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Report to the Chairmen, Committee on Foreign Relations, U.S. Senate, and Committee on Foreign Affairs, House of Representatives

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EASTERN EUROPE

Status of U.S. Assistance Efforts

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The Honorable Claiborne Pell
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Dante B. Fascell
Chairman, Committee on Foreign Affairs
House of Representatives

The reforms being undertaken by the governments of Eastern Europe offer political and economic opportunities for the United States. U.S. leaders must decide how the United States can best assist the East European countries while advancing U.S. economic, political, and security interests, as the countries undertake the transition from communism to democracy and from centralized command economies to free market systems.

This report is the second in a series of reports on economic assistance to Eastern Europe. Our first report dealt with donor assistance to the region and host country reform efforts.[1] This report provides information on the administration's implementation of the Support for East European Democracy (SEED) Act of 1989 (P.L. 101-179) and related efforts to provide economic assistance to Eastern Europe. It specifically addresses (1) program elements and the earmarking of funds under the legislation and (2) U.S. objectives and the coordination of assistance. We believe it will be useful in Committee deliberations on the direction and levels of future assistance to Eastern Europe.

Results in Brief

The funds provided under the SEED legislation are earmarked for specific programs or projects in Poland and Hungary. State Department officials expressed concern about this and said, for example, that (1) the congressional allocation of some training funds does not serve U.S. government policy interests, (2) the heavy emphasis on assistance to the private sector has hampered program effectiveness and limited the ability to work with the host government public sectors, and (3) the earmarks have prevented the United States from responding to quickly changing circumstances in Eastern Europe. They also said that, in the absence of earmarks, the United States may have assisted other East European

[1] Eastern Europe: Donor Assistance and Reform Efforts (GAO/NSIAD-91-21, Nov. 30, 1990).

countries in addition to Poland and Hungary and more funds may have been directed toward technical assistance for public administration.

Officials at some U.S. agencies said that (1) economic assistance priorities are not being set by either the international donor community or the East European governments, (2) Hungarian government officials have not clearly identified the type and amount of assistance they need, and (3) donors are providing uncoordinated technical assistance that may be duplicative, overlapping, or conflicting. State Department officials said that this was a particular problem when the assistance program began, but that the sharing of information among donors has improved. Officials noted that many East European governments are having difficulties getting organized. While the U.S. government prefers to respond to priorities set forth by the host governments, the United States has told these governments that if they fail to set their own priorities, the U.S. government will go ahead with its priorities.

Support for East European Democracy Act of 1989

On November 28, 1989, the President signed the SEED Act of 1989 which established a U.S. assistance program focused on Poland and Hungary. As shown in table 1, the Congress appropriated about $430 million for fiscal year 1990 along with $240 million in Overseas Private Investment Corporation (OPIC) and Trade Credit Insurance Program (TCIP) guarantees (P.L. 101-167), and authorized about $720 million in SEED funding for fiscal years 1990-92.

Table 1: SEED Funding for Poland and Hungary

Dollars in millions

Program	1990 Appropriation	1990-92 Authorization
Polish Stabilization Fund	$200.0	$200.0[a]
Polish Enterprise Fund	45.0[b]	240.0
Hungarian Enterprise Fund	5.0	60.0
Private Farmer Aid to Poland	10.0	0
Farmer-to-Farmer Program for Poland	1.0	0
Educational and Cultural Programs	3.0	12.0
Student Exchanges	2.0	10.0
Labor Support	1.5	5.0
Technical Training	2.0	0.5
Democratic Institutions	4.0	12.0
Democratic Institutions	10.0[b]	0
Medical Supplies for Poland	2.0	4.0
Environmental Programs	3.3	10.0
Energy Programs	10.0	30.0
Food Aid for Poland	125.0	125.0[a]
Peace Corps	2.0	6.0
Trade and Development Program	2.0	6.0
Total	**$427.8[c]**	**$720.5[c]**

[a]Fiscal year 1990.

[b]The Urgent Assistance for Democracy in Panama Act of 1990 (P.L. 101-243) authorized $10 million for democratization efforts in other East European countries in addition to Poland and Hungary. These funds were reprogrammed from the $45 million appropriation for the Polish-American Enterprise Fund.

[c]Does not include (1) $40 million in guarantees for an OPIC program for Poland, (2) $200 million in guarantees under the TCIP, and (3) December 1989 emergency aid to Romania in the form of $500,000 through the International Red Cross and $250,000 for medical supplies.

The five principal SEED program elements were:

- Structural adjustment assistance to support economic reforms (e.g., currency convertibility, elimination of government subsidies, privatization of the economy), and included a $1-billion stabilization fund for Poland to which the United States contributed a $200-million grant.
- Private sector development through loans, grants, guarantees, equity investments, technical assistance, and training for the Polish and Hungarian private sectors, and included creation of private, nonprofit enterprise funds for Poland and Hungary.
- Trade and investment programs to encourage U.S. private sector investment, including Export-Import Bank, OPIC, and U.S.-host country business and investment treaties.

- Educational, cultural, and scientific activities, including publicly and privately funded scholarships and support for the development of political democracy and economic pluralism.
- Other programs to include environmental, health, and promotion of democratic institutions programs.

U.S. Objectives in Eastern Europe

In response to the SEED legislation, the administration enunciated two basic principles to guide U.S. assistance efforts: (1) promoting democracy and (2) encouraging free market systems. To implement its two principles, the administration set forth four objectives for its "New Democratic Differentiation."[2] The four objectives are (1) progress toward political pluralism, (2) progress toward economic reform, (3) enhanced respect for human rights, and (4) friendly relations with the United States.

As a country adopts policies to advance these objectives, the U.S. government will respond with new assistance initiatives. The administration has grouped the initiatives into three levels. These are conditioned on the host countries holding free and fair elections. The three levels of assistance are

- short-term assistance, which is humanitarian aid (food and medicine);
- medium-term assistance, which is (1) to support democratic institutions, (2) technical assistance and training, and (3) normalization of bilateral trade and investment relations; and
- long-term assistance, which is to help host countries to institutionalize political and economic reforms, and includes (1) supporting stabilization and structural adjustment programs and providing enterprise funds for private sector development, (2) bringing the countries into the world economy through membership in international trade and financial institutions (General Agreement on Tariffs and Trade, International Monetary Fund, and International Bank for Reconstruction and Development), (3) providing access to high technology through relaxation of controls over sensitive exports, and (4) participating in the European Bank for Reconstruction and Development.

In reviewing specific activities for U.S. funding, the administration used the following criteria: (1) assistance should concentrate in areas where

[2]This term initially contrasted the U.S. policy of expanding contact with communist governments in Eastern Europe to the extent that they differed from the Soviet Union. The policy now tailors U.S. assistance to the specific needs of each East European country as it moves towards the four objectives.

the United States has a comparative advantage; (2) assistance should emphasize projects that are practical, can start up quickly, have an immediate impact, or serve as demonstration projects; (3) assistance should be directed toward existing institutions where possible to avoid the costly and time-consuming process of establishing new institutions; and (4) assistance efforts should be coordinated with those of other donors.

U.S. Government Inter-Agency Coordination

The President designated the Deputy Secretary of State as Coordinator of U.S. Assistance to Eastern Europe, assisted by two deputy coordinators. The interagency coordinating council is led by the State Department and is composed of U.S. agencies that are providing, or could provide, either direct of indirect assistance to Eastern Europe. Agencies participating in the council are listed in appendix I.

State Department officials said that there were some problems within the coordination process. State officials commented that some U.S. agencies have (1) seen SEED as an opportunity to establish an overseas presence and (2) used congressionally earmarked SEED funds to advance their own interests rather than larger U.S. government interests, both of which complicated the coordinating process. Also, the Agency for International Development (AID) believes it is responsible and accountable for all SEED funds passing through its accounts to other agencies that are implementing programs in Eastern Europe. The implementing agencies have been critical of AID's attempts to exercise management authority over projects AID is not implementing.

The National Security Adviser, in an April 1990 memorandum to the heads of departments and agencies, directed that agencies stop seeking earmarks for their programs in Eastern Europe in their formal or informal contacts with the Congress. The National Security Adviser stated that

> . . . flexibility [is required] to respond to changing needs in Eastern Europe and to tailor U.S. assistance to the pace of political and economic reform in each of the countries of the region. We also need to be able to coordinate U.S. government programs with those carried out by other [donor] governments and by the private sector in the [United States] and abroad. Earmarks for individual countries or programs make such flexibility impossible.

The State Department established cluster groups within the Coordinating Council to analyze issues and develop consensus on policy direction and strategy. The State Department Coordinator and his deputies must approve the policies and initiatives proposed by the cluster groups. The groups are

- a macroeconomic policy group and a financial sector technical assistance group chaired by the Department of the Treasury;
- a technical assistance business group chaired by the Department of Commerce;
- a technical training and human resources group and an environmental group chaired by the State Department; and
- a group for assistance to democratic institutions and independent media under the State Department, AID, and U.S. Information Agency.

State officials said that assistance to Eastern Europe is being managed with the view that it will terminate in 3 to 5 years. It is not long-term development assistance, such as that which has been provided over the past 30 years, and is still being provided through AID, to less developed countries in the Third World. The State Department has thus insisted that the U.S. embassies in the region serve as the contact point and coordinator for U.S. assistance programs, and that AID's presence in Eastern Europe be strictly limited. This approach appears to be satisfactory to date.

The Coordinating Council requires the participating agencies to forward periodic status reports on their efforts in Eastern Europe that are then incorporated in a Council summary of U.S. assistance efforts. Every 2 weeks, the Department of State publishes Focus on Eastern Europe, which is also a summary of U.S. efforts.

Appendix II is a matrix of U.S. assistance, by agency, to Eastern Europe. We will provide the State Department with the data disks that will enable it to maintain and periodically update this data. Appendix III provides some discussion of the various agency assistance programs and indicates some of the organizational problems and interagency disputes affecting the assistance effort. We will be addressing these problems in future reviews.

Objectives, Scope, and Methodology

Our objectives were to report on the administration's implementation of the SEED Act and the status of U.S. assistance to Poland and Hungary, as part of our July 1990 Plan to Address Changing East-West Security and

Economic Relationships. We focused on Poland and Hungary since SEED is restricted to these countries. We are using the term "Eastern Europe" to describe the former East Bloc region. The term "Central and Eastern Europe" is increasingly being used to describe the region, but this term has historically also included Germany and Austria.

We met with officials of U.S. agencies having programs under SEED or providing other assistance to Eastern Europe. We also met with officials at the U.S. missions to the European Community in Brussels and the Organization for Economic Cooperation and Development in Paris and with Community and Organization officials. We also met with the presidents of the Polish-American Enterprise Fund and the Hungarian-American Enterprise Fund and talked with U.S. bankers and academicians. We attended conferences on Eastern Europe at the University of Michigan and the National Academy of Science. We also reviewed U.S. government, international organization, and private sector documents and reports.

We did not verify the data provided by the agencies. Information for AID is limited to those programs for which AID is directly responsible. Programs funded by monies that pass through AID but which are being implemented by other agencies (e.g., Department of Labor) or organizations (Polish-American Enterprise Fund) are reported under the implementing agency or organization.

We performed our review from April through November 1990 in accordance with generally accepted government auditing standards.

We did not obtain written agency comments. However, we discussed the report with a high-level State Department official who is responsible for coordination of the U.S. program. The official generally agreed with the report and said that it is a fair assessment of the U.S. program and gives a good picture of the differing agency approaches to providing assistance. The official also believed that the problems of interagency rivalry and difficulties of coordinating the U.S. program have improved from the situation we discussed in the report.

We are sending copies of this report to the Secretary of State and heads of agencies with programs in Eastern Europe; Director, Office of Management and Budget; and interested congressional committees. Copies will also be made available to others on request.

Please call me on (202) 275-5790 if you or your staff have questions concerning the report. The major contributors to this report are listed in appendix IV.

Harold J. Johnson
Director, Foreign Economic
Assistance Issues

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Abbreviations

AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
AID	Agency for International Development
CDC	Citizens Democracy Corps
EPA	Environmental Protection Agency
GAO	General Accounting Office
NED	National Endowment for Democracy
OPIC	Overseas Private Investment Corporation
SEC	Securities and Exchange Commission
SEED	Support for East European Democracy
TCIP	Trade Credit Insurance Program
TDP	Trade and Development Program
USIA	U.S. Information Agency

Agencies Participating in the Coordinating Council on U.S. Assistance to Eastern Europe

Agency for International Development (AID)
Department of Agriculture
Central Intelligence Agency
Department of Commerce
Council of Economic Advisors
Department of Defense
Department of Education
Department of Energy
Environmental Protection Agency (EPA)
U.S. Export-Import Bank
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Reserve System
Federal Trade Commission
General Services Administration
Department of Health and Human Services
Department of Housing and Urban Development
Department of Interior
Interstate Commerce Commission
Department of Justice
Department of Labor
National Credit Union Administration
Office of Management and Budget
Office of Personnel Management
Overseas Private Investment Corporation (OPIC)
Securities and Exchange Commission (SEC)
Social Security Administration
Small Business Administration
Department of State
Trade and Development Program (TDP)
Department of Transportation
Department of the Treasury
U.S. Information Agency (USIA)
U.S. Peace Corps
U.S. Trade Representative
The White House

Obligations and Expenditures of U.S. Assistance to Eastern Europe (As of September 30, 1990)

Agency/country	SEED obligations	Agency obligations
AID (See p. 23)[a]	$8,342,000	$5,775,000
Poland	6,216,000	500,000
Hungary	550,000	195,000
Czechoslovakia	0	0
Romania	0	4,000,000
Bulgaria	0	0
Regional	1,576,000	1,080,000
Department of Agriculture (See p. 25)	95,027,522	236,844
Poland	95,027,522	180,358
Hungary	0	30,603
Czechoslovakia	0	5,892
Romania	0	3,416
Bulgaria	0	16,575
Regional	0	0
Citizen's Democracy Corps (See p. 26)	108,692	118,580
Poland	0	0
Hungary	0	0
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	108,692	118,580
Department of Commerce (See p. 27)	37,000	1,739,290
Poland	33,000	524,314
Hungary	0	309,452
Czechoslovakia	4,000	212,901
Romania	0	222,338
Bulgaria	0	95,507
Regional	0	374,778

Total obligations	Percent of obligation by country	SEED expenditures	Agency expenditures	Total expenditures	Percent of obligation expended by agency/ country	Agency/country
$14,117,000		$3,385,000	$10,000	$3,395,000	24	**AID**
6,716,000	48	1,725,000	0	1,725,000	26	Poland
745,000	5	101,000	0	101,000	14	Hungary
0	0	0	0	0	0	Czechoslovakia
4,000,000	28	0	0	0	0	Romania
0	0	0	0	0	0	Bulgaria
2,656,000	19	1,559,000	10,000	1,569,000	59	Regional
95,264,366		94,949,003	217,522	95,166,525	99	**Department of Agriculture**
95,207,880	99	94,949,003	161,036	95,110,039	99	Poland
30,603	b	0	30,603	30,603	100	Hungary
5,892	b	0	5,892	5,892	100	Czechoslovakia
3,416	b	0	3,416	3,416	100	Romania
16,575	b	0	16,575	16,575	100	Bulgaria
0	0	0	0	0	0	Regional
227,272		108,692	118,580	227,272	100	**Citizen's Democracy Corps**
0	0	0	0	0	0	Poland
0	0	0	0	0	0	Hungary
0	0	0	0	0	0	Czechoslovakia
0	0	0	0	0	0	Romania
0	0	0	0	0	0	Bulgaria
227,272	100	108,692	118,580	227,272	100	Regional
1,776,290		37,000	1,739,290	1,776,290	100	**Department of Commerce**
557,314	31	33,000	524,314	557,314	100	Poland
309,452	18	0	309,452	309,452	100	Hungary
216,901	12	4,000	212,901	216,901	100	Czechoslovakia
222,338	13	0	222,338	222,338	100	Romania
95,507	5	0	95,507	95,507	100	Bulgaria
374,778	21	0	374,778	374,778	100	Regional

(continued)

Agency/country	SEED obligations	Agency obligations
Department of Energy (See p. 29)	$59,669	$150,282
Poland	59,669	150,282
Hungary	0	0
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	0	0
EPA (See p. 30)	3,246,000	811,264
Poland	1,298,000	495,598
Hungary	0	158,526
Czechoslovakia	0	37,184
Romania	0	3,000
Bulgaria	0	11,956
Regional	1,948,000	105,000
Export-Import Bank[c] (See p. 32)	0	0
Poland	0	0
Hungary	0	0
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	0	0
Hungarian-American Enterprise Fund (See p. 33)	4,962,250	NA[d]
Poland	NA	NA
Hungary	4,962,250	NA
Czechoslovakia	NA	NA
Romania	NA	NA
Bulgaria	NA	NA
Regional	NA	NA
Department of Labor (See p. 35)	1,674,975	0
Poland	1,377,463	0
Hungary	297,512	0
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	0	0

Total obligations	Percent of obligation by country	SEED expenditures	Agency expenditures	Total expenditures	Percent of obligation expended by agency/ country	Agency/country
$209,951		$40,797	$204	$41,001	20	**Department of Energy**
209,951	100	40,797	204	41,001	20	Poland
0	0	0	0	0	0	Hungary
0	0	0	0	0	0	Czechoslovakia
0	0	0	0	0	0	Romania
0	0	0	0	0	0	Bulgaria
0	0	0	0	0	0	Regional
4,057,264		3,246,000	811,264	4,057,264	100	**EPA**
1,793,598	44	1,298,000	495,598	1,793,598	100	Poland
158,526	4	0	158,526	158,526	100	Hungary
37,184	1	0	37,184	37,184	100	Czechoslovakia
3,000	b	0	3,000	3,000	100	Romania
11,956	b	0	11,956	11,956	100	Bulgaria
2,053,000	51	1,948,000	105,000	2,053,000	100	Regional
0		0	0	0	0	**Export-Import Bank**
0	0	0	0	0	0	Poland
0	0	0	0	0	0	Hungary
0	0	0	0	0	0	Czechoslovakia
0	0	0	0	0	0	Romania
0	0	0	0	0	0	Bulgaria
0	0	0	0	0	0	Regional
4,962,250		471,324	NA	471,324	9	**Hungarian-American Enterprise Fund**
NA	NA	NA	NA	NA	NA	Poland
4,962,250	100	471,324	NA	471,324	9	Hungary
NA	NA	NA	NA	NA	NA	Czechoslovakia
NA	NA	NA	NA	NA	NA	Romania
NA	NA	NA	NA	NA	NA	Bulgaria
NA	NA	NA	NA	NA	NA	Regional
1,674,975		954,700	0	954,700	57	**Department of Labor**
1,377,463	82	794,000	0	794,000	58	Poland
297,512	18	160,700	0	160,700	54	Hungary
0	0	0	0	0	0	Czechoslovakia
0	0	0	0	0	0	Romania
0	0	0	0	0	0	Bulgaria
0	0	0	0	0	0	Regional

(continued)

Agency/country	SEED obligations	Agency obligations
National Endowment for Democracy[e,f] (See p. 37)	$10,000,000	$4,486,309
Poland	0	0
Hungary	0	0
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	0	0
OPIC[g] (See p. 38)	0	267,592,671
Poland	0	29,092,649
Hungary	0	188,500,022
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	0	50,000,000
U.S. Peace Corps (see p. 39.)	0	1,934,800
Poland	0	838,300
Hungary	0	844,400
Czechoslovakia	0	252,100
Romania	0	0
Bulgaria	0	0
Regional	0	0
Polish-American Enterprise Fund (See p. 40)	34,192,050	NA[d]
Poland	34,192,050	NA
Hungary	NA	NA
Czechoslovakia	NA	NA
Romania	NA	NA
Bulgaria	NA	NA
Regional	NA	NA
SEC (See p. 42)	0	95,866
Poland	0	10,883
Hungary	0	31,122
Czechoslovakia	0	414
Romania	0	83
Bulgaria	0	0
Regional	0	53,364

Total obligations	Percent of obligation by country	SEED expenditures	Agency expenditures	Total expenditures	Percent of obligation expended by agency/ country	Agency/country
						National Endowment for Democracy
$14,486,309		N/A[f]	N/A	N/A	N/A	
5,010,538	35	N/A	N/A	N/A	N/A	Poland
1,238,670	9	N/A	N/A	N/A	N/A	Hungary
1,301,794	9	N/A	N/A	N/A	N/A	Czechoslovakia
2,235,416	15	N/A	N/A	N/A	N/A	Romania
2,371,384	16	N/A	N/A	N/A	N/A	Bulgaria
2,328,507	16	N/A	N/A	N/A	N/A	Regional
267,592,671		0	1,500,000	1,500,000	1	**OPIC**
29,092,649	11	0	1,500,000	1,500,000	5	Poland
188,500,022	70	0	0	0	0	Hungary
0		0	0	0	0	Czechoslovakia
0		0	0	0	0	Romania
0		0	0	0	0	Bulgaria
50,000,000	19	0	0	0	0	Regional
1,934,800		0	1,369,000	1,369,000	71	**U.S. Peace Corps**
838,300	43	0	607,800	607,800	73	Poland
844,400	44	0	621,700	621,700	74	Hungary
252,100	13	0	139,500	139,500	55	Czechoslovakia
0		0	0	0	0	Romania
0		0	0	0	0	Bulgaria
0		0	0	0	0	Regional
						Polish-American Enterprise Fund
34,192,050		901,724	NA	901,724	3	
34,192,050	100	901,724	NA	901,724	3	Poland
NA		NA	NA	NA	NA	Hungary
NA		NA	NA	NA	NA	Czechoslovakia
NA		NA	NA	NA	NA	Romania
NA		NA	NA	NA	NA	Bulgaria
NA		NA	NA	NA	NA	Regional
95,866		0	95,866	95,866	100	**SEC**
10,883	11	0	10,883	10,883	100	Poland
31,122	32	0	31,122	31,122	100	Hungary
414	b	0	414	414	100	Czechoslovakia
83	b	0	83	83	100	Romania
0		0	0	0	0	Bulgaria
53,364	56	0	53,364	53,364	100	Regional

(continued)

Agency/country	SEED obligations	Agency obligations
Department of State[h]	$0	$0
Poland	0	0
Hungary	0	0
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	0	0
TDP (See p. 44)	1,621,500	3,529,319
Poland	1,621,500	1,689,359
Hungary	0	896,260
Czechoslovakia	0	212,000
Romania	0	0
Bulgaria	0	0
Regional	0	731,700
Department of the Treasury[i] (See p. 46)	200,100,000[j]	220,250
Poland[k]	200,083,850	48,250
Hungary[k]	16,150	0
Czechoslovakia	0	0
Romania	0	0
Bulgaria	0	0
Regional	0	172,000[l]
USIA (See p. 47)	2,943,000	27,762,000
Poland	1,621,000	6,921,000
Hungary	1,322,000	4,450,000
Czechoslovakia	0	4,453,000
Romania	0	3,357,000
Bulgaria	0	2,710,000
Regional	0	5,871,000
Total	**$362,314,658**	**$314,452,475**

Total obligations	Percent of obligation by country	SEED expenditures	Agency expenditures	Total expenditures	Percent of obligation expended by agency/ country	Agency/country
$0		$0	$0	$0	$0	**Department of State**
0		0	0	0	0	Poland
0		0	0	0	0	Hungary
0		0	0	0	0	Czechoslovakia
0		0	0	0	0	Romania
0		0	0	0	0	Bulgaria
0		0	0	0	0	Regional
5,150,819		11,500	519,409	530,909	10	**TDP**
3,310,859	64	11,500	89,359	100,859	3	Poland
896,260	18	0	38,050	38,050	4	Hungary
212,000	4	0	212,000	212,000	100	Czechoslovakia
0		0	0	0	0	Romania
0		0	0	0	0	Bulgaria
731,700	14	0	180,000	180,000	25	Regional
200,320,250		200,097,100	220,250	200,317,350	99	**Department of the Treasury**
200,132,100	99	200,080,950	48,250	200,129,200	98	Poland
16,150	b	16,150	0	16,150	100	Hungary
0		0	0	0	0	Czechoslovakia
0		0	0	0	0	Romania
0		0	0	0	0	Bulgaria
172,000	b	0	172,000	172,000	100	Regional
30,705,000		1,543,000	18,776,000	20,319,000	66	**USIA**
8,542,000	28	869,000	4,934,000	5,803,000	68	Poland
5,772,000	19	674,000	3,011,000	3,685,000	64	Hungary
4,453,000	14	0	3,162,000	3,162,000	71	Czechoslovakia
3,357,000	11	0	2,430,000	2,430,000	72	Romania
2,710,000	9	0	1,902,000	1,902,000	70	Bulgaria
5,871,000	19	0	3,337,000	3,337,000	57	Regional
$676,767,133		**$305,745,840**	**$25,377,385**	**$331,123,225**		**Total**

[a]See appendix III for program description.

[b]Less than 1 percent.

[c]Letters of preliminary commitment were issued in fiscal year 1990 but none were acted upon.

[d]Not applicable.

[e]Figures include an approximate proportional share of administrative costs included in the grants.

[f]Expenditure figures cannot be provided by the National Endowment for Democracy until completion of individual grant agreements.

[g]Includes political risk insurance projects valued at $2201,092,671; finance projects valued at $66,500,000 (direct loans $1,500,000; and guaranties of $65,000,000).

[h]SEED funds of $100,000 were transferred to the Department of the Treasury to cover travel expenses for other government agencies.

[i]SEED funds were transferred to the following agencies for travel: Department of Agriculture, Council of Economic Advisors, Federal Reserve System, Federal Trade Commission, Small Business Administration, Internal Revenue Service, Department of Justice, and Department of the Treasury.

[j]Jointly obligated to both Poland and Hungary was $100,000.

[k]Includes travel fund amounts which were computed by GAO from travel fund data provided by the Treasury. Includes $75,000 from Fanne Mae, which was not broken down by country.

Note: The Department of State reported no financial activity in Eastern Europe for the following agencies: the Departments of Defense, Education, Health and Human Services, Housing and Urban Development, Interior, and Transportation, the Central Intelligence Agency, Federal Communications Commission, Federal Deposit Insurance Corporation, General Services Administration, Interstate Commerce Commission, Office of Management and Budget, Office of Personnel Management, Social Security Administration, National Credit Union Administration, and the U.S. Trade Representative.

Status of U.S. Assistance to Eastern Europe

Agency for International Development

AID's objectives in Eastern Europe are to promote open market economies and democratic societies. AID officials said they worked closely with congressional committees in drafting the SEED legislation that contains provisions AID suggested. However, AID officials said that when the legislation passed, it contained specific congressional directives (in the form of earmarks) to the administration, rather than general program descriptions. Thus, although SEED funding is being made through foreign assistance appropriations, the funds were specifically allocated by the Congress to the U.S. agencies designated to implement the U.S. assistance program for Eastern Europe. While the funds appropriated for the Department of Commerce, OPIC, Peace Corps, and TDP activities go directly to those agencies; those for other agencies (e.g., Department of Labor, EPA) pass through AID. Although the Congress designated few funds for AID, AID officials view the foreign assistance appropriation for Eastern Europe as coming from its budget.

According to AID officials, the SEED legislation mandated solutions to problems that were poorly defined and understood. They said that AID usually undertakes studies before providing assistance to a country. The studies are undertaken to understand the economic and regulatory environment of problems that AID intends to address. Officials said that, in the cases of Poland and Hungary, AID undertook needs assessments after the country programs, which were scattered across a broad range of problems, were already underway. Officials said that even then, AID did its needs assessments in opposition to the general position of the State Department which has maintained that Poland and Hungary's problems were well known and needs assessments were unnecessary.

AID officials stated that many of the decisions taken concerning the East European program are essentially political. The U.S. government emphasis on rapidly obligating funds, getting projects underway, and visibility reflect the political nature of the program. AID officials said that the Agency normally undertakes up to 3 years of research and planning before it launches a new program. In contrast, the programs for Poland and Hungary began obligating funds roughly 7 months after the decision to provide assistance was made.

SEED funds appropriated for AID's use were rather limited; AID has reprogrammed $4 million in funds from India and used these funds to undertake projects in Eastern Europe. AID officials said funds were also reprogrammed from Africa, but could not provide an amount.

Status of Efforts

AID operations are highly decentralized with assistance program management vested in country missions abroad. However, since the State Department has limited the number of AID personnel who can be assigned to Eastern Europe, AID is managing these programs from Washington, D.C. AID has an office with one AID employee at the embassy in Warsaw, and it plans to hire two Polish employees. Much of AID's contacts in the region are done by AID officials on travel or through the embassies economic counselors. AID's limited field presence reflects a number of factors, including opposition to a substantial AID presence in Poland and Hungary from the State Department and some other U.S. government agencies. U.S. officials said they do not want to see AID's presence in a country become overwhelming and negatively affect the broad range of contacts that are being promoted between the U.S. government and host governments in the region.

AID has reorganized its operations, in part, to accommodate assistance to Eastern Europe. The Bureau for Europe and the Near East, formerly the Bureau for Asia and the Near East, includes the Office of East European Affairs for which it has requested a staffing level of 25 professionals with 8 support staff members.

Funds for some agencies, such as the Department of Labor and EPA, are foreign assistance appropriations and pass through AID rather than going directly to the agency. AID officials said that they expected to (1) be involved in these agencies' project design process, (2) review and approve the final project design, and (3) receive regular reports on implementation, since they believe the Congress holds AID responsible and accountable for the foreign assistance funds.

AID officials are aware that other agencies are critical of AID's attempt to exercise management authority over projects that it is not implementing. However, they believe that AID is dealing with a number of agencies that have had little or no experience in programming overseas and thus their project proposals inadequately describe objectives, accountability, and control. Officials in agencies dealing with AID maintain, however, that AID has never issued formal instructions on what it expects in a project design. AID officials said that such instructions may be necessary. In commenting on this report, a State official said that changes in AID's East European management have resulted in changed attitudes on the part of AID and improved relations with other agencies.

AID's projects include (1) a $10-million, 3-year project of assistance to private farmers in Poland, being implemented by Catholic Relief Services; (2) a $10-million, 3-year technical training project for Poland and Hungary being implemented by other U.S. agencies and private contractors; (3) a $10-million scholarship program of Polish and Hungarian students being implemented by Georgetown University; (4) support to democratic institutions being implemented by the National Endowment for Democracy (NED); and (5) provision of medical supplies and equipment to Poland.

Department of Agriculture

Department of Agriculture's program objectives are to assist the Polish government to restructure the agricultural sector through cooperative efforts in (1) infrastructure, (2) scientific research, (3) production and extension, and (4) marketing and trade. The governments of the United States and Poland set up working groups to consider efforts in the four areas of cooperation.

Status of Efforts

The Department has taken the following steps in implementing its program:

- Roughly $95 million in agricultural commodities have been made available to Poland for fiscal year 1990.
- An agricultural extension expert spent several months in Poland advising the Polish government on its extension programs.
- Twenty-three Cochran fellowships (which bring foreign agriculturalists to the United States to experience living and working in a free-market environment) have been made available in Poland.
- The Department's Economic Research Service has developed a simple economic model for each of the countries of Eastern Europe to help predict the effect of trade liberalization on the agricultural sector. The Service is cooperating with the Department of Labor's Bureau of Labor Statistics in identifying agricultural production data that East European countries should collect.
- An assistant agricultural attaché has been assigned to Warsaw to monitor the local currency accounts created to receive the proceeds from the sale of food aid commodities. Local currency accounts are generally established by AID but due to AID's lack of staff in Poland, the Polish government had to establish the accounts on its own. The government made errors in setting up the accounts, and Agriculture is now correcting the accounts.

Department officials stated that, despite the fact that agriculture was cited as a priority in SEED legislation, funds made available were inadequate to address agricultural problems and limited the Department's ability to undertake needs assessment for Poland. Officials also said that the lack of funds constrained department operations in Hungary during fiscal year 1990. Officials also noted that the Department's SEED funding comes through AID, the Department must submit project proposals to AID for approval, and AID's requirements for approving a project are unclear.

Economic Research Service officials said that distortions in the Polish economy such as high nominal incomes, low subsidized prices for food, and very little else for consumers to buy had kept the country from having a food surplus. Once the Polish government began to correct those distortions, the food surplus appeared. Service officials did not believe that Poland would need food aid in the future.

The Department of Agriculture has plans to jointly fund a water supply project and an agricultural/rural credit project with the European Commission.

Citizens Democracy Corps

The Citizens Democracy Corps (CDC) was established by the President to act as a point of contact for organizations seeking to learn about voluntary activities in Eastern Europe (including the Soviet Union). CDC plans to (1) create a data base of technical assistance and equipment available on a voluntary basis for Eastern Europe, (2) gather information on needs and requests from the region for technical assistance and donated equipment, and (3) foster linkups of available U.S. resources with East European needs through a CDC clearinghouse.

Status of Efforts

Private Agencies Collaborating Together, a private voluntary organization, has organized and run the CDC clearinghouse since May 1990, using financing from AID grants channeled directly to the organization and indirectly through NED. On October 19, 1990, the President announced the chairman and executive committee of the board of directors of CDC. The executive committee held its first meeting on October 31, 1990. CDC has applied for status as a tax-exempt corporation, which will allow it to become a direct grantee in the future. An official from CDC stated that it would use Private Agencies Collaborating Together as a grantee to operate the CDC clearinghouse.

Under Private Agencies Operating Together's management, the CDC clearinghouse has established a data base of possible U.S. resources and begun publishing a bimonthly newsletter, Citizens Democracy Corps Bulletin, to link U.S. resources with identified requirements for voluntary assistance in Eastern Europe. CDC has not established a field presence but it expects to do so in five to seven East European countries, which may include the Soviet Union.

Department of Commerce

Department of Commerce's objectives are to promote the development of market economies with strong private sectors and to introduce U.S. companies to trade and investment opportunities in the region. Commerce has identified the following activities for Eastern Europe: (1) operation of an Eastern European Business Information Center in the United States to act as a clearinghouse on trade and investment opportunities for U.S. businesses, (2) operation of business information centers in Eastern Europe to assist U.S. businesses in their trade and investment activities on the spot, (3) offering traditional programs through strengthened or newly created offices of the Foreign Commercial Service, and (4) offering technical assistance in the areas of standards and quality controls, economic statistics, and business and commercial law.

Status of Efforts

The Eastern European Business Information Center has been operating since January 1990. In its first 9 months of operation, it received 25,000 inquiries and continues to handle about 600 calls per week with information or referrals. An official estimated that 80 percent of the Center's calls are from small- and medium-size businesses. The Center publishes bimonthly the Eastern Europe Business Bulletin. The Center and its bulletin focus on all of the countries of Eastern Europe.

Business information centers are established in Warsaw and Budapest to assist U.S. business. In addition, Foreign Commercial Service offices in Eastern Europe are adding a total of eight new positions. Of these, four positions will go to the newly opened office in Prague. These positions came from other embassies and consulates.

The Office of Eastern Europe and the Soviet Union within Commerce Department's International Trade Administration has added six staff members to strengthen its analytical capabilities on trade and policy issues related to Eastern Europe.

Commerce participated in seminars in Warsaw and Budapest addressing such issues as securities law, corporate taxation, government regulation, intellectual property rights, and U.S. export controls and regulations.

Commerce has also held missions promoting U.S. business access to the telecommunications market and the pollution control and energy conservation markets.

Commerce has worked with the Polish, Hungarian, and Czechoslovakian governments to set up a system to prohibit high technology items from being re-exported to prohibited countries.

Commerce conducted an information seminar in Warsaw on U.S. programs administered by such organizations as OPIC and the Export-Import Bank.

Between December 1987 and July 1989, the Commerce Department issued seven market research reports each of which targeted a particular sector in an Eastern European country. None were done for fiscal year 1990, but for fiscal year 1991, the Department has already contracted for 26 market research reports—4 for Bulgaria, 2 for Czechoslovakia, 10 for Hungary, and 5 each for Poland and Romania.

Commerce officials said that for fiscal year 1990, the Department received no SEED funding, except for travel funds transferred from the Department of the Treasury. If Commerce further expands its operations and programming in Eastern Europe in fiscal year 1991, it must either receive added assistance under the SEED Act or make cutbacks in other programs.

Commerce chairs the Technical Business Assistance Working Group within the State Department coordinating committee for assistance to Eastern Europe. In its own programs, Commerce has worked with the Department of Justice, Federal Trade Commission, and TDP.

Although the Small Business Administration participates in the Commerce working group, it has no programs in Eastern Europe. A high-level Commerce official said that Small Business Administration activities should be strictly confined since it has no congressional mandate to work overseas. However, the official said that Commerce would not object to Small Business Administration activities that focus on assisting

in the establishment of small businesses in Eastern Europe but Commerce would object to any Small Business Administration activity in the area of international trade.

A Commerce official stated that the SEED prohibition on working with the public sector in Eastern Europe was a hindrance. A huge portion of Poland's economy consists of state-owned enterprises which the U.S. government cannot work with to improve operations and, thus, their impact on the local economy.

Department of Energy

Department of Energy's program objectives are to (1) assess the need for, demonstrate the use of, and identify ways of financing the transfer of clean coal technology to lessen pollution from Poland's coal-fired power, (2) assist U.S. business to gain access to the highly competitive clean coal technology market in Eastern Europe, and (3) improve the efficiency of energy useage.

The Department of Energy's major activities in Eastern Europe include retrofitting a boiler in a power plant in Krakow, Poland, with U.S. clean coal technology, and conducting an equipment assessment project. Where possible, Department projects will encourage the involvement of U.S. investors. The Department is also conducting a series of seminars under the U.S.-Poland Science and Technology Agreement to focus on U.S. experience in energy conservation over the last 15 years. This includes the most successful energy conservation programs undertaken in the United States and state-of-the-art energy efficiency technologies.

Status of Efforts

The Department of Energy decided to use most of its fiscal year 1990 appropriation to completely fund the project to retrofit a boiler in Krakow. The Department signed an agreement with the Polish government in March 1990 for the retrofit project and issued the request for proposal to perform the work in August 1990 with plans to award the contract in March 1991.

The Department of Energy intended to use $500,000 from its fiscal year 1990 SEED appropriation to initially fund its proposed $20-million "Equipment Assessment" project. However, the State Department Coordinator has notified Energy that funding for this project may be revised if higher priority needs are identified and the fiscal year 1991 appropriation for Eastern Europe does not specifically earmark funds for the equipment project.

The Department of Energy is implementing projects specified in the SEED legislation. An Energy official said the Department is not undertaking nuclear energy issues in Eastern Europe because it had no mandate under SEED to do so. The Department has not done an energy sector needs assessment for Poland. Energy officials believe that the U.S. projects which focus on reducing pollution from coal-firing boilers address important pollution problems as well as have the potential to assist U.S. businesses to enter what may become a substantial market for clean coal technology.

The Department of Energy participates in the Environmental Working Group, chaired by the State Department Office of the Coordinator. An Energy official said that the Department has advocated implementation of an equipment assessment project, as set forth in the SEED act. However, the State Department, AID, and EPA would prefer to spend the funds intended for this project on a project to establish environmental standards and build institutions that would monitor and enforce those standards. Energy officials said that the Polish government is too fragmented to set priorities and is overwhelmed by the donors. Officials also expressed concern that the State Department, AID, and EPA were undermining support for the Energy equipment project. State officials said that Poland faces overwhelming needs and has limited resources and the Polish government did not want to spend funds on the Department of Energy project. In commenting on this report, a State official said that Energy had redesigned the project and the Polish government is now reconsidering it.

Under the U.S.-Poland Science and Technology Agreement, the Department of Energy organized a series of November 1990 seminars on energy efficiency in buildings and industry and on institutional energy conservation programs.

Environmental Protection Agency

EPA's objective is focused on strengthening Eastern Europe's indigenous capacity for short-term mitigation of critical environmental problems and medium- and long-term pollution prevention and clean up. EPA's plan of action is to

- establish the Regional Environmental Center in Budapest, Hungary, in conjunction with the government of Hungary and the European Community and
- implement the Krakow initiatives to improve air quality monitoring, drinking water quality, and waste water treatment.

In addition, EPA has additional projects underway in Poland, funded out of its fiscal year 1990 appropriations, on topics such as energy efficiency and promoting environmentally sound development of the Mazurian Lakes district. EPA also supports joint environmental research in the region under bilateral science and technology agreements with Poland and Hungary.

Status of Efforts

The Regional Environmental Center opened in September 1990. The Center is intended to be an independent, non-advocacy, not-for-profit organization supporting cooperative environmental activities with Eastern European governments and the private sector; the regional approach includes information collection and dissemination, institution building, environmental education, and clearinghouse operations. The Center has received commitments of support from other donors of over $14 million for its first 3 years of operations. The U.S. commitment is for $5 million. The Center's board of directors accepted authority over the Center's operations in September 1990. Prior to this, EPA had acted on behalf of the Center by mutual agreement with the Hungarian government and the European Community. Funding from the Peace Corps' SEED appropriation covered the Center's start-up costs. A Peace Corps staff member served as the Center's coordinator and administrative officer.

EPA and the Polish government have agreed upon projects for U.S. funding to improve drinking water quality and waste water treatment in Krakow. The specific U.S. contribution to improved air quality monitoring in Krakow has also been set. An obstacle to more rapid movement on these projects was the State Department endorsed AID requirement for EPA to submit its project planning documents to AID for approval. AID maintains that it is accountable for the funding for the projects that EPA is implementing.

EPA reported projects funded under the State Department's Science and Technology Agreement with Poland included water quality modeling and hazardous waste disposal. Full funding for these projects for fiscal year 1990 was delayed because of problems with the State Department's funding. Further, EPA did not begin developing new projects until late in the fiscal year because of the funding problems.

Among the activities in Poland funded from its fiscal year 1990 budget, EPA began a project in Warsaw for installation of air monitoring equipment, in planning for a joint workshop on environmental health, and in

program development in several areas, such as environmental management.

EPA has actively engaged in coordination with European and other donors to Eastern Europe. Its representatives have periodically participated in the Organization for Economic Cooperation and Development environmental working group for Eastern Europe as well as in several of the Organization's environmental fact-finding missions to the region. In addition, the Agency has found opportunities for collaboration with other donors in its projects. For instance, EPA and the European Community have agreed in principle to co-finance activities in the Mazurian Lakes region of Poland.

U.S. government agencies have disagreed over how to proceed in the energy and environmental area in Poland. EPA and the State Department advocated a program to set environmental standards and institution building as the next step while the Department of Energy wanted to proceed with the SEED mandated project to do a detailed feasibility study that would assess technologies, produce designs, and identify financing to deal with Krakow's pollution problems from industrial plant and residential power sources.

Export-Import Bank

The Export-Import Bank's program objectives are to provide support for financing export sales of U.S. goods and services through a variety of loan, guarantee, and insurance programs. The Bank has made its loan, guarantee, and insurance programs available for public sector and private sector purchases of U.S. exports on a short- (less than 1 year) and medium- (up to 5 years for Poland, 7 years in other countries) term basis in Poland and on a short-, medium-, and long-term basis in Hungary and Czechoslovakia.

With $200 million of AID's Trade Credit Insurance Program to guarantee its operations in Poland, the Bank is expanding its short-term loans, guarantees, and insurance to the private sector in Poland. The TCIP protects the Bank against a default in payments.

Status of Efforts

The Bank does not yet have an agreement with the Polish government under which the Bank would offer its programs on a short-term basis. Because of the uncertain state of the Polish economy, the Bank limited its exposure in Poland until AID's TCIP guarantees became available.

AID officials reported that for fiscal year 1990, AID did not create a reserve fund to meet any defaults in repayments guaranteed under the TCIP since they did not expect any defaults in the few remaining months of fiscal year 1990. The State Department agreed with AID that in the event some defaults should occur in 1990, the defaults could be met with funds from the pool of unobligated fiscal year 1990 Economic Support Fund monies. AID expects to establish a reserve fund for fiscal year 1991.

The Export-Import Bank's existing exposure in Hungary is $3 million and over $1 billion in Poland. For fiscal year 1990, the Bank made no guarantees or loans, or wrote insurance policies, for exports to Eastern Europe. However, the Bank issued letters of preliminary commitment for $25.8 million in guarantees and loans to Czechoslovakia, $189.4 million in guarantees and loans to Hungary, and $22.5 million in guarantees and loans to Poland. The letter of preliminary commitment means that the Bank will make the guarantee or the loan or write the insurance if the U.S. exporter is able to close the deal with the importer. However, if the exporter is unable to conclude the customer transaction, the Bank does not follow through on the preliminary commitment. None of the above letters of preliminary commitment involved the TCIP.

Hungarian-American Enterprise Fund

The Hungarian-American Enterprise Fund's program objectives are to promote (1) the development of private enterprise in Hungary, including small businesses, the agricultural sector, and joint ventures between U.S. and Hungarian businesses; (2) policies and practices conducive to development of the Hungarian private sector; and (3) development of the Hungarian capital market.

The Fund will use equity investments, loans, grants, feasibility studies, technical assistance, training, insurance, and guarantees as instruments to reach its objectives. Projects in manufacturing, transportation, services, agribusiness, and marketing companies are eligible for consideration. Also receiving priority attention are projects that expand existing enterprises or finance new ventures which will enhance the Hungarian economy, increase exports, or provide services to improve the ability of private businesses to operate.

Status of Efforts

On May 17, 1990, AID transferred $5 million in SEED monies to the Fund as initial capitalization. The Fund began operations in June 1990. The Fund's board of directors has both Hungarian and U.S. citizens; the five

U.S. members form a board majority. As of September 1990, only two of the Hungarian members had been chosen. Its chief executive officer is a U.S. citizen.

The Fund has offices in Budapest, New York City, and Washington, D.C. The Budapest office will be fully staffed at six staff members. The New York office has two professional staff members and shares four members with the Polish-American Enterprise Fund. The Washington office has a professional staff of two. Much of the processing of proposals for funding will be done in the Budapest office. Projects must be approved by the board of directors or its investment committee, based on recommendations by the staff after analysis and investigation.

At the time the Fund began operations, the U.S. Embassy in Budapest had already received 4,351 proposals for funding. The president of the Fund reported that many of the requests reflected a misunderstanding as to the Fund's purpose. The Fund delayed publicizing its operations in Hungary until September 1990 so that it could finish processing these applications. Most of the proposals were rejected but approximately 50 applicants were receiving further consideration as of October 31, 1990.

Except in exceptional cases, the Fund will limit its equity involvement to no more than $750,000 and loans to no more than $2 million. The Fund intends to follow an investment strategy which allows it to replenish its capital base.

As of September 30, 1990, the Fund had approved only one investment, which was a joint venture to franchise stores offering computer and office automation services and equipment. Other investments to which the Fund was committed as of that date included a honey and frozen food processing plant, a classical music recording business, and Hungary's second largest printing plant. All of these companies are presently in operation. Actual investment in them by the Fund is awaiting Hungarian government approval.

The Fund intends to identify several export industries to explore for investment potential. It has already undertaken a study of the pharmaceutical/bio-medical industry.

The Fund's chief executive officer said that the Fund is also acting as a facilitator or agent for U.S. grant-making organizations that want to be active in Hungary but lack a field presence with which to investigate opportunities.

The government of Hungary has been supportive of the Fund. Fund executives said that they have a good working relationship with the Central Bank, Ministry of Finance, Ministry of Industry and Economic Relations, and State Property Agency, which is charged with privatizing state enterprises.

Department of Labor

Department of Labor's program objectives are to assist in the maintenance of social peace and reinforce the political consensus for economic and political reform by assisting in the creation of (1) a social safety net in the form of an unemployment compensation program and (2) programs of employment services and of training in new and modern skills and in the basic concepts of entrepreneurial activity. The Department has different programs in Poland and Hungary which are partially reflective of the different levels of funding available.

For Poland, the Department of Labor has an employment services program that will include technical assistance to develop model programs for counseling and referring unemployed workers and matching their skills to employment opportunities; an entrepreneurial skills training program that includes developing a basic instruction program in entrepreneurial skills; and an unemployment compensation program to provide technical assistance in developing and administering an unemployment compensation payment system. The Department of Labor's statistics program will involve the Bureau of Labor Statistics in providing expertise in price and wage measures and statistics collection, and its crafts skills program will host a crafts training program and sponsor a conference on housing issues facing Poland.

For Hungary, the Department of Labor's development of employment services program will include training employment center personnel for employment services offices. The program will have components dealing with dislocated worker adjustment and providing retraining assistance. The retraining assistance will include training in basic entrepreneurial skills. Its entrepreneurial skills training program will develop a basic instruction program in entrepreneurial skills. The labor statistics program will involve the Bureau of Labor Statistics in a program similar to that in Poland. The Dispute Avoidance and Resolution Techniques Program will use Labor's Bureau of Management Relations and Cooperative Programs and the Federal Mediation and Conciliation Service to develop and teach a basic course in dispute avoidance and resolution.

Status of Efforts

For Poland, the employment services program has established an operational model employment office in Szczecin and is in the process of doing so in Gadansk. A United Way/American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) team developed a training program under the employment services program to prepare Polish employment counselors to assist unemployed workers. Ohio State University is under contract for the entrepreneurial skills training program. Under the unemployment compensation program, a U.S. team is providing assistance in designing a modern unemployment compensation payments system, and a team is also providing analysis and recommendations to the Ministry of Labor for Poland's employment law. The labor statistics program has provided training to Polish officials.

For Hungary, the employment services program developed a curriculum for training employment service staff and provided training workshops in employment services. The labor statistics program is training Hungarians at Bureau of Labor Statistics seminars.

In May 1988, the Department of Labor began analyzing the problems Poland's economy would face as it began moving towards a market system. Labor officials visited Poland in mid- and late-1989 to identify priority areas for assistance, which were subsequently incorporated in the SEED legislation.

The Department has forged a consensus with the AFL-CIO and American business in identifying its role in Eastern Europe. Labor officials said the Department decided not to become involved in setting levels of "safety net services" for Poland, in part, because of a lack of agreement among the Department, labor, and business as to an appropriate approach. The Department also believed that the U.S. government should not be identified with such politically charged issues.

Labor officials said that the Department's SEED funding was insufficient to adequately address labor issues in Eastern Europe. In particular, the funds for the Hungarian program incorrectly assume an economy of scale for program start-up costs. The Department had to drop an unemployment compensation delivery project for Hungary because of lack of funds. In addition, the Department of Labor successfully advised the U.S. government not join the European Community's Training Foundation because of a lack of funds.

Labor officials have requested donations of equipment from U.S. private industry to stretch its budget and have reported some success, but said that having to depend upon donated equipment made planning difficult.

Labor officials said they have coordinated their activities with international donors, including the World Bank and the Organization for Economic Cooperation and Development, and that the International Labor Organization is a key participant in organizing broad coordination among donors. Labor chairs the Social Dimensions working group of the State Department coordination council.

Labor officials noted that the U.S. embassies in Warsaw and Budapest are stretched too thin to give the necessary administrative support to U.S. donor agencies. Consequently, the Department of Labor plans to establish a Polish-American labor center which will provide administrative support services as part of its operations.

National Endowment for Democracy

NED's program objectives include support and encouragement for the development of democratic institutions that promote human rights, the rule of law, an increased awareness of civil and political rights, political pluralism, democratic governance, and strengthening of private enterprise. NED's program activities support the conduct of free and fair elections throughout the region, including assisting independent organizations that promote freedom of speech, and educate the citizenry about democratic values and processes while encouraging them to participate in the democratic process.

NED is also assisting in the (1) development of democratic mass-based organizations as alternatives to entrenched state-sponsored organizations and (2) formulation of market-based economic policies for East European countries which will ultimately boost the living standards of the population.

Status of Efforts

NED's regular funding comes through USIA and is divided between four core grantees: the National Democratic Institute for International Affairs, the National Republican Institute for International Affairs, the Free Trade Union Institute, and the Center for International Private Enterprise. USIA funding also provides NED with a discretionary fund that is open to a broad range of nongovernmental organizations. When SEED funds became available in fiscal year 1990 for projects in Eastern Europe, NED had already received many direct requests for assistance

from local groups and organizations in the region. NED's core grantees subsequently developed projects in response to the rapidly evolving situation in the region.

NED is funding projects in Poland, Hungary, Czechoslovakia, Rumania, and Bulgaria. NED has provided Rutgers University with a $275,000 grant to assist a Polish foundation in establishing a network of regional training centers. The centers are intended to prepare Polish citizens for local elections and participation in local government. A $257,000 grant was provided to the Free Trade Union Institute to provide assistance to Hungarian trade unions to conduct a nonpartisan voter education and information campaign in Hungary. A $160,000 grant to Freedom House is to provide technical equipment to Lidove Noviny, an independent newspaper in Czechoslovakia, to allow it to reach its circulation goal of 500,000 copies. NED has provided grants totaling $481,150 to the National Democratic Institute for International Affairs to (1) assist the Bulgarian Association for Free Elections to conduct civic education programs, (2) monitor the Bulgarian national elections, and (3) provide a follow-on program in support of local democracy to the Association. A $261,100 grant was made to the International Foundation for Electoral Systems to field pre-election survey teams in Romania and Bulgaria to research the electoral system and identify needs in areas such as electoral law, ballot design and security, and voter education.

A NED official emphasized that, with the passage of the first wave of elections in Eastern Europe, NED will increase its assistance to what had been underground organizations, particularly the independent media. For example, NED could help what had been an underground newspaper become a mass circulation journal. NED will also continue to engage in long-term programs to strengthen democratic institutions and processes.

Overseas Private Investment Corporation

OPIC's programs include direct loans, loan guaranties, political risk insurance, and pre-investment assistance. OPIC is encouraging U.S. private business investment in Eastern Europe, promoting the privatization of state-owned, East European enterprises and a public policy agenda, which includes respect for internationally recognized worker rights, and targeting environmentally sound projects for investment.

OPIC was given specific guaranty authority of $40 million for Poland, in addition to its worldwide guaranty authority, for fiscal year 1990. OPIC has established an East European growth fund to mobilize U.S. capital

for investment, an environmental investment fund to make environmentally focused investments, and a small business loan guaranty program to make direct loans of less than $500,000 to U.S. small businesses for investments in Poland.

Status of Efforts

OPIC signed bilateral agreements with Poland and Hungary in October 1989, which permit OPIC to operate in each country. Agreements with Czechoslovakia and what was then East Germany were signed in October 1990.

The East European Growth Fund will be capitalized at $200 million and managed by Salomon Brothers. OPIC will guarantee private sector investments in the Fund up to $50 million. In addition, OPIC will make political risk insurance available for the Growth Fund's investments. OPIC officials expect the necessary private capital to be raised and the Fund to be in operation by early 1991.

OPIC has approved an investment advisor and a placement agent for the Environmental Investment Fund and has committed $12.8 million in guaranty authority in support of the Fund. OPIC officials project that the Fund will have raised the private capital necessary to begin operations by early 1991.

The concept for the Small Business Loan Guaranty Program for Poland has been approved, but no guarantees were made in fiscal year 1990. According to an OPIC official, the reluctance of U.S. commercial banks to participate in the program to date has been a disappointment.

OPIC officials said that they would prefer not to limit program eligibility to the private sector and would like to participate with the public sector in privatizing state-owned enterprises. During fiscal year 1990, OPIC provided political risk insurance for 13 projects representing an insured investment amount of $188.5 million in Hungary and 5 projects representing an insured investment amount of $12.6 million in Poland. OPIC made $16.5 million available in investment financing for two projects in Poland. OPIC officials have led two investment missions to Poland and one to Hungary to acquaint U.S. investors with investment opportunities and the business climate.

Peace Corps

The Peace Corps' objective in Eastern Europe, with the exception of Romania, is to establish people-to-people contacts, assist in the rapid

expansion of English language capabilities, and strengthen environmental awareness and planning. A country-specific objective for Poland is to assist the private sector through training and technical assistance; for Bulgaria, to assist the agricultural sector by supplying training and technical expertise; and for Romania, to establish people-to-people contacts and assist in training health and education workers in orphanages.

In addition to its fiscal year 1990 programs in Poland and Hungary, the Peace Corps intends to set up a program in Bulgaria in fiscal year 1991 with 20 volunteers teaching English in secondary schools, teacher training colleges, and universities. The fiscal year 1991 program for Czechoslovakia will entail 44 volunteers to teach English in training colleges and universities. The fiscal year 1991 program of 15 volunteers for Romania will be part of an international effort working in Romanian orphanages.

Status of Efforts

Peace Corps was authorized $6 million under the SEED legislation and appropriated $2 million for fiscal year 1990 under the Peace Corps' appropriation act. The Peace Corps did a needs assessments for both Poland and Hungary, negotiated with the host government, and began providing Peace Corps volunteers. The fiscal year 1990 programs use volunteers to teach English. For fiscal year 1991, the programs will be expanded to include small enterprise development and environmental education for Poland and environmental programs for Hungary.

According to Peace Corps officials, their ability to move rapidly in Poland and Hungary was due to their relative independence from the interagency process, the apparently strong support from the U.S. embassies, and clear need statements from the host countries.

Peace Corps identified other U.S. agencies such as EPA and USIA as potential partners in its program in Eastern Europe. The Peace Corps teamed up with EPA to help open the Regional Environmental Center in Budapest. Officials said that Peace Corps has not had to take funds from other country programs to provide programs for Eastern Europe.

Polish-American Enterprise Fund

The Polish-American Enterprise Fund's objectives are (1) to assist in promoting the development of the Polish private sector, including small-to-medium-size Polish businesses, Polish-American joint ventures, and American businesses operating in Poland and (2) to promote policies and practices in Poland conducive to private sector development.

In making decisions on individual investment proposals, Fund officials weigh two criteria—whether the proposal has an experienced management team and a product or service with the potential for high market demand. The Fund also focuses on whether investments will leverage Fund resources through collaboration with other U.S. and foreign investors. The Fund's investments will usually be in the form of equity investments and loans, and will include but are not limited to

- making capital immediately available for very small loans and investments;
- making capital available quickly and in different parts of the country to private sector entrepreneurs;
- demonstrating the commercial viability of housing construction while developing a small craftsman industry;
- supporting the development of the agribusiness sector, including support of cooperatives; and
- promoting the privatization of Polish state-owned enterprises.

Status of Efforts

The Polish-American Enterprise Fund was formally organized as a not-for-profit corporation on April 26, 1990. Its president joined the Fund at the end of April and the Fund received its fiscal year 1990 SEED grant on May 16, 1990. The American board members have taken their seats. Fund officials estimate that the Polish seats will be filled in early 1991. The Fund has offices in Warsaw and New York City. The Warsaw office has a professional staff of six and the New York City office has five professional staff members.

The Fund had received approximately 635 investment proposals as of October 31, 1990. The Fund's president reported that most of the early proposals were from American investors. The Fund reported that, initially, the number of Polish proposals were limited and generally were not strong candidates for investment because they were (1) not in keeping with the Fund's mission, (2) not well prepared, or (3) difficult to handle because of their small size. According to Fund officials, as information about the Fund has spread, the number of Polish proposals have been increasing and have been of better quality. Fund officials reported that its staff strives to conduct initial screenings of proposals within 30 days of receipt and that a complete review and decision takes between 90 and 120 days.

At the Fund's September board meeting, four projects dealing with a small business investment program, private bank program, housing/

craftsman program, and agribusiness program were approved. Further negotiation is needed before the programs can be implemented.

A Fund official estimated that during fiscal year 1991, the Fund will be able to invest up to $130 million, depending on the level of its congressional funding. The Fund will consider committing up to 10 percent of its capital to a single investment. Investments over $5 million must be approved by the Fund's board of directors. Smaller investments may be approved by the Investment Committee, which is composed of the chairman and vice chairman of the board of directors and the president of the Fund.

The president of the Fund stressed the general uncertainty and confusion associated with doing business in Poland. Polish laws are changing to reflect the new private sector environment but they are often unclear and need amplification through implementation. The application of the laws is being worked out on a case-by-case basis. The president of the Fund identified several repercussions from this uncertainty. For the Fund to invest in banking sector programs, it has had to carry on discussions with the Ministry of Finance, the Central Bank, lawyers, and accountants to secure the waivers, opinions, and other assistance that it needs to structure and protect an investment. Fund officials hope that its applications to do business in Poland have provided a model that U.S. businesses will be able to follow in their own investment efforts. The ownership situation of the state enterprises that are being privatized is unclear, which complicates and increases the risks of investing in them, and U.S. business people are reluctant to invest in Poland because of overall economic uncertainty.

According to Fund officials, the Polish government is promoting investment in agribusiness, banking, housing construction, and state-owned enterprises' privatization. Fund officials suggested that the comparative advantages of the Polish economy in attracting investment are its educated work force, low labor rates, geographic location, and dynamic markets.

Securities and Exchange Commission

SEC objectives for Eastern Europe include (1) promotion of the formation of stable private capital markets and (2) development of links between financial markets in Eastern Europe and international financial markets. SEC is also assisting in the development of sound regulatory practices by the host governments.

SEC's approach is to establish direct links with government officials in countries which have emerging securities markets, respond to requests from the host countries for information, create training programs that are responsive to the expressed needs of countries with emerging securities markets, and use these activities as the basis for ongoing technical assistance to East European countries.

Status of Efforts

Although SEC has informed both the State Department's Office of the Coordinator and AID about SEC's capabilities to provide technical assistance, no SEED funds were made available in fiscal year 1990. SEC entered an understanding on the provision of technical assistance with the Hungarian government's State Securities Supervision and the Budapest Stock Exchange in June 1990. Within the understanding but subject to the availability of funds, SEC will provide assistance for training personnel. It will also provide advice and assistance to the Hungarian securities regulators on development of systems, mechanisms, and procedures for securities order handling, trade recording and comparison, quotation and transaction data transmission, clearance and settlement, regulatory requirements relating to market professionals and capital adequacy, accounting and disclosure, effective market surveillance and enforcement programs, and investor protection.

In fiscal year 1990, SEC formed an "Emerging Markets Advisory Committee" to advise the SEC on means for coordinating private and public sector technical assistance sought countries with emerging market economies. The Committee has formed working groups concentrating on securities and futures trading markets, clearance and settlement systems, financial intermediaries and institutions, financial structures and corporate finance, and accounting and professional responsibility. SEC is establishing the International Institute on Securities Market Development designed to provide training for senior government officials from emerging market countries who are responsible for the creation, development, or regulation of markets. The Institute's first seminar is expected to be held in early 1991, and representatives from East European governments will be invited to participate. SEC will not charge tuition for the 2-week seminar but participants are expected to take care of their own travel costs, accommodations, and subsistence expenses.

The Hungarian government has requested technical assistance under the understanding. The World Bank asked SEC to help the Hungarian government by (1) reviewing provisions in security and company laws and corporate reporting and registration requirements and (2) working with

the State Securities Supervision in establishing its organizational structure and procedures. SEC has tentatively scheduled the technical assistance for fiscal year 1991 if funding becomes available.

The Department of State's Office of the Coordinator and the Department of Commerce have requested SEC assistance in reviewing Bulgaria's proposed laws and regulations governing securities matters. Subject to the availability of funds, a SEC staff member will join a U.S. government technical assistance team to Bulgaria in fiscal year 1991.

SEC has trained Polish officials in Washington, D.C., and held discussions in Warsaw with Polish officials about Poland's plans for establishing a stock market and a securities regulatory agency. The Polish government has requested assistance in establishing a capital market, training in securities regulation matters in Poland and in Washington, and long-term technical assistance in Poland on the full range of securities regulatory matters. Discussions with the Polish government are continuing.

SEC is providing a 2-week internship to the Czechoslovakian government. Travel costs, accommodations, and subsistence for the participating official are the responsibility of the Czechoslovakian government.

SEC officials will travel to Poland, Hungary, and Czechoslovakia in fiscal year 1991 to identify the technical assistance needed by each of the host governments for developing securities markets and to discuss assistance that SEC can provide.

Trade and Development Program

TDP is focused on (1) promoting economic development in middle-income countries by funding feasibility studies, consultants, training programs, and other project planning services and (2) assisting U.S. firms by identifying major development projects that offer large export potential and funding U.S. private sector involvement in project planning.

For Eastern Europe, TDP has identified telecommunications, waste management, educational technology, energy development, food development, minerals development, transportation, and industrial development for their potential interest to U.S. firms.

Status of Efforts

For Poland, TDP made a $800,000 grant to the Polish Ministry of Communications for modernization of the national telecommunications network and for the development of local industry in that sector. TDP also made

grants of $700,000 for four studies on management of solid and hazardous waste, and $770,000 for a national civil aviation master plan, including air traffic control and airport development. TDP is participating in a $2 million study for the rehabilitation of seven major coal-fired power plants. TDP made a $100,000 grant for a state of Illinois "reverse trade mission" under which Polish officials traveled to Illinois to meet with Illinois exporters. TDP also funded a cellular telephone consultant for $40,000 to send a U.S. telecommunications expert to assist the Polish Ministry of Posts and Telecommunications to evaluate cellular telephone bids.

For Hungary, TDP made grants of $525,000 to the Ministry of Transport, Communications, and Water Resources for a master plan for the development of a telecommunications overlay which will serve the expansion of the Hungarian commercial sector, and $300,000 for a study of a system for management and control of the national high-voltage power grid. TDP is sponsoring a telecommunications orientation visit of Hungarian officials to the United States to observe technological applications and meet with the U.S. industry representatives.

In Czechoslovakia, TDP agreed to sponsor a trade symposium to introduce Czechoslovakian companies to U.S. industry. At the East European regional level, TDP made a grant of $300,000 to the U.S. Telecommunications Training Institute to cover partial participation costs of Polish and Hungarian telecommunications officials and technicians for technical training provided by the U.S. telecommunications industry. Other regional grants were for a railways technology orientation visit ($71,700), a water pollution technology orientation visit ($180,000), a telecommunications finance seminar ($80,000), and World Bank consultant trust fund ($200,000).

For fiscal year 1991, TDP is expected to fund new activities in Eastern Europe out of its regular budget since it already has a mandate for foreign assistance. As of October 1990, TDP had made commitments of $1.98 million for fiscal year 1991 projects. A TDP official estimated that the program had another $5.18 million in projects already under review, which appear to be strong candidates for funding. An official estimated $10 million as the likely level of qualified East European projects submitted for funding in fiscal year 1991. TDP will likely reject some of those projects in the absence of additional funding.

TDP reports that it contacts relevant agencies before it approves any given activity so as to tap into technical experience and perspectives

and also to avoid entering into redundant efforts. TDP clears its activities with the Departments of Commerce and State and coordinates with the Export-Import Bank, the Departments of the Treasury and Energy, and AID and EPA.

Department of the Treasury

The Department of the Treasury's objective is focused primarily on progress in East European countries toward economic reform and establishment of market-oriented economies with substantial private sectors.

The Treasury took the lead role for the U.S. government in creation of the Polish Stabilization Fund. The Fund was established to accomplish two reforms: (1) to support a relatively fixed exchange rate for the Polish currency (zloty) following a sharp devaluation and (2) to help ensure that the zloty is convertable for current account transactions. These reforms went into effect on January 1, 1990. The United States made a $200-million grant contribution to the Fund. The Polish government has not as yet drawn on the account. Poland has rescheduled its public debt, including payments, principal, and arrears with the United States through the end of March 1991.

The Treasury also participated in the establishment of the European Bank for Reconstruction and Development. The Articles of Agreement establishing the Bank were signed on May 29, 1990. The United States will be the largest individual shareholder with a 10-percent share. The European Community countries individually, the European Community as an organization, and the European Investment Bank will together control 51 percent of the shares; other European countries, 12 percent; the Soviet Union, 6 percent; the East European countries, 7 percent; and other nonregional countries, 14 percent. The capital base will be 10 billion in European Currency Units[1] ($11.7 billion in U.S. dollars), with 30 percent in paid capital and 70 percent on call.[2]

For the first 5 years, at least 60 percent of the Bank's lending (in aggregate and by country) will be devoted to projects in the private sector. The balance will be available for infrastructure or environmental loans

[1]The European Currency Unit serves as a common basis for determining exchange rate parities and as a means of settlement for the 12-member nations of the European Community.

[2]With a 10-percent share of the Bank, the United States will have a funding commitment fixed in dollars of $350 million for paid-in capital and $817 million available on call. This sum translates into an annual commitment of $70 million of budget authority for paid-in capital and $163.4 million of program limitations for subscriptions to callable capital.

that support the development of the private sector or for public enterprises that operate in a competitive fashion. It is intended that the Bank coordinate its efforts with the International Monetary Fund and the World Bank.

Status of Efforts

The Deputy Secretary of the Treasury is one of two Deputy Coordinators for Assistance to Eastern Europe and as such reviews formulation and implementation of the Administration's policy for assistance to the region. An Assistant Secretary of the Treasury for International Affairs chairs the Macroeconomic Policy Group which deals with policy issues with a major financial component and which provides macroeconomic analysis. A Deputy Assistant Secretary of the Treasury chairs a Working Group on Technical Assistance for the Financial Sector.

The Treasury is providing either direct or indirect assistance in the areas of tax policy and administration; bank privatization, supervision, and training; securities markets development; and cash and debt management; among others. The Department is administering a $100,000 fund to finance travel of U.S. government officials to Poland and Hungary to work in the U.S. government's technical assistance program.

U.S. Information Agency

USIA's objective for Eastern Europe is to assist in developing democratic institutions through (1) building democratic political, social, and legal institutions; (2) promoting free markets; (3) encouraging educational and youth exchanges; (4) encouraging environmental protection and cultural preservation; and (5) encouraging an independent media.

Most of USIA's many specialized programs intended to help USIA reach its objective are organized into four general categories: the John Marshall category emphasizes democratic governance, rule of law, and legislative and judicial reform; the Alexander Hamilton category supports free enterprise, management training, and entrepreneurship; the Noah Webster category supports open communication in every form, from freedom of speech to the teaching of English; and the Samuel Gompers category emphasizes free trade unionism and labor-management relations through 2-way exchanges.

Status of Efforts

USIA spent approximately $18 million for all its programming for the region in fiscal year 1990. In addition to its regular programming, a special series of USIA exchange initiatives totaling $6.1 million were

announced by the President in July 1989. Of that amount, approximately $3.1 million came from the USIA's existing budget and $3 million from SEED appropriations. To finance its portion of the budget for the increased programming, USIA made limited cuts in programs in Western Europe, Latin America, and Africa.

USIA shifted approximately 16 personnel positions (3 American and 13 foreign employees) to Eastern Europe during fiscal year 1990. The positions came from USIA posts in Yugoslavia and Western Europe. USIA has also committed itself to new American cultural centers in Warsaw, Prague, and Bratislava.

USIA has undertaken many small programs to implement the four categories of its plan of action. For instance, the Agency has financed

- a $49,996 grant under the Alexander Hamilton program to the Illinois World Trade Institute to send U.S. business management experts to Budapest, Hungary;
- a $50,000 grant under the John Marshal program to Hamline University to bring Polish lawyers to the United States to introduce them to the American legal system; and
- a $68,000 grant to the George Meany Center to help support a study tour of the United States by a delegation of Hungarian democratic trade union leaders.

USIA has an internal proposal for a 4-year, $150-million program, the Marshall Plan of Ideas, to strengthen democratic institutions in the Soviet Union and the other countries of Eastern Europe and to cement America's intellectual, professional, and cultural ties with the region. USIA officials said that the agency does not have the funding in its budget to undertake this program.

USIA officials said that there was no assurance of new SEED funding for USIA's East European programs. They reported that some officials in the State Department wanted USIA to finance its East European assistance program completely from within its own budget. The result of doing so, according to the officials, would be cuts to USIA's programs in Western Europe, Latin America, and Africa.

USIA officials said that, in the absence of AID missions in Eastern Europe, their staffs in East European countries are under heavy pressure from other U.S. government agencies and the U.S. private sector to provide assistance. USIA officials also said that, although some U.S. government

agencies are resisting the establishment of AID missions in Eastern Europe, USIA believes AID offices would serve to relieve some of the burden now resting with USIA.

USIA officials reported some success in leveraging private sector assistance to Eastern Europe, but said a lack of staff has prevented them from responding to all the private sector offers of assistance.

U.S. Trade Representative

The U.S. Trade Representative's objectives in Eastern Europe are to support economic reform efforts and to promote U.S. commercial interests. The Trade Representative plans to achieve its objectives by constructing a framework conducive to the rapid expansion of trade and investment through the removal of restrictive trade conditions, negotiation of trade agreements and investment treaties, and where appropriate, extending preferential tariffs to Eastern Europe and working toward its integration into the international trading system.

Status of Efforts

The United States and Poland signed a Business and Economic Relations Treaty on March 21, 1990. The U.S. Senate ratified the treaty on October 27, 1990, and as of November 1, 1990, the treaty was awaiting approval by the Polish Parliament. The United States has extended to Poland its Generalized System of Preferences on January 9, 1990. Poland already enjoyed Most Favored Nation trading status.

Hungary has a trade agreement with the United States. The United States extended to Hungary its Generalized System of Preferences on November 3, 1990. Hungary already enjoyed Most Favored Nation trading status. A business and economic relations treaty is under negotiation with Hungary.

The United States signed a trade agreement with Czechoslovakia on April 12, 1990. The U.S. Congress and the Czechoslovak Federal Assembly on October 23 and November 16, respectively, approved the agreement which came into force as of November 17, 1990. A bilateral investment treaty is under negotiation. A Czechoslovak request for participation in the Generalized System of Preferences was made in October 1990.

Bulgaria and the United States initialed the text of a trade agreement on October 5, 1990. A bilateral investment treaty is under negotiation.

Romania has a trade agreement with the United States but its Most Favored Nation provisions are not in effect.

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