

economic development, a cleaner environment and other public policy goals. What the MAI will require is the provision of fair and non-discriminatory treatment of foreign investors, not deregulation.

Aside from general exceptions or derogations, any measures of participating countries that do not conform to the MAI obligations will need to be notified as country-specific reservations when the countries adhere to the MAI. Early this year, the negotiators tabled their initial lists of country-specific reservations. The scope of these reservations is subject to negotiation with other parties to the agreement. Thus another crucial aspect of the negotiations, the liberalization of existing investment restrictions, has begun. In the end, the overall assessment that each country will make of the results of the negotiations will likely take account of both the rules of the Agreement and the liberalization commitments as reflected in the reservation lists.

The OECD has made important contributions towards the policy objectives of protection and conservation of the environment and promoting sustainable development. Questions have been raised as to how the MAI will relate to these objectives. As noted above, the important positive role of foreign investment in promoting development is now widely recognized. Several approaches to addressing environmental policy concerns in the MAI are being examined and further proposals are likely as the debate continues. For examples, one provision under consideration would call upon governments not to lower environmental standards in an effort to attract foreign investment. Similar approaches are being considered for labor standards. It should be emphasized that nothing in the agreement would prevent participating countries from developing of maintaining effective measures for the protection of the environment or promoting sustainable development or improving labor standards. There is no convincing case, however, why such measures would need to discriminate against foreign investors.

There is strong support for a provision that would associate with the agreement OECD's Guidelines for Multinational Enterprises, without changing their voluntary character. These Guidelines set international standards, which are non-binding, to encourage multinational enterprises to behave responsibly as good corporate citizens in the countries in which they operate. The cover corporate activities in a wide range of areas, including, inter alia, environment and employment and industrial relations.

Most investment disputes that might arise under the MAI should be settled without recourse to formal procedures. Accordingly, the agreement provides for consultation arrangements to encourage amicable solutions. Nevertheless, the credibility of the MAI will require the binding arbitration of disputes between states, or between an investor and a participating government, be available to ensure effective recourse in the event of breach of the agreement. These provisions will be the "teeth" of the MAI. They will be one of the major innovations of the agreement because they go further than GATS (which has only state-to-state dispute settlement) and further than most bilateral treaties, which, unlike the MAI, deal only with established investment and not the conditions for entry and establishment.

#### WHY THE MAI?

The OECD countries have long recognized that foreign direct investments is central to the process of international economic integration—or globalisation—fueling development of advanced economies and developing countries alike. Foreign direct investment offers recipient countries the opportunity to upgrade productivity and competitiveness, benefit from the transfer of technical and

managerial expertise, and promote integration into the international economy. And increased investment very often leads to increased trade, creating a powerful engine of prosperity.

In recent years the critical role played by foreign direct investment has become more widely appreciated. In the new environment characterized by liberalization of trade and investment regimes and by privatization, regulatory reform and demonopolisation of domestic industries, the potential gains from inward investment are more likely to be realized than ever before.

Foreign direct investment has been growing rapidly: over the past three years the global stock of foreign direct investment has doubled. Particularly welcome in 1996 was the dramatic increase by one third in the inflows to developing countries.<sup>2</sup>

The multilateral system lacks a comprehensive and coherent framework—or "rules of the game"—for investment. We have come to the stage where international investment rules can begin to be multilateralised. From the perspective of international firms, fixed investment commitments are long term, and firms seek assurances that the investment regimes will not become more adverse over the period of these commitments. While market factors are the primary determinants of investment decisions, investors are seeking long term stability of rules and procedures, guarantees for entry and establishments, equal competitive opportunities and protection of existing investments. To become irreversible, commitments need to be locked in through binding international obligations enforceable by dispute settlement.

From the perspective of governments, the global competition for capital in the coming years will be intense. Countries not providing sufficient assurances to investors will likely be charged higher risk premiums by the market. Moreover, governments recognize that the remaining investment restrictions and discriminatory treatment of foreign firms are a potential source of international friction, not the least because these are often barriers to market access. Such restrictive or discriminatory measures distort market-determined flows of capital and have a detrimental effect on economic growth and development. The greater the role of investment in the global economy, the more important it becomes to avoid, or have a framework to address such frictions.

Such considerations led the governments of the OECD countries to conclude in 1995 that the time was ripe for establishing a system of rules to safeguard the future of international investment and to provide the legal protection that would encourage more investment between countries. After some sixteen meetings of the high level Negotiating Group over the past two years, the main elements of the MAI are now in place, and draft text or options for text are available for most outstanding issues.

#### SOME IMPLICATIONS FOR THE ASIA-PACIFIC REGION

Since the MAI negotiations are taking place between the twenty-nine OECD Member countries and the European Commission, successful conclusion of the MAI negotiations will mean that a major portion of the world's investment flows will be covered by a comprehensive framework of international rules of the game. Indeed, the vast bulk of FDI originates within OECD countries and is destined for other markets within the OECD area—some 85% of all outflows and almost 70% of inflows in recent years.

But, a number of non-OECD countries are important hosts, and in some cases also home countries, for foreign investment. Among the top thirty host countries for foreign direct investment in the 1990's,<sup>3</sup> are ranked seven of the non-OECD members of

APEC: China, Malaysia, Singapore, Indonesia, Thailand, Hong Kong (China), and Chinese Taipei.

While other regions are also significant, the role the MAI will come to play in the Asia-Pacific will be of critical importance. The member countries of APEC, for example, have accounted for about 50% of global foreign direct investment inflows thus far in the present decade. The non-OECD Asian economies as a group have also become an important source of outward investment. The share of these economies in world outflows has increased from almost nothing in 1981 to 12 per cent today. A striking fact is that, as a group, these economies invest more abroad than any single OECD economy except the United States.

In view of this situation, it was decided that the MAI should be a free standing treaty, open to accession by interested non-OECD countries and on equal footing with OECD Members. Each country will be able to negotiate its terms of accession, i.e. its own schedule of reservations. Adherence of all parties to the basic rules of the agreement will be essential, but different levels of economic development can be reflected in individual country reservations, which might, in some cases, include transition periods.

The OECD is undertaking an unprecedented dialogue with non-OECD countries as the negotiations progress, focusing, in particular, on the growing number who appear to be interested in acceding to the MAI. The next meeting of the Negotiating Group in mid-September will represent a new stage in this respect. Four non-OECD economies—Argentina, Brazil, Hong Kong (China), and the Slovak Republic—will join the Negotiating Group as "Observers" for the first time. During the same week, a special session of the MAI Negotiating Group will bring together the negotiators from the OECD countries and senior investment policy officials from a number of interested non-OECD countries. This meeting could lead to further consultations at this level. It is hoped that these processes will facilitate some of these countries joining the MAI as founding Members, or soon after the agreement is put in place.

<sup>1</sup>The OECD Member countries are the following: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Norway, New Zealand, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

<sup>2</sup>UNCTAD Press Release: TAD/INF/2710, 10 July, 1997.

<sup>3</sup>"Special Feature: Recent Trends in Foreign Direct Investment" in Financial Market Trends. Vol. 76, OECD, Paris, June 1997.

#### TRIBUTE TO GENERAL J.H. BINFORD PEAY III

#### HON. IKE SKELTON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 17, 1997

Mr. SKELTON. Mr. Speaker, today I wish to congratulate and pay tribute to Gen. J.H. Binford Peay III who will retire from the U.S. Army on October 1, 1997. General Peay's career spans more than 35 years, during which he has offered selfless and distinguished service as a soldier, teacher, leader, military

statesman, and visionary adviser to America's most senior national leaders.

Gen. Binnie Peay grew up in Virginia. He graduated with honors from the Virginia Military Institute, and was commissioned a second lieutenant in the field artillery. He served two tours in Vietnam, with the 4th Division and the 1st Cavalry Division, and was decorated for valor. Following the war, General Peay served a succession of high profile and influential staff and command positions, including Executive to the Chief of Staff of the Army, commandant of the command and general staff college at Fort Leavenworth, and assistant division commander of the 101st Airborne Division. During these years, General Peay was one of a number of officers and enlisted personnel who helped restore integrity, morale, and spirit to the Army in the wake of the Vietnam war.

In 1989, General Peay took command of the 101st Airborne Division (Air Assault) at Fort Campbell, KY. The division deployed to the Arabian Gulf in August 1990 as part of Operation Desert Shield. During Operation Desert Storm, the 101st made the longest, most rapid heliborne assault in the history of warfare, deploying more than 150 miles behind enemy lines to block Iraqi reinforcements and lines of communications.

During the period 1991 to 1994, General Peay served as Deputy Chief of Staff for Operations, and then as Vice Chief of Staff of the Army. In 1994, the President named him to his current assignment, Commander in Chief of U.S. Central Command. During this 3-year tour, General Peay set the stage for preserving regional peace and stability over the long term, while enhancing our Nation's ability to respond to any contingency.

Mr. Speaker, Gen. J.H. Binford Peay III is a preeminent military thinker, a master of tactics and strategy, and an expert on the intricacies of senior level military management and command. I know the Members of the House will join me in offering our heartfelt gratitude to General Peay and his family—his wife, Pamela, and sons, Jim and Ryan—for their service to our Nation, and wish them all the best in the years ahead.

#### SIXTH ANNIVERSARY OF THE INDEPENDENCE OF UKRAINE

#### HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, September 17, 1997*

Mr. LANTOS. Mr. Speaker, today, we here in the Congress are making the sixth anniversary of the independence of Ukraine. The formal and official anniversary falls upon August 24, but because the Congress was in recess at that time, we are celebrating this historic occasion today.

Six years ago, on August 24, 1991, the parliament of Ukraine approved a declaration of independence and affirmed the sovereignty of Ukraine. That took place, as some of my colleagues will recall, in the midst of the abortive coup against Soviet President Mikhail Gorbachev by military leaders and Communist hard liners in Moscow. The decisive action of

Ukraine at that time sounded the death knell for the old Soviet Union. Independence was declared earlier by the Baltic Republics, but the key factor was Ukraine's courageous declaration of independence. It was followed by declarations of independence by Byelorussia, Moldova, and the Central Asian Republics. The decision of the Ukrainian parliament—the Supreme Rada—was followed by a popular referendum held on December 1, in which the people of Ukraine overwhelmingly voted to separate from the Soviet Union and establish a sovereign and independent state.

It is hard to believe that these tumultuous events took place only 6 years ago, Mr. Speaker. In these past 6 years, the Ukraine has had to deal with a multitude of extremely difficult problems. First, the country has had to deal with the transition to democracy and the creation of a free-market economy, and this has required dealing with serious political and economic issues. Second, at the same time, the people of Ukraine and their government institutions have had to deal with creating separate State institutions and establishing a separate national identity because Ukraine has not existed as a separate and independent country for centuries. Third, the country has been saddled with the legacy of the failed Soviet economic and political system. The tragedy of the Chernobyl nuclear disaster in northern Ukraine is only the best known and most visible consequence of eight decades of Communist Party incompetence and misrule.

As the second largest country in area in Europe, and as one of the largest countries in Europe in population, Ukraine is a vital and an important friend of the United States. Strong relations between our two countries are important to secure stability and prosperity in Central and Eastern Europe.

In the 6 years of independence, the Government of Ukraine has made a number of difficult choices—nuclear weapons have been removed from the territory. In July of this year, Ukraine and NATO have signed a charter affirming the commitment of NATO and Ukraine to the “development of a strong, enduring relationship between NATO and Ukraine.” The importance of Ukraine and our commitment to its success is clearly indicated by the level of United States foreign assistance to Ukraine—it receives the third largest amount of assistance of all country in the world.

While we celebrate Ukraine's independence, Mr. Speaker, this does not mean that all of the problems of Ukrainian independence have been resolved. Ukraine must accelerate its economic reforms, in order to assure a stable and prosperous economy. Democratic institutions and practices must be accelerated. There is still a long way to go in achieving full respect for human rights in Ukraine, including firmly establishing such fundamental rights as freedom of religion, freedom of speech, and freedom of the press. The problem of corruption and crime must be dealt with in order to assure a successful democratic government and functioning economy. While we note these serious problems, we also reaffirm our commitment to work with the Government of Ukraine in dealing with them.

This festive occasion is an opportunity for us to look back over the past 6 years and marvel and rejoice in the great progress that has been made, but it is also an occasion

when we can look to the future and recommit ourselves to the still-daunting tasks that the people of Ukraine face. The American people support Ukraine. We welcome your triumphs and we are willing to work with you in achieving the goals that both our countries seek in assuring the continuing independence and prosperity of Ukraine.

Mr. Speaker, on this sixth anniversary of Ukrainian independence, I congratulate the people of Ukraine on this joyous national occasion. The relationship between the United States and Ukraine is an important one for both of our countries, and this occasion is a happy one for us to reaffirm our commitment to good relations and cooperation.

#### THE RE-OPENING OF THE SMALL BUSINESS RESOURCE CENTER

#### HON. JAMES E. CLYBURN

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, September 17, 1997*

Mr. CLYBURN. Mr. Speaker, I rise today on the occasion of the re-opening of the Small Business Resource Center in Charleston, SC, that will serve existing and prospective small business entrepreneurs throughout the State of South Carolina. Statistics reveal that a large percentage of businesses fail due to a lack of management knowledge and business experience. This Small Business Center will provide informational seminars and technical assistance, as well as education and training on a continual basis to help small business entrepreneurs achieve and maintain success in their business endeavors. We are very fortunate in the city of Charleston to have a centralized location where individuals can get necessary information, and where all services are free of charge.

Continuing its commitment to small business, Apple Computer, Inc. is donating state-of-the-art equipment, software, and seminar consulting assistance to the Charleston Small Business Resource Center. This remarkable facility will allow individuals and small business owners to research, plan, and jump-start their businesses and to receive free consulting from SCORE [Service Corps of Retired Executives Association] volunteers. Individuals will use the latest Macintosh technology to develop business plans, create marketing materials, develop loan packages, and conduct market and competitive researches.

The Small Business Resource Center in Charleston is the result of a national agreement between the U.S. Small Business Administration, the U.S. Department of Commerce's Minority Business Development Agency, and NationsBank to commit tangible resources aimed at increasing the success rate of small- and minority-owned businesses through education and technical assistance. The College of Charleston and Bell South also played vital roles in the opening of the South Carolina center.

Mr. Speaker, I would ask that my colleagues join me in commending all those involved in reopening the Small Business Resource Center by forging partnerships that will embrace and encourage small businesses throughout the State of South Carolina.