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NOT A HEARTBREAK HOTEL

(By Ralph Nurnberger)

The day before he left for his official visit to the United States, Yasser Arafat presided over the groundbreaking ceremony for a Marriott Hotel to be built on the beachfront in Gaza.

This project says, symbolically, that the Middle East peace process might, finally, produce tangible benefits for the people in the area, especially through direct involvement of the private sector. The construction and later operation of this hotel will provide employment for hundreds of Palestinians. It will contain a modern commercial center to enable international visitors and Palestinians to conduct business as it is done elsewhere in the world. The project will include a self-contained telecommunications center for international calls, faxes, and e-mail as well as excess telephone capacity for the local market.

This project will be the first major American private sector involvement in Gaza. The total investment will be approximately six times more than all other American investments in Gaza—combined!

While diplomatic achievements are essential, the real test of the peace process is how it affects the daily lives of Israelis and Palestinians. If substantive and visible improvements do not result, no international agreements can succeed. For the majority of Israelis, the key element is security. Israelis must feel safe riding buses, shopping in malls, and sending their children to schools. If random acts of violence occur, they must be assured that the Palestinian Authority will work with Israeli officials to find and prosecute the terrorists.

PEACE DIVIDEND: LOWER INCOMES

Although more Israelis have been killed through terror attacks since the Sept. 13, 1993, signing than in any comparable period, it appears that the Palestinians finally understand their responsibility to work with Israelis to enhance security concerns. The test for most Palestinians is whether the peace accords will result in an improved quality of life. Developing a thriving economy that provides new employment opportunities will not only minimize hatreds and tensions, but will also bring about the promise of a new life.

Rather than growing to absorb these workers, the Palestinian economy has declined over the past two years. Thus, workers have fewer opportunities to find employment within Palestinian areas. The unemployment rate in Gaza, always high, is now estimated at approximately 50 percent, with the rate in the West Bank estimated at 30 percent. Unemployment is highest among young, single men—the most likely recruits for terror-oriented groups.

BIG AID PLEDGES, LITTLE FOLLOW-THROUGH

The US hosted an international meeting on Oct. 1, 1993, at which $2.4 billion in assistance to the West Bank and Gaza was pledged. Most of these funds have not been delivered or have been diverted from long-term projects to emergency programs and costs of running the Palestinian Authority.

The United States committed $500 million, of which $75 million annually for five years is managed by the Agency for International Development (AID). The other $125 million was to come from the Overseas Private Investment Corporation (OPIC) to assist American investors through a combination of loans, loan guarantees, and political risk insurance.

AID has assisted a number of worthwhile projects, including $12 million for construction of six housing units with 192 apartments in Gaza called Al Karam Towers. AID is also helping to improve uses of scarce water resources and assisting private sector economic growth through technical assistance, training, loans to local firms, and establishment of industrial parks. But AID funds have been diverted from long-term projects to help in establishing Palestinian self-rule. For example, AID committed $2 million to support local elections in the West Bank and Gaza, and to assist Palestinians in promoting more responsible and accountable governance.

AID has minimized help for the agricultural sector, the one area where Palestinians could immediately develop profitable exports, especially under a new Free Trade Agreement with the US. Allocating additional funds to farm exports would be cost efficient.

OPIC made a major effort to seek private sector projects to assist or insure. But most private investors have avoided Gaza, so OPIC funds committed to date have been modest.

Mr. Arafat would be wise to stress the solving of such economic problems as a prime way to reduce tensions, improve the quality of life, and enhance opportunities for peace. He should build on momentum from the hotel project and stress the need for private sector involvement in the Palestinian economy.

THE IMPORTANCE OF ORPHAN DRUG RESEARCH

HON. NANCY L. JOHNSON

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 20, 1997

Mrs. JOHNSON of Connecticut. Mr. Speaker, I am pleased to introduce today, along with my distinguished senior colleague from the Ways and Means Committee, ROBERT MATSUI, the orphan drug tax credit of 1997, legislation to extend this credit permanently. Similar legislation was recently introduced in the Senate by Senators ORRIN HATCH and MAX BAUCUS.

In 1983, the Congress enacted legislation that granted a 50-percent tax credit to biomedical research companies for the clinical testing of drugs used to treat rare diseases with limited commercial potential, commonly referred to as orphan drugs. Because the process of research, development, and approval for new pharmaceuticals is so costly, the small market for a drug discourages drug companies from undertaking it. Often, drugs designated as orphan drugs are for conditions that affect as few as 1,000 persons in the United States. This means that without some incentive there is simply no possibility for a firm to profit from its decisions to develop drugs that treat these diseases.

This legislation, in conjunction with orphan drug market exclusivity, has been successful in encouraging the type of narrow research critical to finding answers to the many questions posed by rare diseases. Currently, there are approximately 600 drugs that have received orphan drug designation and more than 100 of those have been approved for marketing. Because of the orphan drug legislation, we now have drugs to treat such diseases as cystic fibrosis, hepatitis B, multiple sclerosis, renal cell carcinoma, and pituitary dwarfism.

The bill we are introducing today would make the orphan drug tax credit, which is set to expire May 31, 1997, permanent. Uncertainty over the future of the tax credit has caused a significant decline in the investment of capital in the biotechnology industry. The bill would also maintain a change made to the credit in last year's legislation to allow companies to carry the tax credit back or forward pursuant to section 39 of the Internal Revenue Code. Most of the companies engaged in research or orphan drugs do not qualify for the tax credit. Under current law, a company can only claim a credit against their current year tax liability. Since most companies involved in orphan drug research are biotechnology firms that are still developing and have yet to market a product, they have no tax liability against which to claim the tax credit. This structural change would allow a developing company, such as a biotechnology firm, to use the tax credit at such time that it had a tax liability.

I am pleased to note that this bill is endorsed by leading patient groups and national organizations including; the Biotechnology Industry Organization, the National Organization for Rare Disorders, Inc. [NORD], the National Multiple Sclerosis Society, and the Leukemia Society of America.

I urge my colleagues to support this important legislation and I look forward to its prompt approval by the Congress.

FRANCHISE BILL OF RIGHTS

HON. GARY L. ACKERMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 20, 1997

Mr. ACKERMAN. Mr. Speaker, I am calling to the attention of the Congress today legislation that I have introduced which would ensure that franchisees be guaranteed their fair and equitable rights for the franchises that they have developed through extraordinary work and sacrifice. Our main streets through out America are populated by a wide variety of franchises today. They are a significant component of businesses for working families and in middle-income communities. These businesses are also threatened due to the inequitable balance of power between the franchisee and franchisor.

Franchisors should not be allowed to simply pull the rug out from under franchisees who have been working diligently and successfully in promoting the parent company's product. Some value must be assigned to the years of hard work, expertise, and equipment that has been invested in the franchise business. Current law, both at the State and Federal level, does not sufficiently address this problem.

The current crisis facing the Canada Dry and Coors distributors in the New York metropolitan area is a very clear illustration of this problem and over 300 jobs could be lost for our region if the rights of franchisees are not protected. After building up distribution routes for Canada Dry and Coors over many years, and investing up to $250,000 per distribution route to buy the equity rights to their franchises, these distributors now face the termination of their livelihoods. The parent companies in New York have now taken the position that the distributors own nothing, despite their prior commitment to the distributors that they had equity ownership. The distributors deserve much of the credit for making these routes more profitable. This legislation would make it