of the man he defeated at the polls, Jorge Carpio Nicolle, whose National Union of the Center will hold the second largest bloc of votes in the new Congress. "We know that our role is to be in the vanguard of defending the new democratic system," Mr. Carpio said after conceding defeat.

The outgoing chief of State, General Oscar Mejia Victores, has also wished the civilian Government well. He says he does not object to Mr. Cerezo's plan to disband the feared Technicial Investigations Directorate, which has been accused of involvement in political kidnapping and torture. He hinted, however, that officers would continue to follow political developments with interest.

"I am not God," Mr. Cerezo warned after his victory, "and I am not going to perform miracles in this country." The new leader went on to say that he was taking at face value the army's pledges not to obstruct his Government. "If I finish my term, it will be because they obeyed," he told reporters, "and if I do not, it will be because they did not obey, in which case we will talk in Miami."

LABOR IN SOUTH AFRICA

HON. CHARLES B. RANGEL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 17, 1985

Mr. RANGEL. Mr. Speaker, I rise to bring the plight of South Africa's unions to the attention of my colleagues.

The freedom of association is a privilege which many Americans take for granted. Our workers are permitted to choose whether they wish to be represented by a union, or whether they wish to maintain an open shop. This choice is made without government harassment, and is protected by Federal statute.

South African workers do not enjoy this privilege. They live in a country which officially suppresses any expression of opposition to the status quo. Black miners who are building a growing union movement are closely watched by the government, and many have been arrested for their antiapartheid sentiments. However, this National Union of Mineworkers continues to grow rapidly. As its strength grows, so does its influence. Considering that the vast majority of workers are black, it is very likely that the trade union movement will soon be at the forefront of the freedom movement.

Mr. Speaker, we must understand that freedom will come to South Africa. Time is running out for apartheid, and leaders who advocate change are being heard more and more by young activists. A truly free labor movement would be a gigantic step in the right direction. We must encourage them if we are to bring about a peaceful demise of apartheid.

I would like to submit the following article for inclusion in the CONGRESSIONAL RECORD. It was written by William Lucy, the International Secretary-Treasurer of AFSCME. I urge my colleagues to read it closely.

LINKS OF FREEDOM

(By William Lucy)

The Free South Africa Movement is making "Voodoo II"—the second term sequel of Ronald Reagan's presidency—anything but a re-run. That's bad news for the government in Pretoria, which has found refuge in the administration's southern Africa policy of "constructive engagement." It's bad news too for companies and banks that exploit cheap black labor in South Africa but say they abhor the social system of legalized discrimination that makes their fat profit margins possible. But it's goods news in the twonships, in the squatter camps, in the mines and in the schools of South Africa, where the institutions of apartheid are most oppressive and most despised.

Reverberations of the Free South Afica Movement have also reached the black trade unions in that county. Very appropriate, because it was the arrest and detention of twenty-one black South African trade union leaders last November that ignited the mass public demonstrations in the U.S. against both apartheid and the administration's policy in the region.

In an era of single issue campaigns, the Free South Africa Movement is not just another "cause." It is a direct and creative political tactic, one rooted in the long tradition of conscientious dissent. The Free South Africa Movemment has been an antidote for the state of political comatose that has threatened to seize the opponents of a teflon President. It has recruited new cadres of activists and inspired veterans in all other movements for social change in the U.S.

Perhaps the Free South Africa Movement's most valuable contribution has been to focus national and local attention on the shameless bankruptcy of American foreign policy toward people of color who are fighting for peace and their right to self determination. But once again, the administration has tried to walk away from its own policy failure, this time by closing the American liaison office in the Namibian capital of Windhoek, which was set up to monitor the South African troop withdrawal from Angola

But U.S. policy in Southern Africa is being regularly exposed to an American audience that is replused by what is sees as ugly flashbacks to the days of Bull Conner, to the days when black American citizens were routinely beaten, tortured, murdered, jailed and denied their civil right. One opinion poll has found that nearly 41 million adults who know about the daily demonstrations in front of the South African embassy supported them. Divestment campaigns have mushroomed throughout the country, buoyed by this groundswell of opposition to aparthied and our own government's cozy relationship with such a racist and undemocratic regime.

This upsurge clashes with those who believe that apartheid can and is, indeed, withering away. Some paternalistically point to the alleged harm that disinvestment by U.S. companies operating in South Africa would have on black workers there. Better to rely on economic growth or the Sullivan Principles, or more unions for black workers. Better for black South African unionists and workers to stick solely to economic reform, leaving the racist social order of apartheid intact. This kind of strategy is both reactionary and untenable, and merely serves to camouflage support for an unjust and oppressive status quo. It is also being articulated at a time when black South African workers and their unions have emerged as a strategic and unified political force, one increasingly empowered to cripple or shut down the economy. The Two Day Stay Away, which was organized last November in less than a week by a coalition of trade unions, student groups and community and political groups, paralyzed South Africa's industrial heartland. This explicitly political strike drew the support of one million workers, even though union members number only about 300,000.

The working class movement in South Africa now has reached the point where black unions have grown five times more rapidly than white unions since the government was forced to offer limited recognition to black unions in 1979. The fact is that the entire South African economy would collapse if all black workers were to go on strike for about three days. The leadership role of black trade unions, therefore, is critical. It is also the reason why more than 400 black trade unionists were detained by South African authorities between 1981 and 1983.

But it is too late. Our union brothers and sisters are already clutching the jugular vein of the South African economy: the mineral-rich sector. Only seven weeks before the 5-6 November 1984 general strike, the National Union of Mineworkers (NUM) shook the industry and the government to their roots, with the first legal strike by black mineworkers in South African history. Although the strike was settled within three days—after seven miners were killed, 500 injured and mine property worth millions of dollars destroyed—the tremor remains alive.

Nearly 40 percent of South Africa's GNP is derived from foreign trade, gold accounts for about 50 percent of the nation's export earnings, and the mining sector is by far the largest single source of government tax revenues. The fact that black mineworkers' wages average only one-sixth ($160 per month) of white workers' wages may—just may—have something to do with this profit bonanza.

But then there is the other side of the ledger. The NUM, which was formed only three years ago, represented four percent of the mining workforce in 1983. Last year that percentage shot up five-fold to 20 percent of South Africa's half million black miners.

Under the banner of the Free South Africa Movement, organized labor in the U.S. will continue to step-up its anti-apartheid campaign. Since day one when this movement began, organized labor has grown with it, marched in it and celebrated each blow struck for freedom and self-determination in South Africa.

Apartheid is seen as an enemy of American workers. Strategic minerals imported from South Africa help satiate the Pentagon's nuclear weapons orgy, while social programs are strangled to death. South African steel imports have been increasing 5,000 percent in the last ten years, while hundreds of thousands of American steelworkers have been especially hard hit by apartheid exports. A major study by Steelworkers Local 65 in Chicago found that 30 percent of the white former steelworkers laid off from U.S. Steel Corporation's South Works plant in 1979 are still unemployed; among black workers the rate of joblessness is at 61 percent after five years. This tragedy is even more bitter because the South Works plant produces steel beams identical to those imported from South Africa to construct a new state building in Chicago—in their city and paid for with their state tax dollars.

Thus, as the spotlight of anti-apartheid resistance sprays out from the success of the Free South Africa Movement, the American labor community will continue to bring to light to its members the deep connections between the fight against Reagan's "constructive engagement" foreign policy and his anti-worker policies at home, and the

fight for freedom and self-determination in South Africa.

Yet our responsibility is much, much greater than our economic self-interests. We must be equal to the challenge of upholding our own integrity. The ripened wisdom of the late Amilcar Cabral must serve as our mandate. It was he who said: ". . . In the modern world, to support those who are suffering and fighting for their liberation, it is not necessary to be courageous; it is enough to be honest."

NEW TRADE AGREEMENT WITH CHINA

HON. DON BONKER

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 17, 1985

Mr. BONKER. Mr. Speaker, just over 2 years ago, I stood before this body to commend the executive branch's then-new guidelines for exports of advanced technology to the People's Republic of China. Today, I again rise to commend the executive branch for its most recent efforts to liberalize trade with the People's Republic of China. Yesterday, Secretary Baldrige announced a new multilateral agreement on exports of certain high technology exports to the People's Republic of China. After 10 months of negotiations with our allies in the Coordinating Committee on Multilateral Export Controls [Cocom], agreement has finally been reached on a new set of procedures which will eliminate multilateral and interagency review for up to 75 percent of all United States exports to the People's Republic of China.

As many Members will recall, the export control policy announced in November 1983 transferred China from a restrictive export control country group to a less restrictive group composed of other friendly, nonaligned nations, and established a three-tiered technology zone system to guide licensing decisions in seven commodity control list categories. While the 1983 policy helped to expedite United States consideration of export licenses, problems within Cocom have steadily grown, due in large part to the tremendous increase in the number of China cases. Exporters routinely experience delays in excess of 6 to 9 months, which frustrates United States businessmen and Chinese customers, hinders the growth of United States-China trade, and creates friction in United States-China relations. At a time of burgeoning trade deficits, the United States can ill afford delays in export license approvals, particularly to an export market such as China, which was worth almost $6 billion in 1985.

Confronted with these excessive delays, the Commerce Department initiated multilateral discussions in February on ways to expedite China case processing. An agreement among Cocom members was tentatively reached this fall, fully approved last week, and made effective as of December 15. The new procedures would expedite exports to the People's Republic of China by eliminating Cocom review for export licenses falling within the new technical boundaries in 27 commodity control list categories, and by requiring only postshipment notification. Among the CCL categories covered by the new agreement are computers, machine tools, fiber optics, telecommunications switching equipment, oscilliscopes, semiconductor manufacturing equipment, and electronic instruments. Commerce Department officials estimate that over 75 percent of the exports which previously required multilateral and interagency review will now receive expedited U.S. consideration. Those applications falling within the new technical parameters should be processed by the Department of Commerce within 30 days.

The agreement requires that a Chinese end-user certificate accompany each export license application. The administration announced yesterday that the Technology Import/Export Bureau of the Peoples Republic of China Ministry of Foreign Economic Relations and Trade [MOFERT] will issue and validate end-user certificates, and in fact already has an end-user certificate program in place. While the new licensing procedures are effective now, a cutoff date of February 15, 1986, has been established, after which all new license applications to the Peoples Republic of China falling within the agreement's parameters, must be accompanied by Chinese end-user certificates. Commerce Department officials announced that export administration regulations specifying the details of the new guidelines and indicating interim procedures will be published later this week.

Mr. Speaker, I applaud the long hours of negotiations devoted to this effort by the Departments of Commerce, State, Defense, the Joint Chiefs of Staff, and others. The new Cocom agreement represents a much-needed step forward in expediting export license applications to the Peoples Republic of China for certain adavanced technology, while maintaining careful procedures for reviewing, and possibly denying, items which may present national security risks. I am encouraged by this new agreement, and hope that it serves as further inducement for the United States companies to market their products in China. I urge my colleagues to bring this new policy to the attention of their high technology constituents.

FOREIGN INVESTMENT COMPANY PROVISIONS CONTAINED IN SECTION 625 OF H.R. 3838

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 17, 1985

Mr. CRANE. Mr. Speaker, I would like to express my concern over the Foreign Investment Company [FIC] provisions contained in the foreign tax provisions, section 625 of H.R. 3838, the Tax Reform Act of 1985. These provisions will have potentially severe impact on the extension of U.S. business activity abroad, and can be interpreted to penalize legitimate investments abroad which do not involve abuses or evasion of taxation. Further, a number of the foreign provisions contained in H.R. 3838, including the FIC provisions, were adopted by the Ways and Means Committee with no public participation or comment. Indeed, neither the President's proposals nor the earlier Treasury Department recommendations to the President contained these provisions. Such a procedure raises important concerns about the fairness of the tax reform process not to mention the wisdom of these provisions.

Prior to September 26, when the Ways and Means Committee went into closed session, there had been no proposal to modify the current FIC provisions. However, among the options placed before the committee at that time was a drastic departure in current tax policy governing the taxation of FIC's. This change, as well as other options in the foreign tax area, was not among those changes proposed by either the President or the Treasury Department. Most importantly, this proposal was never the subject of public hearings. The Ways and Means Committee ultimately adopted this proposal in modified form.

The proposed new FIC provisions would require U.S. investors in a FIC to recognize currently their portion of the annual earnings and profits of the FIC, regardless of the fact that they have not received a dividend from the FIC and are not in a position to compel the FIC to declare a dividend. Stated differently, this proposal would radically alter current tax policy by penalizing U.S. investors for undistributed earnings and profits in situations in which they cannot, as a group, compel distributions of those profits. They are thus faced with the unwelcome prospect of paying tax on income they have not received.

The proposed FIC provisions purport to ameliorate the unfairness of this requirement by permitting payment ot tax to be deferred—provided a penalty, in the form of interest, is paid. The Ways and Means Committee itself recognized this unfairness in their report at page 409. However, the purpose of this tax reform effort was not to create unfairness and then ameliorate it, but rather, to make the tax system fairer than it was before. On this measure, alone, the changes proposed by the committee in the treatment of investments in FIC's should be rejected.

A taxpayer should not be required to pay tax on imputed income which he doesn't receive and which he couldn't compel to be paid to him. Present law concerning FIC's is premised on the concept that the U.S. taxpayer is using a foreign corporation to defer current taxation of the income from his overseas business operations. Accordingly, it is appropriate to tax such deferred income as though it were constructively received as dividends, on the theory that the taxpayer could have compelled the payment of dividends and, instead, used his control over the foreign corporation to avoid such payment.

However, where the U.S. taxpayer does not have, either alone or with other U.S. taxpayers, the ability to compel dividend payments, it is fundamentally inequitable to, in effect, penalize him for not doing something he cannot do, that is compel dividend payments. The taxpayer is forced to pay tax without the ability to compel the income with which to pay the tax, thus violating the ability to pay principle.