fresh fluid milk, which is a basic part of agricultural law, and that the demonstration program would be reviewed when the milk orders were to be implemented.

What happened? Did the program work? That was the problem, it did. That is why we are here tonight because the program did work.

As the Senator from Maine pointed out, the opponents of this, in the Midwest in particular, were so confident it was going to fail, they went out and got the OMB, who they figured would be most friendly to them being of the administration, many Democrats—whatever, that is beside the point—but so certain were they that it would be a failure, they got OMB to do a study.

Lo and behold, what happened? The study came back, and the GAO later came back and said it worked great, it is a wonderful program. That is why 25 States now have said that ought to be a program in which they can get involved. Half the States in the country have already said it is a success. OMB said it is a success.

What is the problem now? Why? Because of the desire of those in the Midwest to take over and supply these areas with milk themselves and not the local dairy farmers, which helps make sure we have that fresh quality milk available, they decided they will put them out of business.

They cannot put them out of business because it is working. The processors, who have been used to setting the price themselves—in many cases there are one or two; there are not many processors, so when there is a good supply of milk, they can go to zero. That has stopped. It is working well.

The Department of Agriculture was not going to do the pilot program. We had to get it extended.

That is where we are. We wanted to extend it, and when we had one, at least we thought we had one in the conference committee that we would have approved because the majority in the House and Senate agreed it was a good program and ought to be extended, what happened? Forces came in and put pressure on Members and we ended up without a majority in the committee. Therefore, we got thrown out into the cold.

We are here to make sure this bill, which belonged on that conference report, that everyone seemed to agree to, goes forward. That is why we are now trying to hold up this bill to get action. We are not going to try to hold up the bill for the disaster payments. We will get into a further discussion of this whole bill and the stuff in it.

The one part that worked so well that does not cost any money and prevents disasters, we cannot get it put into law. That is why we are here. We are going to continue. We are going to fight as long as we possibly can to make sure the dairy farmers in our States, the family farms, the small, beautiful hillsides that have their nice wonderful cows will be there for people to look at, and we will have a fresh supply of milk from our local farms.

Hopefully, since it was such a successful program, the 25 States that have already passed laws through their legislatures to participate in the compact will have the wonderful opportunities that have been so successful in New England.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire.

MORNING BUSINESS

Mr. SMITH of New Hampshire Mr. President, I ask unanimous consent that the Senate now proceed to a period for morning business, with Senators permitted to speak for up to 10 minutes each.

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

CONFERENCE REPORT ON FOREIGN OPERATIONS APPROPRIATIONS

Mr. MCCAIN. Mr. President, I supported passage of the Conference Report on H.R.2606, the Foreign Operations Appropriations bill for Fiscal Year 2000.

Foreign aid programs, which constitute a mere one percent of federal spending, are an important and underappreciated component of United States foreign and national security policy. Passage of the annual appropriations bill for foreign operations is, consequently, an imperative. It is for this reason that I voted for its passage, and anticipate its being signed into law by the President.

Despite my support for passage of the Conference Report, this legislation is not without its flaws. While it includes essential economic and military assistance for Israel and Egypt, it contains none of the funding associated with implementation of the Wye River accords involving Israel, Jordan, and the Palestinian Authority. It is anticipated that such funding will be included in a supplemental appropriations bill at some point in the not-too-distant future, but I question the fiscal and political wisdom of budgeting in this manner. Smoke and mirrors rarely provide for sound budgeting practices or a coherent foreign policy.

I am also concerned about the continued inclusion in this legislation of unrequested earmarks and adds. While the Conference Report represents a vast improvement over the bill passed by the Senate in June, it still represents the legislature's continued refusal to desist from earmarking in spending bills. Such earmarks in the bill include $500,000 for what by any other name remains the Mitch McConnell Conservation Fund, $15 million for American universities in Lebanon, and a requirement to establish a $200 million maritime fund using United States commercial maritime expertise. The bill essentially mandates the establishment of an International Law Enforcement Academy in Roswell, New Mexico, thereby demonstrating yet again that fiscal prudence and operational necessity remain alien concepts to members of this body.

There are more examples, but I think I have made my point. As I have stated in the past, there is undoubtedly considerable merit to some of the programs for which funding is earmarked at the request of members of Congress. My concern is for the integrity of the process by which the federal budget is put together. Merit-based competitive processes ensure that the interests of the American taxpayer are protected, and that the most cost-effective approach is employed. Absent such procedures, I will continue to have no choice but to highlight the practice of adding and earmarking funds for programs and activities not requested by the respective federal agencies.

Finally, I must register my strong opposition to language in the bill prohibiting any direct assistance to Cambodia and requiring U.S. opposition to loans from international lending institutions for that impoverished country. Cambodia's election was not perfect; in fact, the months leading up to the vote were characterized by numerous efforts on the part of the Cambodian People's Party to intimidate its political opposition. Cambodia, however, is experiencing its first period of relative peace and stability in many years, and it is regrettable that some in the Senate remain committed to isolating the government in Phnom Penh during a time when we should be working within that country to strengthen democratic institutions while facilitating economic growth. Section 573 of the Conference Report, consequently, represents a significant impediment to our ability to help Cambodia move forward from an enormously painful past.

Despite these flaws, Mr. President, I reiterate my support for passage of the bill and request the accompanying list, be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2000, AND FOR OTHER PURPOSES—DIRECTIVE LANGUAGE AND EARMARKS

BILL LANGUAGE PROVISIONS

Not less than $500,000 should be made available for support of the United States Telecommunications Training Institute;

$19.6 million shall be available for the International Fund for Ireland;

$10 million shall be available for the Russian Leadership Program;

$1 million shall be available for the Robert F. Kennedy Memorial Center for Human Rights;

Sense of Congress that the Overseas Private Investment Corporation shall create a maritime fund with total capitalization of up to $200 million. The fund shall leverage U.S. commercial maritime expertise;

REPORT LANGUAGE PROVISIONS

The Agency for International Development is ''encouraged'' to provide assistance for the

Morehouse School of Medicine to establish an International Center for Health and Development;

$250,000 shall be made available to the International Law Institute;

AID is directed to restore biodiversity funding, which benefits the agricultural and pharmaceutical industries;

$700,000 is earmarked for Historically Black Colleges and Universities for implementation of a distance learning program;

AID is directed to ''uphold its commitment'' to American Schools and Hospitals Abroad by providing at least $15 million for fiscal year 2000, with the money allocated to institutions operating in Lebanon;

The bill directs that $500,000 shall be provided for research, training and related activities in the Galapagos Islands. Usually referred to as the Mitch McConnell Conservation Fund, the money will likely be allocated for the Charles Darwin Research Station and the Charles Darwin Foundation;

$861,000 is earmarked for the Seeds of Peace program;

$5 million is earmarked for the Irish Peace Process Cultural and Training Program.

$19 million is earmarked for the International Fund for Ireland;

$10 million is earmarked for the Russian Leadership Program;

$3 million is earmarked for Carelift International to support social transition initiatives in Central Europe and the new independent states;

The Department of State is directed to take measures ensuring the establishment of the International Law Enforcement Academy of the Western Hemisphere at the deBremmond Training Center in Roswell, New Mexico;

$35.8 million is earmarked for the Global Environment Facility.

Total: $321 million.

RESEARCH AND EXPERIMENTATION TAX CREDIT

Mrs. FEINSTEIN. Mr. President, I rise to note that since June 30 of this year, the Research and Experimentation Tax Credit has, once again, been allowed to lapse. As this body considers whether to enact a so-called ''extenders'' package, I want to urge my colleagues to include and pass a permanent extension of the Research and Experimentation tax credit.

The research and experimentation tax credit provides business an incentive to fund development of the technologies of tomorrow by providing a tax credit for investments in research.

The research and experimentation tax credit is an important element in the creation of strong economic growth and rising productivity. Industry leaders have credited it with spawning private enterprise investments. It is especially important to the high-tech and emerging growth industries that are driving the California economy. And, because it creates jobs and spurs economic activity, the research and experimentation tax credit helps to increase the tax base, paying back the benefit of the credit.

Yet, despite its many benefits, for 18 years the research and experimentation tax credit remains, inexplicably, a temporary tax provision requiring regular renewal.

In fact, since 1981, when it was first enacted, the Research and Experimentation Tax Credit has been extended nine times. In four instances the research credit had expired before being renewed retroactively and, in one instance, it was renewed for a mere six months.

This is not a process which is conducive to encouraging business investment in the innovative industries—high technology, electronics, computers, software, and biotechnology, among others—which will provide future strength and growth for the U.S. economy.

Earlier in this decade California was faced with its severest economic downturn since the Great Depression. Today, the California economy is healthy and vibrant, and it is so in no small part because of the critical role played by innovative research and development efforts in nurturing new ''high tech'' industries.

Today the 150 largest Silicon Valley companies are valued at well-over $500 billion, $500 billion which did not exist two decades ago. Much of this growth is a result of ability of companies to undertake long-range and sustained research in cutting-edge technologies. Scores of California companies—and companies across the country—owe much of their success and growth to the incentive provided by the research and experimentation tax credit.

Research and experimentation is the lifeblood of high technology development, and if we want to continue to replicate the successful growth that has characterized the U.S. economy during this past decade it is crucial that we create a permanent research and experimentation tax credit.

For example, Pericom Semiconductor, located in San Jose, has expanded from a start-up company in 1990 to a company with over $50 million in revenue and 175 employees by the end of last year and is ranked by Deloitte Touche as one of the fastest growing companies in Silicon Valley. According to a letter I received from Pericom, utilization of the research and experimentation tax credit has been key to their success, enabling them to add engineers, conduct research, and expand their technology base.

Indeed, according to a 1998 study conducted by the national accounting firm Coopers & Lybrand, a permanent credit will increase GDP by nearly $58 billion (in 1998 dollars) over the next decade. The productivity gains from a permanent extension will allow workers throughout the Nation to earn higher wages, and the additional tax revenue created by these new jobs will help pay back the benefit of the credit.

Whether it is advances in health care, information technology, or environmental design, research and development are critical ingredients for fueling the process of economic growth.

Moreover, aggressive research and experimentation is essential for U.S. industries fighting to be competitive in the world marketplace. For example, American biotechnology is the world leader in developing effective treatments and biotech is considered one of the critical technologies for the 21st century. With other countries heavily-subsidizing research and development, it is critical that U.S. companies also receive incentive to invest the necessary resources to stay on top of breakthrough developments.

I recently received a letter from the CEO of Genentech, for example, in which he wrote:

> The R&D tax credit is especially important to Genentech and our patients. Our newest therapy, Herceptin, which is used to treat metastatic breast cancer, is a prime example. The early clinical trials for Herceptin showed that it was a somewhat effective treatment for metastatic breast cancer, but the results were not particularly robust. It was a classic case of a research project being ''on the bubble'' in terms of deciding whether to go forward into the most expensive phase of human clinical trials. However, because the value of the tax credit to Genentech directly means that we are able to move one additional drug candidate each year into clinical trials, we were able to move forward with the Phase III Herceptin clinical trial in late 1994. I dare say that without the R&D credit, Herceptin might well not have become a reality. Today, thousands of patients are receiving this important treatment.

I ask unanimous consent that the full text of the September 30, 1999 letter from Genentech Chairman Arthur Levinson be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

GENENTECH, INC.,
San Francisco, CA, September 30, 1999.

Hon. DIANNE FEINSTEIN,
Hon. BARBARA BOXER,
U.S. Senate, Hart Senate Office Building, Washington, DC.

DEAR SENATOR FEINSTEIN AND SENATOR BOXER. On behalf of Genentech, I would like to thank you both for your long-standing leadership and support for the Research and Experimentation Tax Credit, more commonly known as the R&D tax credit. Once again, however, we find ourselves in the perilous position of the Congressional session quickly coming to an end without providing an extension of the credit, which expired on June 30, 1999. As you are well aware, the credit is critical to California's economy, as the high technology and biotechnology sectors count on the value of the credit to continue the economic expansion our sectors have enjoyed for the past few years.

The R&D tax credit is especially important to Genentech and our patients. Our newest therapy, Herceptin, which is used to treat metastatic breast cancer, is a prime example. The early clinical trials for Herceptin showed that it was a somewhat effective treatment for metastatic breast cancer, but the results were not particularly robust. It was a classic case of a research project being ''on the bubble'' in terms of deciding whether to go forward into the most expensive phase of human clinical trials. However, because the value of the tax credit to Genentech directly means that we are able to move one additional drug candidate each year into clinical trials, we were able to move forward with the Phase III Herceptin clinical trial in late 1994. I dare say that without the R&D credit, Herceptin might well not have become a reality. Today, thousands of patients are receiving this important therapy.

Clearly, Genentech is among the most research intensive companies in the world. In