

I pointed out the other day, 30 percent of the population of the Bahamas is now Haitian. Thirty percent of that country is now occupied by people who have fled Haiti because of the repression and economic conditions in that nation. Twenty percent of children never reach the age of 5 in Haiti. The average income is \$250. It is a poor Black country, and as a result I don't think we give it the kind of support we should have been giving it.

In fact, over the last 36 months we embargoed any assistance directed to the Government of Haiti. What kind of a country do we live in today that turns to a nation only 300 or 400 miles off our shore, with people living in desperate conditions, with the highest rate of AIDS in the hemisphere, and we have virtually nothing to say to them. Here we have today, once again, these impoverished, poor people down there, who had to live under dreadful governments over the years, finally get one they elect democratically, and because we don't like it, it is a failed leadership in our view, we walk away from it, and now you have thugs running the place again. It is not all our fault but, Mr. President a large part is. I am terribly disappointed about what has happened, and I wanted to rise this morning to express those sentiments.

I yield the floor.

The PRESIDING OFFICER. The Senator from Maine.

GROWING OUR MANUFACTURING EMPLOYMENT ACT

Ms. COLLINS. Mr. President, few issues are as important to the American people than the availability of good jobs in their communities. Manufacturing jobs have long provided quality employment for generations of Americans. Today, however, we are losing these jobs at a terrible rate, and no State has been hit harder than my home State of Maine.

According to a study by the National Association of Manufacturers, on a percentage basis Maine has lost more manufacturing jobs in the past 3 years than any other State in the Nation. We have lost nearly 18,000 manufacturing jobs during that period, good jobs that once provided lifelong employment to Mainers in towns such as Millinocket, Wilton, Waterville, Fort Kent, Dexter, Westbrook, and Sanford.

In response to this loss of manufacturing jobs, I have introduced legislation, the Growing Our Manufacturing Employment Act, which is aimed at reinvigorating the domestic manufacturing sector, boosting the level of domestic manufacturing, and preventing the further loss of these important jobs.

Mr. President, I know this is a major problem in your State as well, and we have had many conversations on what we might do to help.

At the national level, we are finally beginning to see the economic recovery for which Americans have been long-

ing. Third and fourth quarter gross domestic product figures are up dramatically, the best two quarters since 1984, and analysts expect the gross domestic product to grow by 5.7 percent this year, which would make 2004 the best year in the past 20 years.

But even so, I don't have to tell you that parts of our economy simply are not sharing in this good news. Nowhere is this more true than in the manufacturing sector, where we have seen a steady erosion of good jobs. The number of American manufacturing jobs has declined each year since the end of 1997. In fact, if you look at the past 84 months, since March of 1997, the number of manufacturing jobs has declined each and every month, except for 7.

This loss of jobs has occurred under both Democratic and Republican administrations, so this is not a partisan issue. The final 3 years of the Clinton administration saw 27 months of manufacturing job losses, and the greatest single monthly decline in manufacturing jobs occurred in July of 1998 when 219,000 American manufacturing jobs disappeared.

As I mentioned, nowhere is the reality of this job loss in the manufacturing sector more acute than in my home State of Maine. The job losses during the past 3 years in the manufacturing sector in Maine represent more than 22 percent of my State's total manufacturing employment, a higher percentage of manufacturing jobs lost than in any other State.

Why are American manufacturing jobs disappearing? According to a new study conducted for the National Association of Manufacturers, one answer is the disparity in manufacturing costs in the United States versus other countries. In fact, compared to other countries, it costs an average of 22 percent more to manufacture goods here.

While it would surprise no one that American manufacturers face higher costs of doing business than manufacturers in countries such as China or Mexico, it would be a mistake to assume that wage rates alone explain those differences. They do not. In fact, the productivity of the American worker is unrivaled, allowing American workers to receive more value in wages for the goods they produce.

As the NAM study indicates, if wages were the only factor, then U.S. manufacturers would be far more dominant in the global markets than the current trade situation suggests.

It is other structural costs, such as the high corporate tax rate we impose on manufacturers, that make it more expensive to manufacture goods in the United States relative to the costs elsewhere. Indeed, the NAM study shows it is significantly cheaper to produce goods, even in high-wage industrialized countries such as Japan and France. This fact illustrates the critical impact these high structural costs have on manufacturers in the United States.

In essence, these costs have the same effect as a tax, as imposing a 22-percent

additional tax on the cost of making goods here rather than overseas. To compete, American manufacturers must somehow do more with less, move operations overseas, or get out of manufacturing altogether. The end result is fewer jobs, a weaker economy, and a manufacturing sector in crisis.

I believe a healthy manufacturing base is essential to our Nation's future. Not only is manufacturing a key source of skilled high-paying jobs, but it is also critical to our economic and national security that we have the ability to manufacture the goods we need in this country.

For all of these reasons, I am proposing the Growing Our Manufacturing Employment Act. This bill would eliminate that 22-percent cost differential that American manufacturers face by providing a variety of tax incentives. For example, a jobs tax credit would be provided to manufacturers that employ displaced workers who are receiving trade adjustment assistance. That would help get those workers back to work.

In Maine alone, nearly 60 manufacturers are currently TAA-certified, and more than 4,200 Maine workers have been deemed eligible for benefits under TAA since the beginning of 2002. The credit would only be available to manufacturers that increase their employment level. The availability of this credit would be a powerful incentive to hire workers who are receiving benefits because they have been displaced.

As important as it is to assist workers who are eligible for benefits under trade adjustment assistance, however, this alone is not sufficient to address the crisis facing America's manufacturers. That is why my bill also includes a 2-year, across-the-board deduction of 9 percent on domestic manufacturing income, a tax break that would not be available for income earned on overseas operations. This, too, would be a powerful incentive, a powerful tax break, to help encourage manufacturers to keep their operations in America. It would help offset that disparity in costs.

In Maine, the sector that provides the most manufacturing jobs is the forest products industry, an industry that is struggling. Paper plant after paper plant in Maine has been laying off workers or closing down altogether, hurting our economy and leaving thousands of hard-working skilled workers without jobs.

My proposal includes provisions to encourage the recovery of the forest products industry, which is critically important not only to my State but to many other States, as well.

My bill, for example, provides a tax credit for reforestation expenses and changes the tax treatment for wood harvested on nonindustrial woodlots. These changes would both encourage sound forestry stewardship practices and also increase the wood supply by removing artificial barriers to sound woodlot management. Taken together,

these provisions will help to ensure an affordable, reliable wood supply upon which so many manufacturing jobs in Maine depend.

Finally, this bill is designed to ensure that only companies that are helping to build America's manufacturing base obtain its benefits. It has both a carrot and a stick approach. Companies that move jobs offshore will see their benefits reduced. For example, they will not be able to claim that 9-percent deduction on operations that are located in the United States. Companies that choose to invert their corporate structure altogether in order to avoid U.S. taxes will not be eligible for this credit at all.

The crisis in the manufacturing sector demands our attention. It did not start yesterday, and it will not be resolved tomorrow. Solutions can and should be sought today.

The bill I have introduced is a good start, but additional remedies are needed. Manufacturing jobs arise in part because some of our trading partners simply do not play by the rules. The Presiding Officer has been a leader in this area. Our Nation's manufacturers can compete against the best in the world, but they cannot compete against nations that provide huge subsidies and other help to their manufacturers.

I hear from manufacturers in my State time and again whose efforts to compete successfully in a global economy simply cannot overcome the practices of the illegal pricing and subsidies of nations such as China. That is why I will soon be introducing a second bill that will help ensure that nations such as China are held fully accountable for their actions by our trade remedy laws. Unfair market conditions cannot continue to cause our manufacturers to hemorrhage jobs.

I am hopeful that working together on this and other legislative and administrative proposals, we can take the important steps needed to strengthen American manufacturers, to preserve our manufacturing capacity, and most of all, to help ensure that hard-working Americans have the jobs they need and deserve.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. WYDEN. I thank the Chair. (The remarks of Mr. WYDEN pertaining to the introduction of S. 2160 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. WYDEN. Mr. President, I yield the floor.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

JUMPSTART OUR BUSINESS STRENGTH (JOBS) ACT

The PRESIDING OFFICER. Under the previous order, the hour of 10:30

a.m. having arrived, the Senate will proceed to the consideration of S. 1637, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1637) to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes.

The Senate proceeded to consider the bill, which had been reported from the Committee on Finance, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

(Strike the part shown in black brackets and insert the part shown in italic.)

S. 1637

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

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

[(a) SHORT TITLE.—This Act may be cited as the "Jumpstart Our Business Strength (JOBS) Act".

[(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

[(c) TABLE OF CONTENTS.—

[Sec. 1. Short title; amendment of 1986 Code; table of contents.

[TITLE I—PROVISIONS RELATING TO REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME

[Sec. 101. Repeal of exclusion for extraterritorial income.

[Sec. 102. Deduction relating to income attributable to United States production activities.

[TITLE II—INTERNATIONAL TAX PROVISIONS

[Subtitle A—International Tax Reform

[Sec. 201. 20-year foreign tax credit carryforward.

[Sec. 202. Look-thru rules to apply to dividends from noncontrolled section 902 corporations.

[Sec. 203. Foreign tax credit under alternative minimum tax.

[Sec. 204. Recharacterization of overall domestic loss.

[Sec. 205. Interest expense allocation rules.

[Sec. 206. Determination of foreign personal holding company income with respect to transactions in commodities.

[Subtitle B—International Tax Simplification

[Sec. 211. Repeal of foreign personal holding company rules and foreign investment company rules.

[Sec. 212. Expansion of de minimis rule under subpart F.

[Sec. 213. Attribution of stock ownership through partnerships to apply in determining section 902 and 960 credits.

[Sec. 214. Application of uniform capitalization rules to foreign persons.

[Sec. 215. Repeal of withholding tax on dividends from certain foreign corporations.

[Sec. 216. Repeal of special capital gains tax on aliens present in the United States for 183 days or more.

[TITLE I—PROVISIONS RELATING TO REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME

[SEC. 101. REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME.

[(a) IN GENERAL.—Section 114 is hereby repealed.

[(b) CONFORMING AMENDMENTS.—

[(1)(A) Subpart E of part III of subchapter N of chapter 1 (relating to qualifying foreign trade income) is hereby repealed.

[(B) The table of subparts for such part III is amended by striking the item relating to subpart E.

[(2) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 114.

[(3) The second sentence of section 56(g)(4)(B)(i) is amended by striking "or under section 114".

[(4) Section 275(a) is amended—

[(A) by inserting "or" at the end of paragraph (4)(A), by striking "or" at the end of paragraph (4)(B) and inserting a period, and by striking subparagraph (C), and

[(B) by striking the last sentence.

[(5) Paragraph (3) of section 864(e) is amended—

[(A) by striking:

["(3) TAX-EXEMPT ASSETS NOT TAKEN INTO ACCOUNT.—

["(A) IN GENERAL.—For purposes of"; and inserting:

["(3) TAX-EXEMPT ASSETS NOT TAKEN INTO ACCOUNT.—For purposes of", and

[(B) by striking subparagraph (B).

[(6) Section 903 is amended by striking "114, 164(a)," and inserting "164(a)".

[(7) Section 999(c)(1) is amended by striking "941(a)(5)".

[(c) EFFECTIVE DATE.—

[(1) IN GENERAL.—The amendments made by this section shall apply to transactions occurring after the date of the enactment of this Act.

[(2) BINDING CONTRACTS.—The amendments made by this section shall not apply to any transaction in the ordinary course of a trade or business which occurs pursuant to a binding contract—

[(A) which is between the taxpayer and a person who is not a related person (as defined in section 943(b)(3) of such Code, as in effect on the day before the date of the enactment of this Act), and

[(B) which is in effect on September 17, 2003, and at all times thereafter.

[(d) REVOCATION OF SECTION 943(e) ELECTIONS.—

[(1) IN GENERAL.—In the case of a corporation that elected to be treated as a domestic corporation under section 943(e) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act)—

[(A) the corporation may, during the 1-year period beginning on the date of the enactment of this Act, revoke such election, effective as of such date of enactment, and

[(B) if the corporation does revoke such election—

[(i) such corporation shall be treated as a domestic corporation transferring (as of such date of enactment) all of its property to a foreign corporation in connection with an exchange described in section 354 of such Code, and

[(ii) no gain or loss shall be recognized on such transfer.

[(2) EXCEPTION.—Subparagraph (B)(ii) of paragraph (1) shall not apply to gain on any asset held by the revoking corporation if—

[(A) the basis of such asset is determined in whole or in part by reference to the basis