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No. 91

House of Representatives

The House was not in session today. Its next meeting will be held on Tuesday, July 14, 1998, at 12:30 p.m.

Senate

FRIDAY, JULY 10, 1998

The Senate met at 9:28 a.m. and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Almighty God, we claim Your promise, "I will not forget You. See, I have inscribed You on the palms of my hands."—Isaiah 49:16. So with confidence we pray the ancient Hebrew childhood prayer, "Father, into Your hand I commit my spirit."—Psalm 31:5. As we pray that prayer we get ourselves off our own hands and into Your strong and competent hands. We take each of the fears in our jumbled mass of worries and concerns and surrender them to You. You have promised to keep us in perfect peace if we allow You to keep our minds stayed on You. Interrupt us when we get too busy and remind us that we are here to serve You. When we forget You, remind us that You never forget or forsake us. May that awesome assurance steady our course and fill our sails with the wind of Your power. Through our Lord and Savior. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The able majority leader is now recognized. Mr. LOTT. Thank you, Mr. President.

SCHEDULE

Mr. LOTT. Mr. President, pursuant to the consent agreement reached last

night, the Senate will now proceed to the consideration of S. Con. Res. 107 regarding Taiwan, with a rollcall vote occurring immediately after I give a brief statement on the resolution.

Following that vote, the Senate will be asked to turn to any other Legislative or Executive Calendar items that have been cleared for action. However, no further rollcall votes will occur during Friday's session of the Senate.

As a reminder to all Senators, a cloture motion was filed on the motion to proceed to the private property rights legislation. That cloture vote will occur on Monday, July 13, at 5:45 p.m.

As a final announcement, there will also be a joint meeting of Congress on Wednesday, July 15, at 10 a.m. to receive an address by the President of Romania.

I thank my colleagues for their cooperation on the schedule, including getting the higher education bill passed last night.

AFFIRMING THE UNITED STATES COMMITMENTS TO TAIWAN

The PRESIDING OFFICER (Mr. ALLARD). Under the previous order, the Foreign Relations Committee is discharged from Senate Concurrent Resolution 107, and the Senate will now proceed to its consideration, which the clerk will report.

The assistant legislative clerk read as follows:

A concurrent resolution (S. Con. Res. 107) affirming the United States commitments to Taiwan.

The Senate proceeded to consider the resolution.

Mr. LOTT. Mr. President, I am pleased the Senate is about to vote on S. Con. Res. 107, introduced by Senator TORRICELLI, myself and many others earlier this week. This resolution was necessary to address the uncertainty created by President Clinton's remarks in Shanghai on his recent trip to China.

Our resolution reaffirms our commitments to Taiwan as spelled out in the 1979 Taiwan Relations Act. That act is the law of the land. Successive Presidents have reached bilateral agreements with the People's Republic of China, but they have never been submitted to the Senate for ratification. They are not binding on the United States. The Taiwan Relations Act is.

It is unfortunate the President chose to lay out a new course on Taiwan—unfortunately it was done in Shanghai, unfortunately it was done without any consultation with Congress, and unfortunately it was done without consultation with the democratic government of Taiwan.

It is also unfortunate the President did not apparently even seek to get China's leaders to renounce the use of force against Taiwan. Instead, he said exactly what Beijing wanted to hear.

One likely effect of the President's statements is to strengthen the voices in Taiwan seeking full independence. While seeking to please Beijing, he has strengthened those in Taiwan who argue the United States cannot be trusted as an ally.

President Clinton's statements have emboldened Beijing in its efforts to intimidate Taiwan. A Chinese official told Taiwan to "face reality." The

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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Washington Post reports today the Beijing plans "to use the remarks as a lever to force Taiwan into political talks on reunification."

The article also reports that the remarks "underscore the important role the United States has played in forcing Taiwan to the bargaining table."

Chinese officials understand what Clinton officials deny: The President's remarks were a major victory for Beijing and major blow to democratic Taiwan.

Passage of this resolution sends a powerful signal that the Senate is not accepting President Clinton's new policy. It is a strong statement coming so soon after his return to the United States.

But passage of this resolution will not be the end of our efforts to try to understand the administration's new policy on Taiwan. Administration spokesmen have said they have not changed policy, when the opposite is obvious.

We will explore whether the administration stands by its 1994 Taiwan Policy Review. That review pledged to upgrade relations with Taiwan. That review pledged to support Taiwan's participation in certain international organizations. Is this still administration policy?

We also will try to determine whether the administration still adheres to the "Six Assurances" made to the Senate in 1982: No date for ending arms sales to Taiwan; no prior consultations with Beijing on arms sales to Taiwan; no U.S. mediation role between Taipei and Beijing; no agreement to alter the Taiwan Relations Act; no change in the United States position regarding Taiwan's sovereignty; and no pressure on Taiwan to enter into negotiations with Beijing.

We will ask the administration if they still adhere to these assurances given to the Senate after the Third Communiqué was reached in 1982.

This resolution is an important step and a timely step. But it is not the end of repairing the damage from the President's statements in China.

Mr. President, I yield the floor.

Mr. THOMAS. Mr. President, as the chairman of the Subcommittee on East Asian and Pacific Affairs, I rise this morning in support of the resolution on Taiwan.

My expectations for the recent summit meeting in the PRC were, frankly, not high. Summit meetings such as the one in Beijing rarely provide the atmosphere for momentous policy breakthroughs. Rather, they are an important opportunity for leaders to exchange views and to discuss further avenues of bilateral cooperation. This summit then, viewed from that standpoint, met expectations.

And I must say, that I was encouraged by the willingness of the PRC to broadcast both the Clinton-Jiang press conference and the President's speech from Beijing Daxue in Beijing. Clearly, that decision was an important step in

the PRC's continuing—albeit slow—progress toward further openness.

But Mr. President, I was disturbed by the President's pronouncements on Taiwan and the "three noes." The PRC-Taiwan-US relationship is a very complex one. While it certainly can be argued that the President's statement was simply a restatement of actual U.S. policy on Taiwan, in a culture, on both sides of the Taiwan Straits, where nuances are everything, I believe that the statement sent the worst possible signals to both sides.

First, the statement was the first time that a President of the United States has publicly adopted the PRC policy of the "three noes." While—as the President's national security adviser pointed out to me in a meeting yesterday—it is true that both he and Secretary Albright have made similar statements in the past, and it is true that in many ways the statement was simply a restatement of implicit U.S. policies, the fact that the pronouncement came directly from the President gives it a special gravity in Chinese eyes.

Second, it occurred while the President was still in the PRC, during the first visit of an American President since 1989, and more ominously for the Taiwanese, in Shanghai, the site of what they regard as the infamous Shanghai Communiqué.

Third, to me the statement bore all the markings of a quid pro quo. Any outside observer looking at the give-and-take of the summit would see that the PRC gave the U.S. four unprecedented opportunities for the President to make live statements on Chinese TV and radio. What did the PRC get in return in what for both sides is always supposed to be a zero-sum game, they might ask? Well, aside from the reception in Tiananmen Square, the only other concession to the PRC I can find is the Taiwan statement.

And let there be no doubt, Mr. President, the statement was a useful concession to the PRC. Beijing officials have stated that they intend to use the President's remarks as a lever to force Taiwan into political talks on reunification. The Foreign Ministry stated yesterday that Clinton's statement has "positive implications for the resolution of the Taiwan question." Tang Shubei, the Vice President of the PRC's Association for Relations Across the Taiwan Straits (ARATS) with whom I have discussed the Taiwan issue on several occasions, has said that the remarks helped the PRC: "This has provided favorable conditions for the development of cross-strait relations."

It seems to me that the President could have simply said, when asked, "There has been no change in the policy of the United States on the Taiwan question" or "The United States' position on the Taiwan question remains the same" or words to that effect. Instead, he made a conscious decision to explicitly adopt the PRC's "three

noes" policy. Such a decision was hardly accidental, and so I must ask why that decision was made. And in the total absence of any other rational explanation from the White House, I and others can only conclude that the statement was some sort of quid pro quo.

Fourth, and most disturbing to me, the President explicitly stated that the United States will not under any circumstances support the independence of Taiwan. While it could be said that this policy is implicit in the fact that the United States supports the "one China" policy and does not support "two Chinas" or "one China one Taiwan," it is the first time in my knowledge that it has been publicly enunciated in this manner. In addition, it seems to me to completely rule out a bid for independence even if the PRC uses force to reunify with Taiwan—a course of action it has pointedly refused to rule out.

So Mr. President, I think it only proper under these unfortunate circumstances that the Congress make clear its position on the status of Taiwan. For that reason, I support the resolution and urge my colleagues to do the same.

Mr. MURKOWSKI. Mr. President, I am pleased that the Senate is acting with swift resolve in passing this important resolution reaffirming our commitments and support to the people and government of Taiwan. This is an important statement, which I hope gives some sense of reassurance to our friends in Taiwan that the United States will not turn its back on the right of any people to choose the path of democracy and freedom. And that we will not waiver in our support simply for political expediency.

Yesterday before the Senate Finance Committee, I asked our Secretary of State Madeleine Albright about the President's statements in China. Well, to no real surprise, the Secretary had to pretend that there has been no policy change on Taiwan since official relations were terminated with Taiwan in 1979. Mr. President, this is an indefensible line; the Administration clearly agreed to China's position on the Three No's"; possibly as early as when President Jiang was here in Washington, D.C. last October, but most certainly reiterated by President Clinton himself while in China last month. Make no mistake about it, this is a policy change—and a dangerous one at that.

The Washington Post this morning has reported that the People's Republic of China is already using President Clinton's statements for leverage to bring Taiwan to the bargaining table. While this Administration claims it would never force Taiwan to negotiate with Beijing, it has done so by slowly taking away all its negotiating cards in the middle of the night and without consultation. I ask unanimous consent that this article appear in the RECORD at the conclusion of my remarks.

Mr. President, the United States is the greatest example for what democracy can accomplish; we are the greatest advocate for democracy and freedom in the history of mankind. But for some strange reason, the President of the United States chose to publicly handcuff the ability of the 21 million people in Taiwan to pursue the right of democracy. Will this deter others from summoning the courage to pursue the path of freedom? I hope not, but if the example is there that the United States will not support the quest; than I think it is remains more than a possibility.

Indeed, this a dark day for democracy and freedom. While I am pleased that the Senate is making this important statement, I fear that the damage has been done.

Mr. President, I yield the floor.

[From the Washington Post, July 10, 1998]

CHINA TELLS TAIWAN TO "FACE REALITY"
REUNIFICATION TALKS URGED

(By John Pomfret)

BEIJING, July 9—China urged Taiwan today to "face reality" and agree to talks on eventual reunification with China following comments by President Clinton that the United States will not support an independent Taiwan.

Taiwan, meanwhile, announced it had agreed to a visit by a senior Beijing negotiator to prepare for resumption of high-level dialogue between the two rivals, separated by the 100-mile-wide Taiwan Strait.

The developments indicate that after a three-year freeze, talks could begin as early as this fall between the two sides. They also underscore the important role the United States has played in forcing Taiwan to the bargaining table. Clinton's statement, during his recent nine-day trip to China, was taken as a significant defeat in Taiwan even though U.S. officials contended it was simply a reiteration of U.S. policy.

Clinton's June 30 remarks in Shanghai made clear the United States would not support any formal independence bid by the island of 21 million people, or a policy backing "one China, one Taiwan," or "two Chinas." Clinton also said the United States will oppose any Taiwanese bid to join international bodies that accept only sovereign states as members.

Although the policy was first enunciated in October, Clinton himself had never said it publicly before. Thus, it was taken as a major defeat in Taiwan, which relies on the United States for most of its political support and weapons. In Washington, Clinton's statement has drawn some criticism. On Tuesday, Senate Majority Leader TRENT LOTT (R-Miss.) called Clinton's remarks counterproductive, and he threatened unspecified congressional action.

The Beijing government, which views Taiwan as a renegade Chinese province, has said it is satisfied with Clinton's remarks, even though it had tried to have Clinton commit them to writing. Chinese officials have said they plan to use the remarks as a lever to force Taiwan into political talks on reunification. Taiwanese officials say they want to limit any new talks to specific issues, such as immigration, cross-border crime, fishing rights and protection of investments. China rejects this limited approach and insists a broader discussion of reunification is necessary for improved ties.

Taiwan and China ostensibly have been separated since 1895, when Japan occupied the island following its victory over Imperial

China in the Sino-Japanese War. In 1949, Nationalist Chinese leader Chiang Kai-shek fled to Taiwan from the mainland after his forces lost a civil war to Chinese Communist forces led by Mao Zedong. Since then, the two sides have moved further away from each other—in both economic and political development.

In Beijing, Foreign Ministry spokesman Tang Guoqiang said Clinton's statement has "positive implications for the resolution of the Taiwan question," and he added: "We hope that Taiwan authorities will get a clear understanding of the situation, face reality and place importance on the national interest."

"Similarly, the official China Daily quoted one of Beijing's top negotiators with Taiwan as saying that Clinton's remarks had helped China. "This has provided favorable conditions for the development of cross-strait relations," said Tang Shubei, vice president of the Association for Relations Across the Taiwan Strait. "But cross-strait issues will ultimately be solved by the Chinese people." Meanwhile, that group's Taiwanese counterpart, the semi-official Straits Exchange Foundation, informed the Chinese association that its deputy secretary general, Li Yafei, could visit Taiwan July 24-31. Li's visit is to be followed by a reciprocal trip to China by the leader of the Taiwan foundation, Koo Chen-fu. In June, Beijing invited Koo to visit China sometime in September or October, and Koo said later he plans to go in mid-September.

In 1993, Koo and Chinese association leader Wang Daohan met in Singapore in a landmark gathering that signaled warming ties between the old rivals. But after two years of improving relations, the ties collapsed in 1995 when Taiwanese President Lee Teng-hui obtained a visa to visit the United States for the 25th reunion of his Cornell University class.

China launched a series of military exercises off the Taiwanese coast in 1995 and 1996, lobbing cruise missiles into the area. In 1996, the United States dispatched two aircraft carrier battle groups to the region as a warning to China not to contemplate a military solution.

Mr. ABRAHAM. Mr. President, I rise to express my strong support for the Majority Leader's resolution on Taiwan. This resolution will reassure the people of Taiwan that the United States will stand by its pledges, particularly those included in the Taiwan Relations Act of 1979.

It is unfortunate to say the least, Mr. President, that it has become necessary to pass this resolution. But President Clinton's statements while in the People's Republic of China make it imperative that we reiterate and reaffirm our commitment to Taiwan's democratic principles, to its right to maintain a viable, sufficient self-defense capability, and to a future for Taiwan that is determined by peaceful, democratic means.

President Clinton's unwise and damaging statements during his visit to communist China have thrown in doubt our commitment to Taiwan. The President's three noes—no independence for Taiwan, no recognition for a separate Taiwanese government, and no support for Taiwan's membership in international organizations—cast doubt on America's willingness to stand by its commitments and raise the prospect of future conflict in South Asia.

Were the President's statements allowed to stand, they would constitute an abandonment of Taiwan to its fate at the hands of a communist regime that has shown itself willing to slaughter its own people and resort to force and intimidation whenever useful.

This is unacceptable, Mr. President, and we must not let it stand. As the world's first free nation, and as the leader of the free world, we have a responsibility to stand up for nations like Taiwan which have moved toward democracy and free markets. We owe it to the people of Taiwan to renew our commitment to their democratic institutions and to their right to determine their own future on a democratic basis.

It also is important to note, Mr. President, that the People's Republic of China has engaged in shows of force and attempted military intimidation toward Taiwan over the course of several decades. Only two years ago, in 1996, the United States found it necessary to send aircraft carriers to the area to let the Chinese communist government know that we would respond should they take military action against Taiwan.

By explicitly stating that the United States would not support the Taiwanese people's right to determine their own future in a democratic manner, President Clinton sent a strong signal to the communist government in Beijing that we might stand idly by while it took control of Taiwan by force.

Mr. President, it was precisely this kind of miscalculation that precipitated the war in Korea, a war in which American troops ended up facing the Chinese army and in which thousands of brave American soldiers lost their lives. It is imperative, in my view, that Congress act swiftly and surely to see to it that history does not repeat itself.

The United States stands by the people of Taiwan in their determination to protect themselves and their democratic principles from any forceful reintegration into China. We must make our stance clear for the people of Taiwan, for the cause of freedom, and for the cause of peace.

I yield the floor.

Mr. CRAIG. Mr. President, I rise to speak in strong support of Senate Concurrent Resolution 107, a resolution affirming the United States' continued commitment to Taiwan.

During his recent visit to China, the President undermined long-standing U.S. policy regarding Taiwan. President Clinton said,

I had a chance to reiterate our Taiwan policy, which is that we don't support independent for Taiwan, or two Chinas, or one Taiwan-one China. And we don't believe that Taiwan should be a member of any organization for which statehood is a requirement.

The President's statement, in fact, represents a long standing departure from U.S. policy. This statement represents an abandonment of a balanced policy that has allowed the United States to conduct important relations with both sides of the Taiwan Strait.

The United States has not taken, and should not take, a policy position on the outcome of the dispute between China and Taiwan. Neither should we endorse or oppose Taiwan's independence or reunification. However, we must continue to insist that any eventual resolution of this dispute must come through peaceful means and with the approval of the people of Taiwan. The President's remarks are not consistent with that goal.

Let us not forget that May 1998 marked the second anniversary of the first fully democratic Presidential election in the 5,000-year history of the Chinese people. That election occurred on the island of Taiwan. Taiwan has evolved into a modern, democratic society, a major economic power, and an active partner in world affairs. Taiwan's continued achievement should deepen the longstanding friendship between our two democracies. Should the President disregard that responsibility, the Congress must fill that void.

Mr. ASHCROFT. Mr. President, I rise today in strong support of S. Con. Res. 107. This resolution is intended to repair the damage done by President Clinton's ill-considered comments on Taiwan during the recent U.S.-China summit. The Senate needs to make a clear statement in support of Taiwan. A failure to do so would be a greater disservice to the people of Taiwan and the credibility of the United States in East Asia.

Mr. President, let us be clear, the President's statements undercut Taiwan in a way that past U.S. policy explicitly avoided. The Administration has tried to portray the President's regurgitation of Beijing's "three noes" as merely a restatement of U.S. policy. If this was merely a restatement of U.S. policy, however, why did the President have to make the comments at all?

Far from being a restatement of U.S. policy, Bill Clinton's remarks were the first by a U.S. president formally opposing Taiwanese independence. In addition, the President's stated opposition to Taiwan's membership in international organizations directly undercuts Taiwan's efforts to share abroad its vision for a democratic, unified China. It is Taiwan's vision of China's future—a future of democratic pluralism and civil liberty—that the Administration should be supporting, not legitimizing the Chinese Communist Party with CNN summitry.

As hard as the Administration might try to sanitize the President's comments, his statements already are being used by Beijing to pressure Taiwan on reunification. This morning's Washington Post reports that Beijing is telling Taiwan to "face reality" after the President's statement and agree to talks on reunification. One of Beijing's top negotiators with Taiwan said that the President's remarks strengthened China's hand and " * * * provided favorable conditions for the development of cross-strait relations."

This Administration seems to have forgotten that China has conducted missile exercises off of Taiwan's major ports in two of the last four years. "Favorable conditions" for China mean one thing: more latitude from the United States to intimidate Taiwan. The Chinese military continues to acquire weapons systems to facilitate an invasion of the island, yet the Administration tries to distance itself from American obligations in the Taiwan Relations Act to help Taiwan "maintain a sufficient self-defense capability." Incredibly, the Administration parroted the "three noes" policy for Beijing without even obtaining assurances from China that it will not use force to reunify with Taiwan.

Adopting Beijing's formulation on Taiwan was an ill-advised move by the President that has the potential of doing great harm to the 21 million Taiwanese who have built a vibrant democracy and free market. The Administration's position on Taiwan is not reassuring our democratic allies in East Asia.

It is time for this Administration to choose which side it will support in the continuing struggle for civil liberty and democratic reform in East Asia. Blind engagement with Beijing's oppressive regime is not the way to ensure that democracy is preserved on Taiwan or advanced in China. It is time for the United States to stand again for freedom in East Asia and around the world.

Mr. LOTT. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

AMENDMENT NO. 3121

The PRESIDING OFFICER. Under the previous order, the clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Mississippi [Mr. LOTT] proposes an amendment numbered 3121.

On page 2, line 8, strike "with the consent of the people of Taiwan."

The PRESIDING OFFICER. Under the previous order, the amendment is agreed to.

The Amendment (No. 3121) was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the Senate Concurrent Resolution 107, as amended. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRAIG. I announce that the Senator from Missouri (Mr. ASHCROFT), the Senator from New Mexico (Mr. DOMENICI), the Senator from Texas (Mrs. HUTCHISON), the Senator from Arizona (Mr. KYL), the Senator from Arizona (Mr. MCCAIN), the Senator from Oklahoma (Mr. NICKLES), and the Senator from Oregon (Mr. SMITH) are necessarily absent.

I further announce that, if present and voting, the Senator from Arizona (Mr. KYL) and the Senator from Texas (Mrs. HUTCHISON) would each vote "yes."

Mr. FORD. I announce that the Senator from New Mexico (Mr. BINGAMAN) is necessarily absent.

The result was announced—yeas 92, nays 0, as follows:

[Rollcall Vote No. 196 Leg.]

YEAS—92

Abraham	Feingold	Lott
Akaka	Feinstein	Lugar
Allard	Ford	Mack
Baucus	Frist	McConnell
Bennett	Glenn	Mikulski
Biden	Gorton	Moseley-Braun
Bond	Graham	Moynihan
Boxer	Gramm	Murkowski
Breaux	Grams	Murray
Brownback	Grassley	Reed
Bryan	Gregg	Reid
Bumpers	Hagel	Robb
Burns	Harkin	Roberts
Byrd	Hatch	Rockefeller
Campbell	Helms	Roth
Chafee	Hollings	Santorum
Cleland	Hutchinson	Sarbanes
Coats	Inhofe	Sessions
Cochran	Inouye	Shelby
Collins	Jeffords	Smith (NH)
Conrad	Johnson	Snowe
Coverdell	Kempthorne	Specter
Craig	Kennedy	Stevens
D'Amato	Kerrey	Thomas
Daschle	Kerry	Thompson
DeWine	Kohl	Thurmond
Dodd	Landrieu	Torricelli
Dorgan	Lautenberg	Warner
Durbin	Leahy	Wellstone
Enzi	Levin	Wyden
Faircloth	Lieberman	

NOT VOTING—8

Ashcroft	Hutchison	Nickles
Bingaman	Kyl	Smith (OR)
Domenici	McCain	

The concurrent resolution (S. Con. Res. 107), as amended, was agreed to.

The PRESIDING OFFICER (Mr. SESSIONS). Under the previous order, the preamble to the resolution is agreed to and an amendment to the title is agreed to.

The preamble was agreed to.

The resolution, as amended, with its preamble, is as follows:

S. CON. RES. 107

Whereas at no time since the establishment of the People's Republic of China on October 1, 1949, has Taiwan been under the control of the People's Republic of China;

Whereas the United States began its long, peaceful, friendly relationship with Taiwan in 1949;

Whereas since the enactment of the Taiwan Relations Act in 1979, the policy of the United States has been based on the expectation that the future relationship between the People's Republic of China and Taiwan would be determined by peaceful means;

Whereas in March 1996, the People's Republic of China held provocative military maneuvers, including missile launch exercises in the Taiwan Strait, in an attempt to intimidate the people of Taiwan during their historic, free and democratic presidential election;

Whereas officials of the People's Republic of China refuse to renounce the use of force against democratic Taiwan;

Whereas Taiwan has achieved significant political and economic strength as one of the world's premier democracies and as the nineteenth largest economy in the world;

Whereas Taiwan is the seventh largest trading partner of the United States and imports more than twice as much annually from the United States as does the People's Republic of China; and

Whereas no treaties exist between the People's Republic of China and Taiwan that determine the future status of Taiwan: Now therefore, be it

Resolved by the Senate (the House of Representatives concurring), That Congress—

(1) affirms its longstanding commitment to Taiwan and the people of Taiwan in accordance with the Taiwan Relations Act (Public Law 96-8);

(2) affirms its expectation, consistent with the Taiwan Relations Act, that the future of Taiwan will be determined by peaceful means, and considers any effort to determine the future of Taiwan by other than peaceful means a threat to the peace and security of the Western Pacific and of grave concern to the United States;

(3) affirms its commitment, consistent with the Taiwan Relations Act, to make available to Taiwan such defense articles and defense services in such quantities as may be necessary to enable Taiwan to maintain a sufficient self-defense capability;

(4) affirms its commitment, consistent with the Taiwan Relations Act, that only the President and Congress shall determine the nature and quantity of defense articles and services for Taiwan based solely upon their judgment of the needs of Taiwan; and

(5) urges the President of the United States to seek a public renunciation by the People's Republic of China of any use of force, or threat to use force, against democratic Taiwan.

The title was amended so as to read: "Affirming U.S. Commitments Under the Taiwan Relations Act".

Mr. DODD addressed the Chair.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. Mr. President, what is the business before the Senate?

The PRESIDING OFFICER. The Senator has no order at this time.

Mr. HATCH. Will the Senator yield so I can put us in morning business?

Mr. DODD. I will be happy to.

MORNING BUSINESS

Mr. HATCH. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business with Senators permitted to speak for up to 10 minutes each.

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

Mr. HATCH. I thank my colleague.

Mr. DODD. Mr. President, I ask unanimous consent to proceed in morning business.

The PRESIDING OFFICER. That is the present order. The Senator has 10 minutes to speak.

(The remarks of Mr. DODD and Mr. MOYNIHAN pertaining to the introduction of S. 2285 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

The PRESIDING OFFICER. The Senator from Colorado is recognized for up to 10 minutes.

CAPITAL GAINS

Mr. ALLARD. Mr. President, I wish to speak about capital gains and the

way that we look at the estimates that come from a reduction in taxes such as capital gains.

Earlier this year, I introduced legislation to reduce the capital gains tax to 14 percent and to provide indexing of the capital gains tax from that point out. This legislation builds on last year's tax bill which moved the capital gains rate down from 28 percent to 20 percent.

I rise today to commend both the Senate majority leader and the Speaker of the House for their recent calls for a reduction in the top capital gains rate to 15 percent. Both of our leaders have indicated they are introducing legislation to cut the rate. This could be accomplished as early as this year. Again, I commend them for their leadership.

I also wish to express my support for a provision in the IRS reform bill that returns the holding period for long-term capital gains treatment to 12 months. Last year, the administration unwisely insisted on extending this out to 18 months. This added complexity to the code and represented another attempt by Government to micromanage investment decisions.

There is a great deal of interest in the tax treatment of capital gains due to mounting evidence that capital gains tax rate reductions not only benefit taxpayers and the economy but also increase revenues.

Last month, the Joint Tax Committee released new estimates of the revenue resulting in the 1997 reduction of the top capital gains rate from 28 percent to 20 percent. The Joint Tax Committee apparently underestimated the revenue gain in 1998 by \$13 billion and in 1999 by \$12 billion. In fact, the latest estimates are that over the first 5 years revenue could be as much as \$58 billion greater than previously forecast.

Now, this does not surprise me. In fact, there are a number of us in Congress who have been making this very point for years. The capital gains tax rate cut will increase revenue, not reduce it. There are two principal reasons for this increase in revenue. First, there is the short-term incentive to sell more capital assets; second is the long-term progrowth benefit from a capital-friendly tax policy.

The capital gains tax is largely a voluntary tax. The tax is only paid if the investor chooses to sell the asset.

If taxes are high, an investor can hold on to the asset for years. But when taxes are low, investors will often decide to sell the assets and "realize" the capital gain.

History confirms this pattern. In 1978, when the capital gains tax rate was reduced from 40 percent to 28 percent, capital realizations increased by 50 percent, and tax receipts increased.

In 1981, Congress and President Reagan further reduced the capital gains tax rate to 20 percent. Once again, capital gain realizations increased dramatically and by 1983 were again up by 50 percent.

By contrast, tax revenues actually dropped for a number of years following the capital gains tax rate hike in 1986.

Mr. President, last year, when Congress proposed to cut the capital gains tax rate from 28 percent to 20 percent, the Joint Tax Committee submitted its revenue estimate.

The Joint Tax Committee forecast a 10-year revenue loss from the rate cut of \$21 billion.

Mr. President, it is clear that the Joint Tax Committee and Congressional Budget Office estimates dramatically underestimated both the strength of the economy and the positive response to the tax rate cut.

The Joint Tax Committee now concedes that there will be a significant revenue gain from capital gains realizations.

In my view, a review of the last twenty years of capital gains tax rates and the associated revenues suggests that the model used by the Joint Tax Committee and the Congressional Budget Office to estimate capital gains revenues is flawed.

The Congressional Budget Office argues that government revenue estimates adequately account for behavioral changes that occur as a result of tax changes.

Despite this claim, it would appear that when tax rates are lowered the revenue estimating model significantly exaggerates the revenue losses.

In fact, in no single year after a rate cut has there ever been a loss of revenue.

Conversely, when tax rates are increased, the model significantly exaggerates the level of revenue gains.

Not only do the Congressional models fail to accurately measure the response of taxpayers to changes in tax rates, they exclude an estimate of the impact of tax changes on economic performance.

Congress is largely in the dark when it comes to any estimates of the economic benefit of tax rate reductions.

It is logical to assume that a lower tax rate on capital lowers the cost of capital. This clearly benefits the economy. As a consequence the Federal Government will realize greater income, payroll, and excise taxes. In addition, State and local tax revenues will also rise.

Admittedly, all of this is difficult to measure. However, I would like to see some attempt made to include these factors in revenue models.

At a minimum they should always be appended to the official revenue estimates. This would give Congress a more complete picture of the impact of tax changes on revenues.

Mr. President, I will note that a recent addition to the rules of the House permits the Joint Committee on Taxation to append dynamic estimates to tax legislation when requested to do so by the Chairman of the Ways and Means Committee.

This dynamic estimate is to reflect the anticipated macroeconomic effects