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UNITED STATES SENATE

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COMMITTEE ON FINANCE

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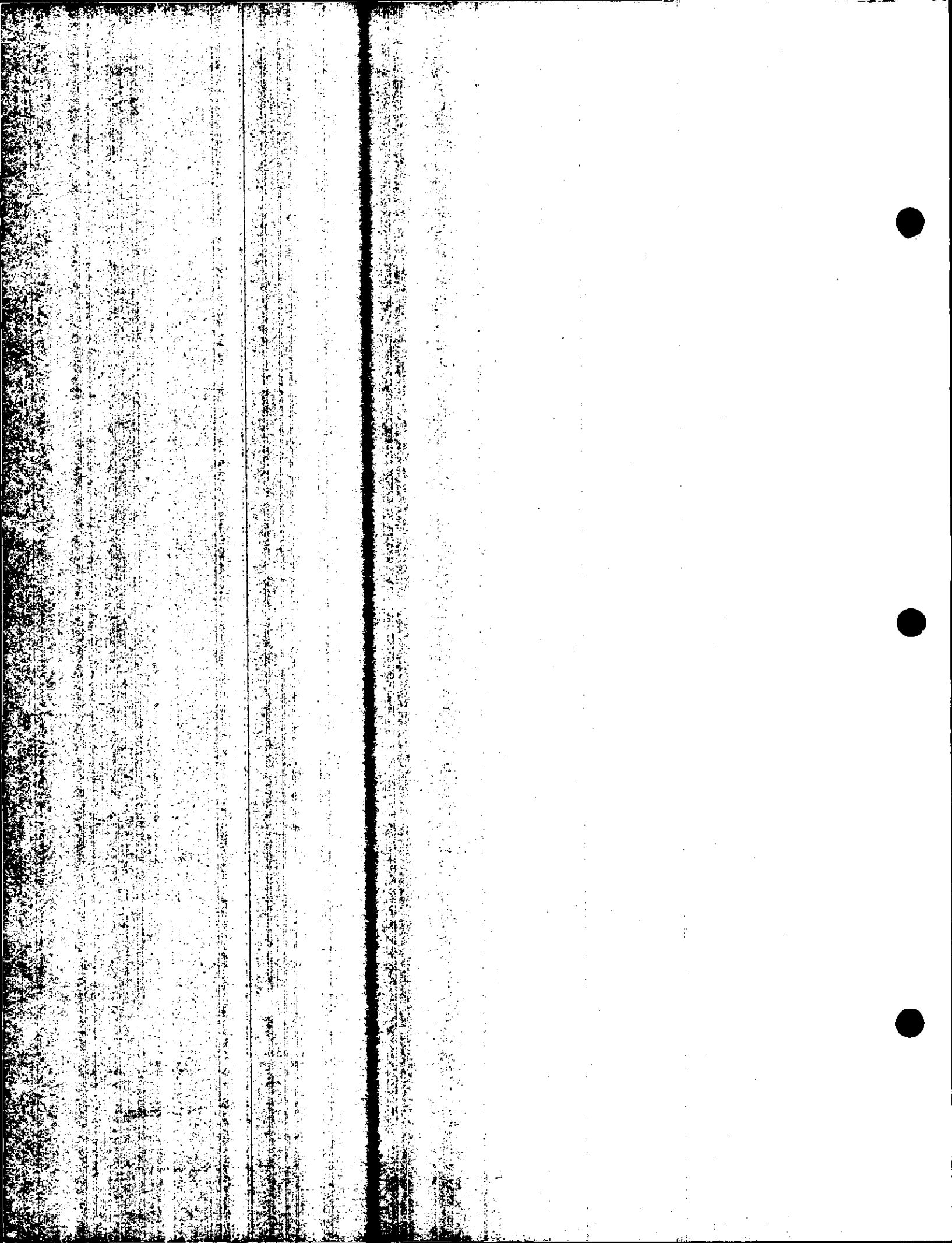
H.R. 2837 AND H.R. 7387

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Washington, D. C.  
December 21, 1953

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S. 2237 AND H.R. 7397

CARIBBEAN BASIN INITIATIVE

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TUESDAY, DECEMBER 21, 1982

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United States Senate,  
Committee on Finance,  
Washington, D. C.

The Committee met, pursuant to call, at 10:32 a.m., in Room S. 207, Capitol Building, Hon. Robert J. Dole, Chairman, presiding.

Present: Senators Dole, Packwood, Roth, Chafee, Durenberger, Symms, Long, Baucus, and Bradley.

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The Chairman. Now we will have a quorum here in a few minutes. I think there are now 7 or 8 -- 2 or 3 on the way. We need to report the CBI this morning and then we will go into conference on the tax portion of the Highway Bill.

I think Senator Baucus is around and Senator Chafee is around. That will be what, 7?

Mr. Lighthizer. That is right.

The Chairman. Now, 7 will be enough to take care of amendments and I have a couple of amendments that I will

1 propose and I wonder if we might have a brief explanation of  
2 those, the unemployment compensation amendments which I intend  
3 to add to this bill and also the artist equity amendment.

4 Mr. DeArment. The unemployment compensation amendment  
5 is a one-month extension of the Federal supplemental  
6 compensation program that we included in the Tax Equity and  
7 Fiscal Responsibility Act.

8 It provides additional weeks of unemployment beyond  
9 extended benefits for workers who have exhausted their  
10 regular extended benefits and their regular benefits. This  
11 would extend it one month from its -- it is due to expire  
12 April 1 and it would extend it through April 30.

13 The amendment will become effective only if prior to  
14 April 1 there has been enacted into law an increase in the  
15 tax on gasoline, effective on or prior to April 1, 1983.

16 The amendment would cost \$400 million.

17 The Chairman. This would be an additional one month of  
18 benefits added to those that are contained in the Highway  
19 Bill, is that correct?

20 Mr. DeArment. That is correct.

21 The Chairman. The cost would be \$400 million.

22 Mr. DeArment. That is correct.

23 The Chairman. Any discussion of that amendment?

24 We cannot adopt it until we have one more. I know  
25 Senator Long is on his way and Senator Baucus is around.

1           And the other amendment?

2           Mr. DeArment. The second amendment is the Artist Equity  
3 Act amendment that the Finance Committee reported out on  
4 H.R. 1524, with one modification; that modification would set  
5 a maximum dollar limitation on the amount of deductions that  
6 an artist could take and the limitation is 50 percent of the  
7 adjusted gross income. So that one looks to the artist,  
8 adjusted gross income from art work, and he can deduct no  
9 more than 50 percent of that.

10           Senator Long. Are we trying to pass that thing still?  
11 That turkey?

12           (Laughter.)

13           Senator Long. I would not eat that on Christmas Day.  
14 Do you want to put that on CBI?

15           The Chairman. This is the Baucus amendment. He is one  
16 of the strong CBI proponents.

17           I want to explain this that Senator Long is here now,  
18 maybe the first amendment that we discussed and I want to say  
19 in advance the President is really--feels very strongly about  
20 CBI. He has called me again this morning and indicated he  
21 really did not understand the opposition to this bill. He,  
22 of course, wants it not only reported out of this Committee  
23 but passed on the Senate floor and he is willing to indicate  
24 his strong commitment to add another month of unemployment  
25 benefits. It has just been explained by Ronnie DeArment that

1 it cost about \$400 million, so it is my hope that we can  
2 properly report this bill to the Senate floor and then I will  
3 discuss with Senator Baker whether or not we can get it up  
4 to date. That may be a problem but it is a matter of highest  
5 priority with the Administration, with the President. I  
6 know that there are those who have good reasons to oppose  
7 the legislation but it is my hope that we can at least get  
8 it reported out of the Senate and see if we can get it  
9 scheduled.

10 Senator Long. Mr. Chairman, one thing that gives me  
11 cause for concern about this matter is this bums' rush  
12 approach to this thing. I am concerned. I was not able to  
13 attend the hearing on this. But the hearing was scheduled  
14 and it was called off and it was rescheduled and it was held  
15 in short order with only a few people there. I do not think  
16 most people in this country know any more about it than I  
17 do. And the attitude that we have to pass this in this  
18 last day with the first chance we have to report it out of  
19 the Committee and pass it out the same day. That makes me  
20 think that there has got to be something the matter with  
21 it.

22 I do not know why this thing cannot take 6 weeks, but  
23 frankly, somehow or another I would be willing to go down  
24 to the Caribbean at my expense, at my expense, to see what  
25 difference this thing might make and probably go there anyway.

1 I have got my doubts that we need to subsidize  
2 conventions down to the Caribbean. I have gone down there  
3 several times without being subsidized, without Government  
4 expense and I do not know why we cannot look at this thing,  
5 think about this thing over the recess. Apparently somebody  
6 from the Ways and Means Committee went down there, they rolled  
7 out the red carpet and by the time they came back they were  
8 all for it. I am not asking for the red carpet treatment or  
9 anything like that, I just think that those who have their  
10 doubts about it ought to be able to think about it over this  
11 fantastic period between the two sessions, it is going to  
12 be at least a week between the two. By the time they come  
13 back we might be in a position to make a better contribution.  
14 Maybe make some suggestions that might be worth considering  
15 but we cannot make much in the way of suggestions other than  
16 the same warmed over suggestions that we have been talking  
17 about on the Senate floor with regard to other legislation.  
18 That is not what we are talking about here. I just think  
19 it can do nothing but good, take enough time to think about  
20 the thing a little bit and I cannot see where a week is going  
21 to make that much difference.

22 Frankly, the change that they made in the House bill  
23 to take out the subsidy, that is the investment tax credit  
24 which would help one to build a manufacturing plant and  
25 instead to subsidize tourism, to help take tourist trades

1 from the Southern States and put that in the Caribbean.  
2 Now, that is not where the people need the subsidy. They  
3 have plenty of jobs as waiters and bellhops and butlers and  
4 things like that during the height of the tourist season.  
5 When those people need the jobs is during the other nine  
6 months or the other ten months of the year when they do not  
7 have all of this flood of tourists down there. They need  
8 something to provide honest employment during that time.

9 So just the very thing in the bill that they are  
10 precluded from doing are the very things that you ought to  
11 be doing if you want to help those people earn a living.  
12 What are they supposed to do during the other ten months,  
13 just sit under a fig tree and think about matters until the  
14 weather gets cold up in the United States again?

15 So the House amendment was made a worse bill and not a  
16 better bill. If we are going to subsidize, we ought to  
17 subsidize in some area where it will be in relation to work  
18 during the ten months when they do not have everybody in  
19 position to work. It is just a lousy bill. And the changes  
20 have made it worse.

21 Now, if we take enough time to think about this matter  
22 we might be able to make a little sacrifice in this country  
23 to help provide some jobs down there where they ought to have  
24 it. For example, we ought to be providing jobs to compete  
25 with the product that we would be bringing in from the Far



1 East, Singapore, Sri Lanka and Taiwan, places like that.  
2 That would be a logical thing rather than subsidizing the  
3 area where we are going to provide them opportunities to hire  
4 more bellboys and more waiters and more maids during the  
5 off tourist season.

6 The Chairman. You know there may be -- I do not quarrel  
7 with the Senator's opposition. I had a call yesterday from the  
8 Prime Minister who feels that this is highly important, maybe  
9 it is more than symbolic. He was pleading with me to pass  
10 it. I said I am willing to pass it but I cannot pass it at  
11 this late stage without unanimous consent.

12 Senator Long. In the House of Representatives it was:  
13 for, Democrats, 98; against, 126. Now, I am loyal opposition.  
14 I suppose I can be roped if you people want to get out there--  
15 but let me tell you it is tough to do, as a rule, if some-  
16 body thinks it is a lousy bill, with just one day to go, the  
17 last day of the session. I would think that what we ought  
18 to do is to say well, let us come back in here and make it  
19 a high-priority item. The House is going to try with  
20 Social Security. It is all right with me if we start out  
21 with this. If the House passed it, all right, make it a  
22 high-priority item and by that time I think we would have  
23 a chance to think about it some, we would know what-- why  
24 not have a real hearing where everybody can be there and  
25 have a chance to say something?

1           Now, I do not believe that anybody testified for the  
2 American hotel industry. How these people are going to lose  
3 all this convention business feel about us subsidizing  
4 convention business in the Caribbean? Do they think it is  
5 a great idea? I would be curious to know what they think  
6 about it. There are some people who have some nice hotels  
7 in Louisiana, there are some people from Florida more so,  
8 Hawaii is concerned about it.

9           Now, that was very generous of the Puerto Rican Govern-  
10 ment to say if you give us a subsidy in one area we will be  
11 glad to let you subsidize the guy in the other area. How  
12 about the guy who is getting the worst of it, the people in  
13 the hotel industry down there, in the tourism quarter of  
14 Puerto Rico? Are they in favor of that deal?

15           So the whole thing to me just says that it would be  
16 wise to take enough time to look at it and I am for doing  
17 something to help those people down there, Mr. Chairman and  
18 members of the Committee. But anytime I am confronted with  
19 something that looks like a bums' rush approach to legislation,  
20 I am not convinced, I tend to get up and say O.K., go to it,  
21 but it is not going to be as easy as you might have thought.

22           The Chairman. Well, we are fully aware of that. My  
23 responsibility right now is to try to get it to the Senate  
24 floor. What happens beyond that is, as the Senator knows,  
25 may not be possible. But --

1           Senator Long. Basically I thought, Mr. Chairman, that  
2 we were acting under a unanimous-consent arrangement that  
3 we Democrats would stay around here to help pass that gas  
4 tax. But I thought, not only on the floor, but I thought  
5 with my Democratic colleagues and sometimes inside those  
6 caucuses it got pretty hot, pretty uncomfortable taking that  
7 position. And to say that we owed it to the responsible  
8 leadership on the Republican side of the aisle to stick around  
9 here and help them pass that bill, and we did. But I also  
10 said that we ought to say to the Republican leadership:  
11 Now, when we passed this continuing resolution and we passed  
12 that tax bill, that should be the end of it. We should not  
13 be asked to take up other things that would have controversy  
14 to them.

15           I do not call this a noncontroversial bill when the  
16 majority of the Democrats voted against it in the House.  
17 After all, it still may be by the Ways and Means Committee  
18 and those are very good leaders on that Committee. They  
19 have a very effective Chairman over there and he has good  
20 ranking Members there and good Members here, Mr. Chairman.

21           Senator Baucus. Mr. Chairman, I have to leave in one  
22 minute. I just want reaffirm what Senator Long said. For  
23 all the same reasons, it is so light and frankly I listened  
24 to this Administration, Ambassador Brock talk about employment  
25 figures. I have got some strong feelings of very loose

1 numbers. I mean they were not nailed down at all.

2 This bill is more a hope than an actual job in terms  
3 for Americans. Beyond that, I understand the House is going  
4 to go out shortly after noon, depending on whether the  
5 Highway conference gets anywhere. I also heard the Committee  
6 offering an additional month and I do not think the Highway  
7 bill is going to pass in this Congress, even if it is not  
8 depending upon that, that means perhaps taking it off the  
9 other bill, the conference. I do not know what is going on  
10 here.

11 Now, the main point is, Senator Long's point has not  
12 been closely examined in the CBI and the Senate. We do not  
13 have much time left. And with the addition, firm understand-  
14 ing that we are going to pass the Highway Tax bill and that  
15 is it --

16 Senator Long. We have not even had a hearing on the  
17 bill, if I am correct.

18 Let me ask you about the hearing. I was not asked--I  
19 could not be there. But talk about that hearing if you would,  
20 Mr. Lang, you are familiar in that area.

21 Mr. Lang. The hearing was held on Monday, August 2.  
22 The American hotel industry was not there, probably because  
23 the convention tax provision was not in the Administration  
24 bill. That would be a tax credit in that bill. So the  
25 Administration was represented, the AFL-CIO was represented,

1 the Government of Puerto Rico had a witness there and there  
2 I think about 5 Senators at the hearing there.

3 Senator Long. All right.

4 Now, was there anybody that represented--no one represent-  
5 ed the Hotel Association; right?

6 Mr. Lang. No, sir.

7 Senator Long. And nobody represented--did anybody  
8 represent the union, the workers in the hotels, the jobs that  
9 have to do with the--providing services inside the hotels?  
10 The waiters and the service people generally?

11 Mr. Lang. Only to the extent that they would be  
12 recommended by the AFL-CIO which testified in opposition.

13 Senator Long. But nobody to speak for that specific  
14 union?

15 Mr. Lang. No, sir.

16 Senator Long. Basically the people that would come  
17 from the AFL would testify on the investment tax credit with  
18 regard to manufacturing. That is where the concern would  
19 be when we know those people think about taking a position,  
20 not those who represent the people who would do all the work  
21 in the hotel, service clerks.

22 Mr. Chapoton. Senator, when we presented the bill, as  
23 you pointed out, we presented it with the tax credit. This  
24 tax provision is a very watered down, very watered down tax  
25 provision as compared to the tax bill. We would have preferred

1 but for a problem that I think the AFL-CIO observed, export-  
2 ing jobs, giving incentive for foreign investment abroad.  
3 This was an add-on in the Ways and Means Committee which  
4 does much, much less.

5 Senator Long. Well, the way it looks to most Democrats,  
6 this whole session has been a politically motivated activity  
7 trying to put Democrats on the spot, trying to make it look  
8 like the Congress would not do its job, Democrats in  
9 particular, you just put the continuing resolution over to  
10 the next year, you would not have to hold a session at all.  
11 It is somewhat like the August session. They had Prayer in  
12 School, various other issues to try to put Democrats on the  
13 spot. Public relations outfit, purely politically motivated,  
14 that is how most Democrats look at it. I am not asking the  
15 Republicans to agree with it. Then to bring it back, to  
16 have a short continuing resolution to bring it back here  
17 to pretend that we do not do our work, not us, but the  
18 House, because the Senate is Republican-controlled anyhow,  
19 and then to come back in here and then at the last day of  
20 this one, when everybody knows that it gets any opposition,  
21 it cannot be passed, to try to bring something in here that  
22 has not actually been considered and to ram it through and  
23 to force the Democrats to vote for it, and then you say,  
24 oh, the Democrats would not support the President's  
25 Caribbean Basin initiative. That is unworthy politics and

1 should not be the business of this Committee.

2 Now, in due course when the matter has been properly  
3 considered I would expect to help pass something that would  
4 be fair, after we have focused on it and had a chance to make  
5 our suggestions and basically we think that the Committee is  
6 acting responsibly, which I do not think it is doing that  
7 now.

8 I think it is stirring up hackles on a partisan basis  
9 and it is going to stir resentment and none of that makes for  
10 the kind of cooperation we are going to need in the next  
11 Congress, to try to do the various things that are very  
12 important to this country.

13 The Chairman. I would just say I am certain Senator  
14 Long understands better than any of us when the President  
15 asks the Committee Chairmen to do something I assume the  
16 Chairmen generally try to do it.

17 Senator Long. Well, it is all right for me to vote on  
18 the bill providing we have an understanding. If there is  
19 objection to calling this bill up, it is not going to be  
20 called up.

21 The Chairman. I think that is a given.

22 Senator Long. If that is understood, it is all right  
23 with me.

24 The Chairman. I would hope that--my responsibility as  
25 the Committee Chairman is to get it out of the Committee, just

1 as yours was and maybe again, but hopefully not soon.

2 Senator Long. Well, as a Member of this Committee I  
3 understand if there is objection to the bill being brought  
4 up that the bill would not be brought before the Senate.  
5 If you move to bring it up and there is objection to it--

6 The Chairman. I have told the President--

7 Senator Long. We are proceeding anyway--

8 The Chairman. I told the President this morning that,  
9 you know, there was a lot of opposition, we were probably in  
10 the last day of the session and unless there was unanimity  
11 the bill was going nowhere. And I can understand his view.  
12 He said: Well, I still think there is some hope.

13 Maybe he thinks something is going to happen between  
14 now and 4:00 o'clock or 2:30 or 3:00 o'clock where everybody  
15 is going to back off on their opposition.

16 Now, I asked that they talk with Lane Kirkland and  
17 others who were quite opposed to the bill.

18 Senator Long. But if we on this side of the aisle react  
19 the way they think--here is a bill, the majority of Democrats  
20 in the House voted against it. If we react the way the  
21 majority of the Democrats in the House tend to react, the  
22 bill cannot pass.

23 Senator Bradley. Will the Senator yield?

24 There are already at least 12 to 15 Democrats who have  
25 holds on the bill on the floor. If we are bringing it up to



1 get it out of the Committee, the bill's responsibility to  
2 the President, to show that the Finance Committee was not  
3 going to oppose the initiative, even if they disagree with  
4 us strongly, but at least move it out of the Committee so  
5 that there is a whole series of press releases that we moved  
6 the President's Caribbean Basin initiative.

7 Senator Long. I will make another proposition. I  
8 will vote to report the thing rather than have it on the  
9 agenda of the Executive Session, to be called up if a  
10 motion can be made to call it up in a single judgment and  
11 that it will go over to the next Congress.

12 The Chairman. Could I go check that with Senator  
13 Baker?

14 Senator Long. Sure.

15 The Chairman. Do not leave.

16 (Whereupon, a recess was taken at 10:50 a.m., to resume  
17 at 11:18 a.m., the same day.)

18 The Chairman. Let me state that we have had a visit  
19 with the majority leader. There are 11 Members around, but  
20 on the basis that we discussed this obviously it would take  
21 unanimous consent to bring the bill up and under those  
22 circumstances I do not think it would make much difference  
23 whether we have a quorum or not. We will report the bill  
24 out without amendment. We will offer the amendments on the  
25 floor if the bill comes up as we described, or at least the

1 one that we described, the unemployment amendment will be  
2 offered on the Senate floor if we can reach some agreement.  
3 And that would provide \$400 million in additional benefits,  
4 one month of supplemental benefits.

5 If we can work it out, I think that is going to be up  
6 to the Administration and the Democratic leadership and others  
7 between now and sometime this afternoon.

8 So unless there is some objection, I would move that we  
9 report the bill without any additional amendments and I will  
10 offer that one amendment on the Senate floor if we work out  
11 all the other problems.

12 Is that all right, Senator Long?

13 Senator Long. That is fine.

14 The Chairman. Is there objection?

15 Senator Chafee. Well, Mr. Chairman, what do you mean  
16 if we work out all the other problems? Do you mean that  
17 Senator Long--

18 The Chairman. Well, I am not just--no, not just Senator  
19 Long. There are a lot of--the question whether or not we  
20 could get the bill up on the Senate floor. If it would take  
21 unanimous consent, one person could object.

22 I assume we are probably in the last 24, 36 hours, we  
23 have a conference under way on the House side and the Chairman  
24 there is busting because we are an hour late. We could sit  
25 here the rest of the day waiting for a quorum.

1           Senator Chafee. I am for this, Mr. Chairman. I just  
2 want to ask one question about the Panamanian people have  
3 been raising concerns about the convention treatment not  
4 being able to go into effect unless the section 202 applies,  
5 as I understand it, and the reporting of tax information.  
6 They have particular concerns, which I know you are aware of,  
7 and so is State, about the effect on them being a banking  
8 center and having a host of accounts there, not being  
9 reluctant to comply with this tax information exchange  
10 immediately because the effect that the funds would just then  
11 flow to other areas that do not have to comply with that.

12           Have you got any comment on that?

13           Mr. Chapoton. Senator, the exchange of information was  
14 the significant quid pro quo from our standpoint on extending  
15 North American treatment to the Caribbean Basin countries.

16           I understand the argument here is that Panama--there  
17 are other countries that are financial centers too that will  
18 have difficulty in agreeing to the exchange of information.  
19 We recognize it. We think it is very important to us and  
20 I understand the argument is that we ought to put that off  
21 for a year to somehow give them impetus to negotiate but  
22 let them have convention treatment in the meantime. I have  
23 not heard that argument before this morning and at the moment  
24 I would certainly have difficulty with it.

25           Senator Roth. Mr. Chairman, I would defer to say that

1 I have serious difficulty in the Permanent Investigation  
2 Subcommittee we have been holding hearings on drugs. No  
3 question but what offshore banking has been a very, very  
4 critical problem. If you start delaying for one, I do not  
5 see how you cannot delay for others. So that I would have  
6 to say that this is an amendment that I would oppose because  
7 I think it raises very grave implications.

8 Senator Chafee. You mean to exempt Panama from the  
9 tax reform?

10 Senator Roth. Yes.

11 Mr. Chapoton. I would agree, that I do did not see any  
12 rationale for doing it just for Panama. There are other  
13 countries, banking centers, and the exchange of information  
14 is one of the most serious problems for us all along. That  
15 was the main thing that we saw in this, if you achieve this  
16 benefit--if they receive this benefit then they ought to have  
17 the exchange.

18 Senator Roth. The President has adopted a primary  
19 problem, the control of drugs. If we are ever going to do  
20 anything about that, it seems to me critically important that  
21 we get a handle on this offshore banking and tax information.

22 Senator Chafee. I see the argument too, but it is  
23 also my understanding that while other countries might seek  
24 the same exemption, other countries down there do not have  
25 the convention possibilities of big convention centers such

1 as Panama.

2 In any event, I think it is something that perhaps we  
3 could take a look at as we go along.

4 Mr. Chairman, let me ask you another question: The  
5 amendments that we adopted yesterday, particularly the Virgin  
6 Islands rum, EPA exemption, does that apply now? Where do we  
7 stand on that?

8 The Chairman. Yes, that will be in the bill that we  
9 report. Your amendment.

10 All right, then without objection, the bill will be  
11 reported and we will wait--if all the parties who are  
12 interested in this legislation can get together, it may come  
13 up on the Senate floor.

14 (Whereupon, at 11:24 a.m., the Committee was adjourned.)

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