of time to try to find solutions and not always being concerned about staying on one side of the aisle or the other.

And with respect to our distinguished departing Senator Claiborne Pell, I will only say that, unlike Senator Kerry, an invitation was not specifically extended to me. As a matter of fact I suspect for some members of the committee there was some ambivalence about my joining the committee because my views on some foreign policy matters were not always strictly doctrinaire orthodoxy with respect to what are regarded as party positions. But I have always admired and respected the quiet dignity of one Senator Claiborne Pell in dealing with me and with everyone else on this committee and with everyone with whom he has served.

And I have observed a number of times when the current Chairman and the now ranking member had reversed roles but had a fairly candid exchange of views in public, and when they went into the back room to discuss things the kind of courtesy that many people may not realize has been fostered in this institution and indeed this committee was very evident to all of us. And so in saying thank you to Claiborne Pell, Senator Pell, I say thank you to the Chairman for those personal courtesies that he has extended to the former Chairman and to all of us, as well.

The CHAIRMAN. I thank the Senator.

Senator FEINGOLD. Mr. Chairman, I appreciate the opportunity for each of us to say a word about the three Senators that are leaving. One of the things I always enjoyed that Robert Kennedy used to say was that one person can make a difference. And when it comes to the issue of human rights in this world, I think of Senator Claiborne Pell as having made a real difference.

It has been said before, but I want to say with regard to Senator Kassebaum when it comes to the continent of Africa it is absolutely clear that she has made a tremendous difference.

And I also want to say with regard to Senator Brown, when it comes to the question of watching the public dollar, not only with regard to domestic spending but also foreign relations spending, he has been a tremendous source of strength and moderation in that regard in this committee and in the Senate.

So in each of these cases—people like to say today that all the action is on the executive side. These folks have shown on the legislative side that you can make a difference.

And finally, I am just going to repeat this point that everyone has made, because it is striking to me. These three Senators, in every encounter I have had with them, have been courteous and easy to work with. The word cantankerous was used. I never found it with Senator Brown. It was easy to work with him even as the most junior member of the Senate.

Senator KERRY. You did not work with him enough. [Laughter.]

Senator BROWN. There is a little distance here. [Laughter.]

Senator FEINGOLD. But I just want to repeat that, because, again, there is some reality here in the Senate of the opportunity to work together across the aisle, and I have appreciated it very much, and I will also miss each of these Senators. Thank you, Mr. Chairman.

Senator SNOWE. Mr. Chairman, I am surprised you did not find Hank cantankerous. He must have changed when he came from the House to the Senate.

Mr. Chairman, I want to join with all my colleagues in expressing true regret on the departure of Senator Pell, Senator Kassebaum, and Senator Brown. They truly have honored their States and this country with their service to this institution and throughout their public service careers. And as I have come to know each of them here in the Senate as well as in the House, they embody, I believe, the traits and ideals that Americans rightfully expect from their elected officials. So I just want to pay tribute to each of you and wish you well in the years to come.

Senator COVERDELL. I have a question of Senator Pell. Were you going to take the convertible Chrysler with you?

Senator PELL. That has already died. [Laughter.]

Senator DODD. It was a slow and painful death.

The CHAIRMAN. I think we ought to recognize the two gentlemen who are departing. Let me recognize Senator Brown, first, for any comment that you may have.

Senator BROWN. Mr. Chairman, for a while this morning I thought maybe I had died. [Laughter.]

It has been great fun. I have had few experiences I have enjoyed as much, and I will greatly miss it. I will miss the people, as well.

I had the privilege of working as the ranking member to the Senator from Massachusetts and his subcommittee in the prior term, which I must say was a great experience and one I will always treasure. I felt we had a great working relationship, just as Dianne Feinstein has been so much help to me in these last 2 years.

I will leave the Senate with a wonderful feeling, not just about the marvelous people—the warmth of Claiborne Pell, the kindness and gentleness that goes with a person of great strength—but with a great feeling about the commitment that both Democrats and Republicans have for this country. I think most Americans would be refreshed and renewed and greatly cheered if they knew the commitment and devotion that the people on this committee and other committees bring to their job.

The CHAIRMAN. Well said. Thank you. Senator Pell.

Senator PELL. Mr. Chairman, by nature I tend to be, I think, humble and inconspicuous, so I feel embarrassed and delighted at the nice words that have been said. And we have sometimes disagreed, but I think we both agree that you can disagree with some-

body and still like them. And I have said publicly that I like our chairman, Senator Helms, although I disagree with him much of the time. And people outside the Senate do not understand that you can have that kind of relationship.

Service on this committee has meant a great deal to me. I remember my father was a member of the Congress, and he had a life very similar to mine. And having been a foreign service officer as a starter gave me perhaps a different professional outlook I would not have had otherwise.

I believe I am correct in saying I have served longer than anybody else in the Senate from my State, and my life is always being pointed in the direction of public life and foreign relations. I remember the time in San Francisco when we were creating a new world, and the world was full of hope, and I think probably half those hopes have been realized, and that is a darn site better than it was in 1944 or 1945.

I think the thing that I will miss the most is the quality and the decency and the intelligence and the motivation of my colleagues as they stand in the well of the chamber and listen to why people are voting one way or another, to the committee itself and our discussions, to learn a great deal, and it is only by this give and take that we do learn.

I think that looking down the road that this service on this committee will be the highlight, is the highlight, of my life, and I thank my colleagues for having made it as easy a life as it was. I want to particularly thank my next ranking member, Mr. Biden, who I am sure was upset at my fuddy duddy ways sometimes in running the committee, and always was very patient.

I thank my colleagues for their kind words, and hope, not only hope but look forward to staying in touch. Thank you immensely for the service here.

I have got to regale you with one story. My predecessor from Rhode Island, Theodore Green, was somewhat like me, stayed on very late, so he was made emeritus. You were very nice and kept me as an active nonemeritus. But President Johnson was talking with him and saying what a wonderful job he had done, maybe he should stay on, and my predecessor said yes, he might think of staying on. That got everybody very upset, so he did not stay on.

I thought of the same thing here, but I would not even want anyone to be upset. Why am I quitting? I love the people and I love the work, but just feel the time has come and you feel it in your chest, and it is a good thing to move when you have that feeling.

So thank you for these thoughts. [Standing ovation.]

The CHAIRMAN. The committee stands in recess.

[Whereupon, at 11:05 a.m., the hearing was adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

TRIBUTE TO SENATOR CLAIBORNE PELL BY SENATOR CHRISTOPHER J. DODD

Mr. Chairman: As you have noted, today is the final meeting of the Committee on Foreign Relations for the 104th Congress. It is therefore fitting that we take a moment this morning to say a final farewell and God's speed to those of our colleagues who have decided to retire from the Senate and this committee.

First with respect to our colleague, the ranking member and former chairman of this committee, Senator Claiborne Pell. My relationship with Claiborne Pell goes back two generations. He served with my father. We have not simply been colleagues, but close friends as well.

It goes without saying that Claiborne has had a distinguished career of public service—thirty six years as a United States Senator. His accomplishments during those years are too numerous to mention this morning—in education, the environment, the arts, and of course foreign affairs. His approach to getting things done has always been one of extraordinary civility. Claiborne's civility and courtesy is something members from both sides of the aisle respect and appreciate. We have all spoken previously of the remarkable accomplishments and character of our dear colleague when we honored him on the Senate floor following the announcement of his decision to retire at the end of this Congress.

So, this morning I will only take a few minutes to remember a few of those many accomplishments and to say good bye to a dear friend and distinguished colleague.

Senator Pell has been a member of this committee for 31 years. He became Ranking Member in 1981, and Chairman in 1987. During his tenure on this committee, Claiborne has been ahead of his time in so many ways, particular in his understanding of the importance of certain areas of international relations. He recognized before almost anyone else in this body the importance of protecting the international environment. Claiborne was talking about and offering legislation concerning the international environment long before many people appreciated the importance and significance of this matter. He was the only Senator to attend the 1972 world environmental conference in Stockholm—the first of its kind.

He also was among the first to recognize the importance that the world's oceans could play in the betterment of mankind and how crucial it was that the world community agree upon some rules to govern its many uses. The world community agreed with Claiborne and finally reached agreement on a comprehensive Law of the Sea Treaty.

Your stewardship of this committee has occurred during a period of remarkable change upheaval throughout the globe—much of its unimaginable just a few short years ago. Through it all, your leadership has been steady and strong. In 1972, Claiborne observed in *Power and Policy: America's Role in World Affairs* a book he authored, "foreign policy cannot be programmed by a computer; leadership is essential, and the nature of the leader makes a large difference." You were so right—and your leadership has made an enormous difference.

Successive Presidents and Secretaries of State have come to recognize and appreciate the leadership that you have brought to this committee and to the conduct of United States foreign policy. My dear friend, you have provided leadership not by bullying or seeking to impose you views on others, but through the strength of your convictions, moral character, and tireless efforts to put to action your ideas.

I know that perhaps more than anything you have accomplished in your life, your presence at the creation of the United Nations stands out as a shining moment in your career. And what a tribute that you were recently able to participate in the celebration of the 50th anniversary of the San Francisco Conference and the establishment of the U.N.

We all know of your dedication and deep commitment to making the world a safer and better place for our children and grandchildren. I am convinced that it was that commitment that has guided you in your work over the years to strengthen respect for human rights, to protect the global environment and to promote arms control.

I will miss your leadership and friendship on this committee and on the other committees where I have had the honor to serve with you. I know all of our colleagues on this committee will as well. But, I am confident that you will continue to play an important role in shaping our foreign policy even after you leave Congress.

TRIBUTE TO SENATOR NANCY L. KASSEBAUM BY SENATOR CHRISTOPHER J. DODD

Mr. Chairman, I want to now turn to another colleague of ours. Senator Nancy Kassebaum.

When ever I think about Nancy, certain words come to mind—independent thinker, effective legislator, generous in spirit, respected, distinguished. I am saddened to have to bid farewell to my wonderful colleague Senator Nancy Kassebaum.

As children of fathers who served our country as public servants, Nancy and I have much in common. And even though we differ in party affiliation, that has not stopped us from working together on important issues such as peace initiatives in Central America, or from us being friends.

As a valued and trusted member of the Foreign Relations Committee, Senator Kassebaum has made a lasting impact around the world. Nancy has made a number of significant contributions to the work of the committee since she became a member in 1981.

She was one of the first voices to speak out about the need to reform foreign aid. And, while a consistent supporter of the United Nations, she also authored legislation that required the United Nations to undertake badly needed management reforms.

Equally noteworthy has been her involvement in African issues, as ranking member and now Chairperson of the African Affairs Subcommittee, where among other things she fought to bring an end to South African apartheid and for the establishment of the Development Fund for Africa.

Perhaps what I admire and will miss most about Nancy is her passion for public service supported by her sense of decency and integrity. Nancy, you have been one of the "great ones" to walk the corridors of the Senate and to sit on this committee. We will all miss your many contributions to this committee. My best wishes to you and your family.

TRIBUTE TO SENATOR HANK BROWN BY SENATOR CHRISTOPHER J. DODD

Mr. Chairman, I think it surprised many of us when our colleague Senator Brown announced his retirement from the Senate after serving only one term. Senator Brown has been an extremely active legislator during that term—perhaps some in the Clinton Administration might think he has been a little too active. But seriously, Senator Brown in a very short period of time has become an individual respected by his colleagues on both sides of the aisle. And although he will no longer be a United States Senator from Colorado, I am sure his former constituents will continue to respect and admire him.

Senator Brown has had a distinguished career—as a decorated military leader, State Senator for Colorado, accountant, lawyer, member of the House of Representatives, and U.S. Senator. While I have not had the opportunity to get to know Hank as well as I know some of my other colleagues, I have appreciated our service together on this committee. I have enjoyed his candor, forthrightness, and energy. Whatever he decides to do next—I am confident that his contributions to public service will continue well after his retirement from the Senate.

Senator Brown, we will indeed miss you on this committee. I wish you and your family all the best in your new endeavors.

[From the Congressional Record, September 25, 1996]

TRIBUTE TO SENATOR CLAIBORNE PELL BY SENATOR JOSEPH R. BIDEN, Jr.

Mr. BIDEN. Mr. President, I rise this morning to speak not to an issue but to speak to a man—about a man.

Mr. President, I rise this morning on the floor of the Senate to perform a task that I am anxious to perform but, at the same time, reluctant to perform.

I have been in the Senate now for 24 years. I have had the opportunity in those 24 years to serve with some very famous, significant political figures in modern American history. When I arrived here in 1972, Richard Nixon was President. The

Senate was markedly different in terms of its makeup and membership, so much so that I now find myself—I was No. 100 in seniority—I now find myself somewhere in the low teens in seniority, and finding only a half a dozen or so Democrats who have been here longer than I have.

The reason I bother to mention that is I have had an opportunity to meet and work with and become friends with some truly great and famous Members of the U.S. Senate. The loss—in some cases by death, such as in the case of Hubert Humphrey and Dewey Bartlett and others; in some cases as a consequence of having lost an election, in the case of people like Frank Church and other great leaders such as Jacob Javits; the loss in some cases on the part of a Senator deciding he did not wish to run again, like Senator Mansfield and others—has impacted on the Senate and has impacted on the country.

I know my Grandfather Finnegan—God rest his soul—was right when he always used to say, “Joey, don’t forget Paddy’s a 9-day wonder. When you’re gone, you’re gone.” In one sense that is true. In another sense it is not true because every once in a while someone passes this way. Every once in a while someone assumes a position in the U.S. Senate, or takes the place on the floor of this august body, who changes not only the nature of our laws and the attitude of our country about major issues but who impact upon how this institution functions.

In my mind, and I believe I reflect the view of the American public in this case, one of the things that is most troubling in our discourse is a growing lack of civility, not only in our public discourse but in our private discourse.

You need only go down this long aisle to the next, patterned after the Parliament in Great Britain. Look out this door. Many people who watch us on C-SPAN don’t realize that you walk through the door of this institution, this floor, and look out that door, and you look straight all the way through, you will see a similar set of doors at the other end that lead into another Chamber called the House of Representatives. For years and years, we have avoided the kind of invective that seems to have infected the debate on that end of the Capitol. And one of the reasons we have avoided it is because there have been men and women on the floor of this Senate who will not tolerate that kind of discourse and constantly remind us of our moral conscience: that we, as the greatest institution—not as individuals, but as an institution—should not stoop to the level of engaging in uncivil conduct.

If the Presiding Officer, the former Governor of Missouri, will excuse my personal reference, it is like using profanity. You know that one may engage in using profanity in the locker room with a bunch of guys when you are in high school, but you would never do that in front of your mother. You would never do that in front of your grandmother. You would never do that in front of the people you most respected, even if you slipped and did it in front of the guys.

Well, the presence of CLAIBORNE PELL on the floor of the U.S. Senate—just, literally, his physical presence on the floor—inhibits Members from yielding to the temptation of engaging in uncivil conduct, in conduct that, quite frankly, we should all realize is beneath us and demeans the public debate and demeans this institution. And I can say, without reservation, that in the 24 years I have served here there is not a single, solitary person whose mere physical presence in a committee, in a caucus room, on the floor of the U.S. Senate—just his presence inhibits negative behavior on the part of all of us. He is a man of such character, such gentility, such class, and such persuasion by his actions. I mean it. Think about it. I say to my colleagues who may be listening to this in their offices: Name for me a single solitary person with whom we have ever served who has that kind of impact—he walks into a room, and his mere presence exposes demeaning conduct that any of us, including myself, may be engaging in in the course of political discourse.

He likes to point out—and he never lectures, but he likes to point out—that he has never negatively referred to any one of his opponents.

I remember one of the highest compliments I ever received. We were at a candidate forum. The chairman and I, Senator PELL, a Democratic candidate, were getting ready for the last election. And one of the leading political advertisers for Democrats was up there showing us the latest ad, all the Members of the Senate who were running in the 1990 race, when Senator PELL and I ran together the last time. He was saying, “This is what works, and this is what the Republicans are doing, and this is what we should do.” This particular guy has great wit and was actually the guy doing my advertising, and may have been the one doing Senator PELL’s as well. I can’t recall. His name is Bob Squire, one of the leading political advertisers in the country, and a fine man. Actually he was doing the President’s campaign, if I am not mistaken. Bob Squire with his dry wit looked down at all of us, and said, “There are only two men in America that do not get it”—that you must respond to negative ads and you must be negative.

And I do not know whether it is true, if it was only two. It does not matter for purposes of what I am going to say. He literally said, "CLAIBORNE PELL and Joe Biden." Just for me to be mentioned in the same sentence with CLAIBORNE PELL—just to be mentioned in the same sentence—was one of the highest compliments I have received since I have been in the Senate.

I am not in CLAIBORNE PELL's class. Few are. If you will forgive me, as we say, a point of personal privilege here, when I first came to the Senate, I say to the Presiding Officer, I came under circumstances that were not the most ideal. I was not anxious to come. There had been an accident involving my family, and I lost my wife and daughter.

Almost everybody, when I came, embraced me, Democrat and Republican, and they were very generous with their time and their concern. But I remember four people, only one of whom I will name today: CLAIBORNE PELL. CLAIBORNE PELL came to me, and in his inimitable way. He did not do what Hubert Humphrey did. Hubert Humphrey literally came over to my office and sat on my couch and cried with me, I mean literally cried with me. CLAIBORNE PELL did not do that.

I give you my word that there was not a week that went by without him at least twice a week personally coming to me and inquiring of me how I was doing, inviting me to his home, inviting me to stay with him in his home, offering me a room in his lovely home in Georgetown because he knew I commuted and my boys were still in the hospital. And that did not stop when my boys became healthy. That has continued for 24 years. And his wife, Nuala, is equally as wonderful.

In addition to that, CLAIBORNE PELL did something few were able to do for me at the time, and again continuing on this point of personal privilege. He invited me to dinner parties, private parties, private dinners at his home, knowing that it was important for me, in retrospect, just to get out, just to be somewhere with someone. He never did it in a way that made me feel beholden. He never did it in a way as if he were doing me a favor. He never did it in a way other than the way he does everything: in a purely genuine, straightforward, embracing way.

Mr. President, that has characterized everything about CLAIBORNE PELL.

Let me conclude by saying that everything about CLAIBORNE PELL's public life has in fact emulated his private life. There are not many people who can say there is simply no distinction between their private conduct and their public conduct. CLAIBORNE PELL would not say that, but he can say that, and I can say that for him.

The last point I wish to make, and I will elaborate on this later when we finish this treaty or at another time before we leave, is this man is a man who is, to use a trite-sounding phrase, a quiet visionary. This is a fellow who wrote about the transportation system in the Northeast and predicted what would be needed and used a word I learned as an undergraduate that no one had ever heard of—"megapolis"—and he talked about Richmond to Boston and what would have to be done to accommodate the needs of this area of the country. He is the guy who came up with the notion of ACDA. He has been the single most consistent, persistent spearheader of the notion of bringing about the diminution of the number of nuclear weapons that exist in this world. He is the man who has been devoted to the notions and concepts embodied in the United Nations. He is a man who has been the leader in education and learning, a man who comes from considerable standing in terms of his own personal wealth and education but has bent down to make sure that people of competence, regardless of their economic status, would be able to achieve the same intellectual competence, capability, and background as he has achieved.

This is a wonderful man, I say to my friends. You all know it. But not many have passed this way who have his personal characteristics and capabilities, and I doubt whether very many will come this way again. I will truly miss his presence in the Senate.

I yield the floor and thank my colleagues.

104th Congress
2d Session



Committee on Foreign Relations
United States Senate

Resolution of Commendation
for Services Rendered by The Hon. Claiborne deB. Pell
United States Senator from Rhode Island

Whereas

Senator Claiborne deB. Pell

has been a Member of the Committee on Foreign Relations since January 8, 1965; served as Ranking Minority Member from January 5, 1981 until January 6, 1987; served as Chairman from January 6, 1987 until January 4, 1995; and served again as Ranking Minority Member from January 4, 1995 until January 3, 1997;

Whereas by serving as Chairman of the Foreign Relations Committee, Senator PELL became the second Rhode Islander, following The Honorable Theodore F. Green, to serve the State of Rhode Island as Chairman of this distinguished Committee;

Whereas as a Member and Chairman of the Committee, Senator PELL has always been courteous, extending to all Members true respect for their views, and leaving an indelible mark on the Committee as a true gentleman of diplomacy;

Whereas in the discharge of his duties as Chairman, Senator PELL has at every opportunity encouraged the development and furtherance of a bipartisan foreign policy;

Whereas Senator PELL, having served on the International Secretariat of the San Francisco Conference which drew up the Charter of the United Nations, has always worked to find international solutions to global problems in such areas as the environment, the oceans, climate control, human rights, the plight of refugees, and the rights of oppressed minorities throughout the world;

Whereas Senator PELL has steadfastly argued for greater contact and dialogue between all nations so as to reduce tensions, resolve differences, and promote the development of democracy, advocating negotiations and diplomacy as an alternative to armed conflict and military action;

Whereas Senator PELL has been instrumental in the initiation of arms control accords such as the Environmental Modification Treaty and the Seabed Arms Control Treaty, in the successful Senate consideration of numerous arms control treaties with such goals as the limitation, reduction and elimination of various classes of nuclear weapons in the passage of legislation to restrain the proliferation of weapons of mass destruction, and in the inception, fostering and strengthening of the Arms Control and Disarmament Agency;

Whereas Senator PELL, through his energy and vision, has contributed immeasurably to the development of United States leadership in world affairs and the establishment of better relations among nations;

Whereas Senator PELL has announced his intention to retire from the Senate in January 1997; and

Whereas Senator PELL's leadership and wisdom will be sorely missed by his colleagues on the Committee and his many friends in the Senate;

Now, therefore, be it

Resolved, That the Committee on Foreign Relations expresses its warm and deep affection for Senator CLAIBORNE PELL, its profound appreciation for his devotion to duty and its sincere gratitude for the outstanding service which he has rendered to the Committee, the Senate, the United States of America, and to the entire world through his great ability, initiative, and statesmanship.

JESSE HELMS, Chairman

RICHARD G. LUGAR

JOSEPH R. BIDEN, JR.

NANCY L. KASSEBAUM

PAUL S. SARBANES

HANK BROWN

CHRISTOPHER J. DODD

PAUL COVERDELL

JOHN F. KERRY

OLYMPIA J. SNOWE

CHARLES S. ROSS

FRED THOMPSON

RUSSELL D. FENIGOLD

CRAG THOMAS

DIANNE FEINSTEIN

ROD GRAMS

JOHN ASHCROFT

STATEMENT OF JOSEPH H. GUTTENTAG, INTERNATIONAL TAX COUNSEL, DEPARTMENT OF THE TREASURY

Mr. Chairman and Members of the Committee: I am pleased to submit this statement on behalf of the Administration to recommend favorable action on the protocols to two tax treaties, with Indonesia and with the Netherlands with respect to the Netherlands Antilles, that are on the Committee's business meeting agenda. Also on the agenda is the tax treaty with Kazakstan, on which the Administration recommended favorable action in testimony before the Committee on June 13, 1995. There are also three additional bilateral tax treaties that the President has transmitted to the Senate, with Austria, Luxembourg, and Turkey. All these agreements provide significant benefits to the United States, as well as to our treaty partners. Treasury appreciates the Committee's interest in these agreements, and requests the Committee and the Senate to take favorable action at this time on the three agreements that are on the Committee's agenda, and on the remaining three treaties as soon as possible.

The tax treaty program is designed to remove obstacles to international trade and investment, such as double taxation, and to prevent fiscal evasion, such as through treaty shopping and information concealing. Accordingly, tax treaties provide substantial benefits to taxpayers as well as to the fiscs of both treaty partners.

For example, high withholding taxes at source are an impediment to international economic activity. Under United States domestic law, all payments to non-United States persons of dividends and royalties as well as certain payments of interest are subject to withholding tax equal to 30 percent of the gross amount paid. Inasmuch as this tax is imposed on a gross rather than net amount, it imposes a high cost on investors receiving such payments. Indeed, in many cases the cost of such taxes can be prohibitive. Most of our trading partners impose similar levels of withholding tax on these types of income.

Tax treaties alleviate this burden by reducing the levels of withholding tax that the treaty partners may impose on these types of income. In general, United States policy is to reduce the rate of withholding taxation on interest and royalties to zero. Dividends normally are subject to tax at one of two rates, 15 percent on portfolio investors and 5 percent on direct corporate investors, with certain exceptions.

The Treasury Department has included in all its recent tax treaties comprehensive "limitation on benefits" provisions that limit the benefits of the treaty to *bona fide* residents of the treaty partner. These provisions are not uniform, as each country has its own characteristics that make it more or less inviting to treaty shopping in particular ways. Consequently, each provision must to some extent be tailored to fit the facts and circumstances of the treaty partners' internal laws and practices. Moreover, these provisions should be crafted to avoid interfering with legitimate and desirable economic activity. For example, in the future we plan to address directly in our negotiations the issue of how open-end United States regulated investment companies (RICs) should be treated under limitation on benefits provisions in order to facilitate cross-border investments from this important source of capital. Because these funds are required to stand ready to redeem their shares on a daily basis, we believe they generally should be entitled to treaty benefits to the same extent as closed-end RICs, which qualify for benefits under standard limitation on benefits provisions because they are publicly traded on stock exchanges. However, the extent to which this goal may be achieved is likely to vary from treaty to treaty, as the negotiators need to ensure that mutual funds established in the treaty partner cannot be used to promote treaty shopping.

Our tax treaties and treaty positions are subject to continual review. We reexamine the appropriateness and effectiveness of our treaty provisions, and receive comments from both public and private sources. The release last week of the new U.S. model income tax treaty, copies of which were provided to the Committee, is an important step in this process but does not represent its conclusion. The new model represents our favored treaty positions at this time; we will reevaluate and update the model over time as we evaluate model treaty positions as employed in our recent tax treaties and receive comments and further suggestions on the model itself.

DISCUSSION OF PENDING AGREEMENTS—INDONESIA, NETHERLANDS, ANTILLES, AND KAZAKSTAN

I would like to discuss the importance and purposes of each agreement that the Committee has set for consideration. We have submitted Technical Explanations of each agreement that contain detailed discussions of each treaty and protocol. These Technical Explanations serve as an official guide to each agreement. We have furnished our treaty partners with a copy of the relevant technical explanation and offered them the opportunity to submit their comments, suggestions and concurrence.

Indonesia

The proposed protocol with Indonesia, which was signed at Jakarta on July 24, 1996, amends the income tax treaty with Indonesia that was signed in 1988 and entered into force on December 30, 1990. In many cases, the withholding tax rates permitted under the existing tax treaty with Indonesia significantly exceed those found in Indonesia's treaties with other OECD countries. This places United States business at a substantial competitive disadvantage in Indonesia relative to competitors from other industrialized countries. Because Indonesia is one of the world's most populous countries, with a rapidly expanding market that is located in a region of dynamic economic growth, it is especially important that United States firms be able to compete there without this disadvantage.

The proposed protocol achieves this objective by reducing the withholding tax rates permitted to bring them into line with those in Indonesia's recent treaties with other OECD countries. The protocol reduces the maximum rates of tax on direct-investment dividends, interest, and royalty income, which are generally 15 percent under the current treaty, to 10 percent.

Netherlands Antilles

Many years ago, the United States and the Netherlands agreed to extend the then treaty between them to the Netherlands Antilles. The extension became a contentious issue, and in 1987 most of the provisions of the treaty as extended to the Netherlands Antilles were terminated, except for the taxation of interest at source and ancillary provisions. The proposed protocol to the Netherlands treaty relates only to the Netherlands Antilles and would complete the termination by eliminating the exemption from United States withholding tax for interest, except with respect to certain grandfathered debt instruments.

The proposed protocol relating to the Netherlands Antilles would eliminate ongoing treaty shopping through the Netherlands Antilles by limiting the exemption from United States withholding tax to certain debt instruments issued on or before October 15, 1984. These debt instruments were issued in connection with Eurobond offerings by Netherlands Antilles subsidiaries of United States companies, generally before the Deficit Reduction Act of 1984 allowed United States companies to issue debt, free of United States withholding tax, directly into the international capital markets. It is appropriate to provide a continued exemption for these debt instruments because the Eurobonds were issued in reasonable reliance on the continued existence of the exemption and it is believed that eliminating the exemption entirely would have an adverse effect on international capital markets.

Kazakstan

In addition to the five new treaties and protocols, the Committee still has under consideration a treaty between the United States and Kazakstan. This treaty was the subject of a hearing last year. At our request, the Committee delayed its vote on this treaty until we received adequate assurances from the Government of Kazakstan regarding access to bank account information. At the time of last year's hearing, Kazakstan had recently adopted laws permitting the opening of anonymous bank accounts, and we wanted to be certain that the existence of these accounts would not, as a legal or a practical matter, impede our access to bank account information in order to enforce our tax laws.

I am pleased to report that Kazakstan is now clearly moving away from bank secrecy. The Government of Kazakstan has submitted legislation to the Kazakstan Parliament to repeal the earlier laws permitting the establishment of anonymous bank accounts. We understand that the lower house of the Kazakstan Parliament has passed the legislation and that the Government of Kazakstan expects the law to be enacted without opposition this week.

We appreciate the Committee's support on this very important issue and hope that we can work cooperatively to move this treaty forward while at the same time protecting the integrity of the treaty's exchange of information provisions. One alternative that we would support is for the Committee to report the treaty recommending that the Senate give its advice and consent to ratification assuming Kazakstan's adoption of the new law. The full Senate then could approve the recommendation with appropriate conditions concerning the elimination of anonymous bank accounts. We have provided the Committee with the latest information we have regarding the status of this issue and will continue to keep the Committee advised. If the Senate chooses to give its advice and consent to the treaty at the present time, the Administration is willing and able to accept the responsibility of not permitting instruments of ratification to be exchanged until it is fully satisfied that the conditions described above have been fully satisfied. Absent this procedure, entry into force of the treaty could be further substantially delayed. Based on information

we have received it would be in the interest of the United States to have the treaty enter into force as promptly as possible.

We will continue to work with the Committee and its staff to bring this issue to a mutually satisfactory conclusion.

Conclusion

Let me conclude by again thanking the Committee for its continuing interest in the tax treaty program. We appreciate the assistance and cooperation of the staffs of this Committee and of the Joint Committee on Taxation in the tax treaty process. With your and their help, we have over the past several years brought into force 19 new treaties and protocols.

We urge the Committee to take prompt and favorable action on the three agreements before you at the business meeting. We further urge the Committee to take favorable action as soon as possible on the remaining three tax treaties that the President has submitted to the Senate. Such action will send an important message to our trading partners and our business community. It will demonstrate our desire to expand the United States treaty network with income tax treaties formulated to enhance the worldwide competitiveness of United States companies. It will strengthen and expand our economic relations with countries that have seen significant economic and political changes in recent years. Finally, it will make clear our intention to deal bilaterally in a forceful and realistic way with treaty abuse.

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