EXTENSIONS OF REMARKS

LEADERSHIP FOR THE NEXT AMERICAN CENTURY

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 23, 1996

Mr. HAMILTON. Mr. Speaker, I rise today to bring to the attention of my colleagues a speech delivered late last week by Secretary of State Warren Christopher. Mr. Speaker, we are at the start of an election year, and we can expect partisanship to increase in the House. However, I hope all Members will temper their partisan views when it comes to foreign policy. To that end, I urge all of my colleagues to read Secretary Christopher's speech, delivered last week at the John F. Kennedy School of Government at Harvard University. In the speech, the Secretary reviews the past year in foreign policy, when there were certainly a number of major accomplishments, and sets out the challenges the administration has set for itself for 1996. The Secretary also reviews the guiding principles of the administration's policy. I believe the speech makes absolutely clear what is driving U.S. foreign policy: the U.S. national interest. I hope my colleagues will take the time to read it.

LEADERSHIP FOR THE NEXT AMERICAN CENTURY

(by Warren Christopher)

Let me begin by thanking Joe Nye not only for giving me that warm introduction, but for laying to rest one persistent canard about this fine institution. It used to be said in some circles that the Kennedy School was a plot to infiltrate the federal government. Joe Nye's appointment proves that the opposite is true: the federal government is in fact a plot to infiltrate the Kennedy School.

A year ago, I met with you to explain the guiding principles of this Administration's foreign policy and our priorities for 1995. I am here today to assess a remarkable period of achievement for American diplomacy and to discuss our main objectives for 1996.

The end of the Cold War has given us an unprecedented opportunity to shape a more secure world of open societies and open markets—a world in which American interests and ideals can thrive. But we also face serious threats from which no border can shield us—terrorism, proliferation, crime and damage to the environment.

This is not the end of history, but history in fast-forward. Eight decades ago, when this century's first Balkan war ended, it took an international commission to piece together what had happened. Now, images of violence in Sarajevo are beamed instantly around the world. Six decades ago, it took several years for the Great Depression to become a global disaster. Now, an economic crisis in Mexico can disrupt the global economy in the blink of an eye.

In this time of accelerated change, American leadership must remain consistent. We must be clear-eyed and vigilant in pursuit of our interests. Above all, we must recognize that only the United States has the vision and strength to consolidate the gains of the last few years, and to build an even better world.

Six years after the fall of the Berlin Wall, some still think that we can escape the problems of the world by building walls around America. But the evidence of the last three years should settle the debate about America's role in the world. Because President Clinton has rejected the path of retreat, we have forged a record that proves the enduring value of American leadership and American engagement.

The President, with help from internationalists in both parties, has made the United States the world's driving force for peace. Think of it. Had we not led, the war in Bosnia would continue today, wasting innocent lives, threatening a wider war and eroding the NATO Alliance. Had we not led, there would not be the prospect of comprehensive peace in the Middle East. And there would be scant hope for reconciliation in Northern Ireland.

Without American leadership, thugs would still rule in Haiti, and thousands of Haitian refugees would be trying to reach our shores. The Mexican economy would be in free-fall, threatening our prosperity and harming emerging markets and the global economy. We would not have made the kind of progress on the fullest possible accounting of American POWs and MIAs that allowed us to recognize Vietnam. We would not have gained the indefinite extension of the Nuclear Non-Proliferation Treaty—the most important barrier against the spread of nuclear weapons. And North Korea could be building nuclear bombs.

The lesson in clear. If we lead, we can sustain the momentum that defeated communism, freed us from the danger of nuclear war, and unfurled freedom's flag around the world. Our strength is a blessing, not a burden. President Clinton is determined to use it wisely and decisively.

Our strength simply cannot be maintained on the cheap. And yet for a year now, the President and I have been fighting those forces in Congress who would cut our foreign affairs budget so deeply that we would have to draw back from our leadership—closing important embassies, shutting down peacekeeping, and self-destructively slashing our international programs. These are not responsible proposals. They would weaken America precisely when we must remain strong, precisely when other nations are looking to us for leadership. They betray a lack of appreciation for what America has accomplished in the last 50 years and a lack of confidence that our great nation can shape the future.

The recent shutdown of the U.S. government was particularly troubling to me because it eroded our international reputation for reliability and integrity. In my recent travels abroad, I have been struck by the far-reaching consequences of the shutdown. For leaders and ordinary citizens in many parts of the world, it seemed as if the most powerful nation in the world was closing for business. Our failure to pay our bills and our employees was conduct not worthy of a great nation. It must not happen again.

Three weeks ago, I was described in the pages of *Newsweek* as a ''true believer that America must be involved in the world.'' I plead guilty. I came of age after World War II, in the years our leaders made the investments whose benefits all of us are reaping today. I am not a politician. But I do have a bias: for the kind of foreign policy that makes America a reliable and principled leader; a bias for a foreign policy that projects America's unique purpose and strength. I hope that every candidate who aspires to the presidency will keep these important guideposts in mind.

Our commitment to provide leadership is the first of the central principles guiding our foreign policy that I outlined here last year. A second principle I enunciated then is the need to strengthen the institutions that provide an enduring basis for global peace and prosperity. These institutions, such as the United Nations, NATO, and the World Bank, help us to share the burdens and costs of leadership. This year, a top priority will be working with Congress to meet our financial obligations to the UN as it undertakes an essential program of reform.

A third principle is that support for democracy and human rights reflects our ideals and reinforces our interests. Our dedication to universal values is a vital source of America's authority and credibility. We simply cannot lead without it. Our interests are most secure in a world where accountable government strengthens stability and where the rule of law protects both political rights and free market economies. That is why we have provided such strong support for courageous reforms in nations like South Africa, Mexico, and the new democracies of Central Europe. That is why we are so pleased that there have been sixteen inaugurations following free elections in this hemisphere in the three years we have been in office. This year, another important goal will be to help the War Crimes Tribunals establish accountability in the Former Yugoslavia and Rwanda for two of the greatest tragedies of this decade.

A fourth principle is the critical importance of constructive relations with the great powers. These nations—our allies in Europe and Japan, as well as Russia and China—have the greatest ability to affect our security and prosperity.

In the last few years, some have said that the United States and Europe would inevitably drift apart. We have proved them wrong. Our common action in Bosnia has dramatically reinforced the transatlantic alliance and has opened new prospects for lasting European security cooperation. And the New Transatlantic Agenda agreed by the United States and the European Union in Madrid last month will not only expand our economic ties but enhance coordination on political and security challenges around the world.

With Japan, we are also putting each pillar of our alliance—security, economic, and political—on a sound basis. A year-long review of our relationship, which Joe Nye led with Assistant Secretary Winston Lord, has revitalized our security ties. We have reached 20 market access agreements which have contributed to the recent sharp decline in our bilateral trade deficit.

We have also pursued our interest in strengthening our cooperation with Russia and China, at a time when both countries are undergoing difficult transitions.

From the beginning of his Administration, President Clinton has recognized that only by engaging with Russia could we protect

our national interests. Our strategy has produced concrete benefits for the security of the American people. We have achieved massive reductions in nuclear arsenals and made nuclear materials more secure. By working with Russia, we have advanced our goals of peace in Bosnia and the Middle East.

Of course, it is easy to enumerate our differences with Russia, such as on nuclear cooperation with Iran and the war in Chechnya. This week's events provide more evidence that the current military approach in Chechnya will only deepen that war. The cycle of violence can end only through negotiations.

But as I have said before, I do not have the luxury of making a list of differences with Russia and then walking away. My job is to build areas of agreement and to develop policies to manage our difference.

Back in 1993 in my first major speech as Secretary of State, I observed that Russia's struggle to transform itself would be long and hard, and that success was by no means assured. That remains my judgment today. On the plus side, four years into the post-Soviet period, Russia's economy is increasingly governed by market principles. Free elections, unthinkable a few years ago, are becoming a fact of life. But Russia has not yet overcome the ruinous legacy of seven decades of communism—a legacy visible in crime, corruption, and poverty.

Recent events reflect troubling signs of Russian reform under strain. The Russian people face an important choice in the June Presidential election. In the final analysis, only they can choose their leaders and determine their future. Our obligation—the American obligation—is to promote democratic values and democratic institutions and to pursue our national interests at all times.

When I meet with new Russian Foreign Minister Primakov, I will tell him that the United States is determined to continue working with Russia on the many common challenges we face. I will, however, make it clear that Russia's integration with the institutions of the West, which is in our mutual interest, depends on Russia's willingness to abide by international norms and to stay on the path of reform.

Turning to China, we also have a profound stake in helping to ensure that that powerful nation pursues its modernization in ways that contribute to the overall security and prosperity of the region—for our own sake and in the interest of our key allies and friends. That is why we are pursuing a strategy of engagement. It is designed to integrate China into the international community and to enhance our cooperation on such common problems as the North Korean nuclear program, drug trafficking and alien smuggling.

We continue to have important differences with China on such issues as human rights, proliferation and trade. In recent months we have come through a rocky period in our relations with China. The United States is ready to restore positive momentum to our relationship. We have reaffirmed our ''one-China'' policy and we reject the short-sighted counsel of those who seek to isolate or contain China. China's President has said that his country, too, seeks a positive relationship. Let me be clear: The United States will do its part, but if we are to build a lasting productive relationship, China has a responsibility to take meaningful steps to address areas of our concern and to respect internationally accepted principles.

In the coming year, we will give special emphasis to three main objectives: first, pursuing peace in regions of vital interest to the United States; second, confronting the new transnational security threats; and third, promoting open markets and prosperity.

A year ago, the war in Bosnia was the greatest unresolved problem we face. Nothing is yet assured in Bosnia of course. But by joining the use of force to diplomacy, we have transformed a situation some considered hopeless into one in which rebuilding, reconciliation, and justice are all possible. The President's visit to our troops last week reminded us again of the uncommon spirit and confidence they bring to their mission.

The peace agreement we forged in Dayton means that we can look beyond four years of horror—the concentration camps, the ethnic cleansing, the hunger and death. In 1996, our immediate challenge is to implement the military and civilian aspects of the Dayton agreement. We expect all parties to comply fully with their obligations under that carefully negotiated agreement.

It is important to recognize that success in Bosnia will also have broad implications for our goal of an integrated Europe at peace. Our actions in Bosnia have proven that NATO is here to stay as the guarantor of transatlantic security. Without NATO's action, it is clear this war would continue today.

The very nature of the coalition we have forged and are leading in Bosnia has historic implications. This is the first time that soldiers from every power and region of Europe will serve in the same military operation. Russians and Lithuanians, Greeks and Turks, Poles and Ukranians, British, Germans and French, have joined with Americans and Canadians to share the same risks, under the same flag, to achieve the same noble goal. As we help overcome the divisions of Bosnia, we also help overcome the division of Europe itself.

The mission in Bosnia will give some of our new partners in the Partnership for Peace a chance to show that they can meet the challenges of membership in an enlarged NATO Alliance. The process of enlargement is already making NATO a force for stability and democracy in the east. We have made it clear to our partners that to gain NATO membership, they must consolidate democratic reforms, place their armed forces under firm civilian control, and resolve disputes with their neighbors.

It is in central and eastern Europe that the greatest threats to European security—ethnic conflict, proliferation, and poverty—must be faced. That is why it would be irresponsible to lock out half of Europe from the structures that ensure security and prosperity on the continent. That is why the European Union is moving forward with its own plans to add members. NATO enlargement should proceed on roughly a parallel track.

We recognize that as Russia redefines its international role, NATO enlargement must proceed in a gradual, deliberate and transparent way. But Russia should understand that the Alliance with which it is working so closely in Bosnia does not threaten its security. Indeed, we continue to encourage Russia to construct a long-term, special relationship with NATO.

In the Middle East, American leadership is also indispensable. Today, for the first time in half a century, we stand on the threshold of ending the Arab-Israeli conflict. A comprehensive peace between Israel and its immediate neighbors, and indeed with the entire Arab world, is no longer a dream, but a realistic possibility.

I have just returned from my 16th trip to the region. Last week I was with King Hussein of Jordan on the day he dedicated a trauma unit to the late Prime Minister Rabin—it's hard to believe, but that was in a hospital in Tel Aviv. Few events more vividly capture how much the landscape of the region has changed. What is more, in just two days, almost a million Palestinians will vote in the first free elections in the West Bank and Gaza.

Now we must work to complete the circle of peace in the Middle East. The key lies in achieving a breakthrough between Israel and Syria. Both sides believe the United States is critical to this effort. Under our auspices, Israel and Syria are now holding intensive negotiations on Maryland's eastern shore. Although there is much work still to be done, we are crossing important thresholds and we seek an agreement in 1996. The United States is determined to help complete this historic task.

We will also continue our efforts to resolve conflicts and build security in other regions. We will pursue initiatives in places such as Northern Ireland, Haiti, Cyprus, Angola, Burundi, Peru and Ecuador. We will strengthen the foundations of peace and security in the Asia-Pacific region by deepening our security cooperation with our treaty allies, and through our participation in the very promising ASEAN Regional Forum. And in this hemisphere, we will build on the new level of political cooperation we achieved at the Summit of the Americas in Miami.

Our second major area of focus this year is to continue to take on new challenges to global security. As the President emphasized in a landmark UN speech last October, transnational threats like proliferation, terrorism, international crime, drugs, and environmental damage threaten all of us in our interdependent world.

We will continue working to stop the spread of weapons of mass destruction, the gravest potential threat to the United States and our allies. Thirty-three years ago, the nuclear powers took what President Kennedy called a ''step backward from the shadows of war'' by signing the Limited Test Ban Treaty. Now we must complete a Comprehensive Test Ban Treaty in time to sign it this year. And this year we must ratify the Chemical Weapons Convention.

We must also lock in deep reductions in the nuclear arsenals of the United States and the countries of the former Soviet Union. I urge the Senate and the Russian Duma to ratify the START II Treaty, which will remove an additional 5,000 warheads from the arsenals of our two countries.

Our regional nonproliferation efforts are also vital. It is critical that North Korea's nuclear program stays shut down and on the way to the scrap heap. And pariah states like Iraq, Iran and Libya must be stopped in their efforts to acquire weapons of mass destruction. The information that UN inspectors have uncovered on Iraq's biological program is chilling. It is now clear that Saddam Hussein possessed biological weapons and was on the verge of using them against civilians in the Gulf War. These revelations are an urgent reminder that Saddam remains a menace and that sanctions against Iraq must be maintained.

President Clinton has also put the fight against international criminals, terrorists and drug traffickers at the center of our foreign policy. We are determined to continue our drive to put such international predators out of business. We have taken unprecedented steps against the Cali cartel and many of its leaders are now behind bars. We will continue to deny terrorists and drug kingpins access to their assets; we will put decisive pressure on governments that tolerate such organizations; and we will step up operations attacking crime and drugs at their source.

Protecting our fragile environment also has profound long-range importance for our country, and in 1996 we will strive to fully integrate our environmental goals into our diplomacy—something that has never been done before. We will seek further reductions

in greenhouse gases and press for Senate approval of conventions on biodiversity and the Law of the Sea. Working closely with the Vice President, I have also focused on how we can make greater use of environmental initiatives to promote larger strategic and economic goals. That means, for example, encouraging joint water projects in the Middle East, increasing environmental cooperation with our global partners, and helping our environmental industries capture a larger share of a $400 billion global market.

The third element of our agenda is to build on the economic achievements that will be a lasting legacy of the Clinton Administration. President Clinton's personal leadership on NAFTA, the Urguay Round, APEC and the Summit of the Americas, has made the United States the hub of an increasingly open global trading system. This year, our watchword is implementation—making sure that the trade commitments and agreements we have reached produce concrete opportunities so that American companies and workers can compete abroad on a level playing field. In the Asia-Pacific region through APEC, with the European Union through the Transatlantic Marketplace, and in this Hemisphere through the Miami process, we are removing barriers to trade and investment and opening markets for U.S. exports. We also remain committed to obtaining fast-track authority to negotiate Chile's accession to NAFTA.

As this presidential election year begins, we are hearing once again from those who preach the dangerous gospel of protection and isolation. America and the world went down that road in 1930s—and our mistake fueled the Great Depression and helped set the stage for the Second World War. Shutting America off from the world would be just as reckless today as it was six decades ago. As President Clinton said at the beginning of his Administration, ''we must compete, not retreat.''

Ladies and gentlemen, everywhere I go, I find that the nations of the world look to America as a source of principled and reliable leadership. They see American soldiers bridging rivers and moving mountains to help peace take hold in Bosnia. They see us working for peace in the Middle East and for security in Korea. They see us negotiating trade agreements so that every nation can find reward in emerging markets. They see the most powerful nation on earth standing up for persecuted peoples everywhere, because we believe it is right and because those who struggle for freedom represent the future.

The world sees us as an optimistic people, motivated by a broad view of our interests and driven by a long view of our potential. They follow us because they understand that America's fight for peace and freedom is the world's fight. At the end of the American century, President Clinton is determined that we continue to act in the highest traditions of our nation and our people.

The President's answer to the voices of isolationism is clear. We can no more isolate our nation from the world than we can isolate our families from our neighborhoods, or our neighborhoods from our cities. As a global power with global interests, retreat is not a responsible option for the United States. We must continue to lead. If we do, the end of this millennium can mark the start of a second American century.

A BILL TO PROVIDE SIMILAR TAX TREATMENT FOR SECTION 501(C)(3) BONDS AS THAT PROVIDED TO GOVERNMENT BONDS

HON. AMO HOUGHTON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 23, 1996

Mr. HOUGHTON. Mr. Speaker, I am pleased to join my colleague from California, Mr. MATSUI, as well as a number of other colleagues, in introducing the Nonprofit Organizations Tax-Exempt Bond Reform Act of 1996. This is an important piece of bipartisan legislation that would help solve a problem that has been growing since the law was changed in 1986. Basically, the problem is one where a number of section 501(c)(3) organizations are now at the $150 million limit on outstanding bonds. The limit was established by the 1986 Tax Reform Act. The proposed legislation would remove this cap and allow bonds issued by 501(c)(3) organizations to be treated similarly to those issued to finance direct State or local government activities—as they were permitted to do before the 1986 change. Similar corrective legislation has been considered and/or passed by prior Congresses, although not to the point of being enacted into law.

The concept of an exempt person, that existed under the Code bond provisions before 1986, would be reenacted. An exempt person would be defined as first, a State or local governmental unit or second, a section 501(c)(3) organization, when carrying out its exempt activities under section 501(a). Thus, bonds for section 501(c)(3) organizations would no longer be classified as private activity bonds. Financing for unrelated business activities of such organizations would continue to be treated as a private business use for which tax-exempt financing is not authorized.

As exempt persons, section 501(c)(3) organizations would be subject to the same limits as State and local governments on using their bond proceeds to finance private business activities or to make private loans. Additional restrictions on the bonds issued by such organizations would be repealed. The bill would make no amendments, other than technical conforming amendments, to the present-law arbitrage restrictions, the alternative minimum tax-exempt bond preference, or the provisions generally disallowing interest paid by banks and other financial institutions on amounts used to acquire or carry tax-exempt bonds.

The principal beneficiaries of the bill would be private, nonprofit colleges and universities. These institutions provide substantially identical educational services to those provided by governmental higher education institutions. In order to have a consistent tax policy of providing like treatment for similarly situated persons, the tax-exempt bond rules should provide comparable access to tax-exempt financing for these entities.

The main provision in the proposed legislation is to remove the $150 million per-institution limit on outstanding nonhospital qualified 501(c)(3) tax-exempt bonds. This provision was intended as a limit on tax arbitraging of college and university endowments. Other present-law tax-exempt bond restrictions for example, the arbitrage rebate requirement and public approval, bond maturity, hedge bond, and advance refunding restrictions, adequately address this concern. In addition, the concern that private colleges and universities engage in tax arbitraging of their endowments reflects a misunderstanding of the restrictions governing endowments. Most State laws prohibit depletion of endowment corpus. Further, approximately 65 percent of endowment funds nationally is subject to donor-imposed restrictions on the uses for which even the income may be used.

Finally, the other beneficiary would be nonprofit health care providers who are also subject to the $150 million cap. A growing number of health care providers are delivering medical services in a cost-effective manner outside of the hospital setting. Yet, providers like community health clinics, skilled nursing facilities, and ambulatory care facilities are limited by the $150 million cap per institution in outstanding tax-exempt bonds. Also, as alternative health care facilities and hospitals form integrated health care delivery systems, the cap hinders the consolidation of these entities. The cap actually acts as a barrier to these mergers, because after a merger there would be a single $150 million limit.

The proposed legislation generally would apply to bonds issued after the date of enactment.

We welcome the support of our colleagues in cosponsoring this important legislation.

INTRODUCTION OF THE NONPROFIT ORGANIZATIONS TAX-EXEMPT BOND ACT OF 1996

HON. ROBERT T. MATSUI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 23, 1996

Mr. MATSUI. Mr. Speaker, I am pleased to join with my good friend from New York, Congressman HOUGHTON, in the reintroduction of this important legislation. This bill will remove the $150 million limit on outstanding bonds that can be issued by 501(c)(3) nonprofit organizations and will allow bonds issued by 501(c)(3) organizations to be treated similarly to those issued to finance direct State or local government activities.

Nonprofit organizations such as colleges and health care providers have traditionally used tax-exempt financing for the construction, renovation, and modernization of facilities used for activities related to the nonprofit's mission. Prior to the 1986 Tax Reform Act, this financing was generally available to all qualified 501(c)(3) organizations in recognition of the public purpose they serve.

Placing a $150 million cap on these nonprofits has had unintended and unforeseen consequences. For example, the restriction on tax-exempt financing has prevented private colleges and universities from improving their educational facilities and research capabilities. Currently, the capital renewal and replacement needs of colleges and universities exceed $60 billion of which one-third is urgently needed for repairs and renovation. The National Science Foundation has reported that for every $1 spent to maintain research facilities, an additional $3.50 was deferred. Our Nation needs to improve its educational and research facilities given that our work force and businesses must compete in an everchanging global economy.