



# Committee On Finance

Max Baucus, Ranking Member

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## **STATEMENT OF SENATOR MAX BAUCUS**

### **HEARING ON INTERNATIONAL COMPETITIVENESS: THE VIEW BEYOND**

Today's hearing takes us one step closer to streamlining our sprawling international tax laws. More than a year ago, Senators Graham, Hatch, Grassley, and I formed an International Tax Working Group. The Working Group was put together to review our international tax laws and make recommendations for improvement.

We focused on simplification of these laws, so that U.S.-based multinationals could compete in the global economy. Achieving this goal will encourage American companies to remain in this country, while creating jobs and promoting economic growth. Our international tax laws have not kept up with the increased globalization of the economy. The Working Group has made great strides toward pinpointing areas for reform. And I am pleased that these efforts reinforce the objectives Senator Hatch and I have made in the past.

And I am also pleased that today's hearing turns an eye towards simplification. Today we will address such complex tax laws as - anti-deferral regimes, the foreign tax credit and sourcing and allocation rules. Reform in these areas would have a significant effect on U.S. companies competing in the global marketplace. At last week's hearing, we heard testimony about the decline of the manufacturing sector and ways to help industry. Providing incentives to reverse this decline and keep manufacturing jobs in the U.S. is not inconsistent with reforming our international tax rules and making corporations more competitive.

Mr. Chairman, it is critically important to have laws that benefit, rather than penalize, U.S. corporations competing globally with foreign counterparts. International tax reform is about keeping jobs in America. And we need to ensure that the United States provides an environment that U.S. corporations want to conduct business in - not an environment American businesses choose to flee. Common sense would indicate that the more corporations headquartered - and incorporated - in the U.S., the more jobs we have here at home.

Department of Commerce data shows that in 1999 U.S. multinationals employed over 21 million people in the United States - out of a workforce of 130 million. In 2000, foreign affiliates of U.S. companies purchased \$203 billion of goods from U.S. sources, while domestic operations of U.S. multinationals exported \$236 billion to other foreign customers. Thus, U.S. multinationals accounted for \$439 billion of merchandise exports in 2000, or about two-thirds of overall U.S. merchandise exports.

But we don't want to enact laws that will encourage companies to move operations offshore to avoid taxes. Rather, we want to take advantage of this opportunity to review the U.S. system of international taxation, make modifications where appropriate, eliminate overlap and simplify where possible. Mr. Chairman, I want to thank you for holding this hearing today. And, I want to thank Senators Graham and Hatch for their continuing efforts in the area of international tax reform. I look forward to hearing from our witnesses on this important and timely issue.

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