

Appendix I

REPORT ON IMPLEMENTATION OF SECTION 303 OF THE FREEDOM SUPPORT ACT

Export Promotion, Finance and Related Activities

The U.S. Government has developed a range of programs and services to assist American companies seeking to develop markets in the New Independent States (NIS). Those sponsored by the Commerce Department's International Trade Administration (ITA) include expansion of the Commercial Service presence in these countries, creation of a network of American Business Centers (ABCs), development of small business support programs by the Business Information Service for the New Independent States (BISNIS) and the Special American Business Internship Training Program (SABIT), advocacy on behalf of American companies to facilitate implementation of specific trade and investment projects by the U.S. Ombudsman for Energy and Commercial Cooperation with the NIS and others, utilization of Business Development Committees (BDC) to encourage development of commercial environments which can support new U.S. exports, and a series of trade missions. The Export-Import Bank of the United States (Ex-Im Bank) and the U.S. Trade and Development Agency (TDA) provide financing resources to support U.S. business ventures in the region. The U.S. Overseas Investment Corporation (OPIC) provides financing and political risk insurance.

Export Promotion: Since the enactment of the FREEDOM Support Act of 1992, the Commercial Service has increased its trade promotion, market development, business counseling, trade events sponsorship, and U.S. company advocacy services in the NIS. In addition to expanding its posts in Moscow and St. Petersburg, the Commercial Service opened a new post in Vladivostok, and currently has a total staffing in the NIS of 80. The Commercial Service now operates in Moscow, St. Petersburg, and Vladivostok, Russia; Kiev, Ukraine; Almaty, Kazakstan; and Tashkent, Uzbekistan. Separately from implementation of the FREEDOM Support Act, the Commercial Service established an office in Baku, Azerbaijan. During the Caspian Oil and Gas Show this year, Commercial Service staff managed the USA pavilion, supported the participation of senior Department officials, and scheduled high-level government meetings.

The Commercial Service has also implemented the American Business Center (ABC) program established with funding under the FREEDOM Support Act to promote the rapid expansion of U.S. trade and investment in the NIS. ABCs offer American companies critical business facilitation services and provide local outreach services, training, and technical assistance to host country firms. Five ABCs are collocated with Commercial Service posts throughout the NIS. Seven additional ABCs are located in Russian cities where there is significant commercial potential but no Commercial Service presence. These seven are operated by private sector organizations through cooperative agreements with the Department of Commerce. Through the early part of 1998, ABCs served more than 2900 clients.

The Commerce Department organizes trade missions to introduce American companies to new markets in the NIS. There have been 15 missions in the health care sector, seven taking U.S. firms to the region and eight bringing delegations to the United States. U.S. companies reported over \$93 million in business expected from these events.

The **Business Information Service for the New Independent States (BISNIS)** supports the development of bilateral commercial relations between the United States and the NIS by providing U.S. companies with timely, practical information on markets, opportunities, and trade and investment conditions. BISNIS responds to hundreds of thousands of queries a year through fax-on-demand, Internet

and E-mail services to provide time-sensitive trade and investment leads and address the more sophisticated counseling needs and requests for specific information. Of the 38,000 companies that receive its information regularly, over 85 percent are small and medium-sized companies. Through a network of local representatives in the NIS, BISNIS identifies and promotes trade and joint venture opportunities through the electronic publication, *BISNIS Search For Partners*. BISNIS also makes available the biweekly electronic bulletin, *BISNIS Trades and Tenders*, providing time-sensitive export opportunities and tenders. BISNIS has supported U.S. companies of all sizes in realizing more than \$1.8 billion worth of export and investment transactions in the NIS since it opened in 1992.

The **Special American Business Internship Training program (SABIT)** is a unique private-sector-U.S. Government partnership designed specifically to enable small- and medium-sized U.S. businesses interested in pursuing business ventures in the NIS to train NIS counterparts. With funding under the FREEDOM Support Act, SABIT awards grants on a competitive basis to American companies to help defray the costs of hosting NIS managers and scientists for three to six months of hands-on training in the United States. To date, over 750 U.S. companies have hosted more than 1300 NIS interns through SABIT.

To address non-tariff barriers to U.S. exports to Russia's oil and gas sector, the SABIT Standards program has hosted 25 NIS standards and certification officials and experts from the oil and gas equipment industry. Moreover, the SABIT Environmental Technologies program hosted a group from the NIS on oil and gas cleanup technologies, and the Russian Far East program hosted an oil and gas session in fall 1997. SABIT also established a new program to train Ukrainian businesspeople, consultants, and local government officials in regional investment and free market development. While in the United States, the interns (chosen from reform-minded regions in Ukraine) work with American companies to learn how different U.S. industries operate.

In a major effort to promote opportunities for international partnership in the Caspian region, TDA, in cooperation with the Departments of Commerce, Energy, State, Transportation, Ex-Im Bank and OPIC, sponsored a "Crossroads of the World" conference in Istanbul, Turkey on May 27-29, attended by more than 700 participants. This conference resulted in a coordinated Caspian Sea Initiative in which TDA, Ex-Im Bank, and OPIC will work together to develop and support project opportunities in the region.

The primary U.S. Department of Agriculture (USDA) export promotion activity funded under the FREEDOM Support Act is the Cochran Fellowship Program which provides short-term agricultural training programs for public and private sector individuals. An objective of the program is to strengthen trade linkages between the NIS and agricultural interests in the United States. Since 1994, the Cochran Program has sponsored over 600 NIS participants to the United States. Training opportunities cover U.S. business practices and USDA export support programs, the variety of U.S. agricultural products and services, and U.S. businesses and trade promotion organizations. Cochran NIS participants typically attend trade shows such as: Food Marketing Institute Food Expo; Produce Marketing Association; Institute of Food Technologists; World Dairy, Dairy, and Pork Expos; All Candy Exposition; and the Fancy Food Show. As a result, NIS participants have imported a variety of U.S. products and equipment. Cochran alumni groups in Ukraine and Kazakstan provide helpful contact points for U.S. businesses in the region. In addition, the Cochran Program has organized training programs in agricultural policy, food safety, and international banking which support the movement toward free trade and open markets.

Business Facilitation and Support: The U.S. Government uses Department of Commerce Ombudsman and Business Development Committee mechanisms to work with other TPCC agencies to promote U.S. commercial interests in the NIS. Ombudsman relationships have been established with Russia, Ukraine, Belarus, Armenia, Kazakstan, Uzbekistan and Turkmenistan, and bilateral commercial dialogues have also been initiated with Azerbaijan, Georgia and Moldova.

BDCs have been established with Russia, Ukraine, Kazakhstan, Uzbekistan and Belarus. Chaired and managed on the U.S. side by the Department of Commerce, the BDC's include a number of TPCC agencies.

Their goals include the removal of barriers to bilateral trade and investment, facilitation of individual commercial projects, implementation of business development programs and maintenance of an open, ongoing forum for discussion of bilateral commercial and economic issues. Accomplishments in Russia include: helping to avert a threatened cutoff of U.S. poultry exports; helping to negotiate and implement a Memorandum of Understanding which makes possible the waiver of prohibitive tariffs on U.S. aircraft leases or purchases; advocacy for restructuring the Caspian Pipeline Consortium project to carry oil from a U.S. project in Kazakhstan; and facilitating work on multi-billion dollar oil projects off of Sakhalin Island.

In Ukraine, the U.S. Ombudsman advocates for U.S. companies in key economic sectors and works with his Ukrainian counterpart to overcome impediments to trade and investment and to resolve contractual disputes and operational problems. In Azerbaijan, the Ombudsman has played a key role in advancing energy projects involving U.S. companies, such as a multimillion dollar pipeline project.

Export Finance Programs, Feasibility Studies, Political Risk Insurance and Other Related

Programs: Ex-Im Bank's programs are available to varying degrees in the NIS. Through the Spring of 1998 Ex-Im Bank approved a total of \$1.1 billion in financing to NIS countries. Slightly more than half of this total (\$634.2 million) represented transactions in Russia. The balance of approved transactions was for Uzbekistan, Ukraine and Turkmenistan.

In Russia and Kazakhstan, Ex-Im Bank is open for short-, medium-, and long-term public sector transactions and for short- and medium-term transactions in the private sector where a commercial bank, acceptable to Ex-Im Bank, acts as obligor or guarantor on the transaction. In Uzbekistan, Ex-Im Bank is open for short-, medium-, and long-term public sector transactions. In Turkmenistan, Ukraine and Moldova Ex-Im Bank is open for short- and medium-term public sector transactions. All public sector transactions require a sovereign guarantee.

In addition Ex-Im Bank is able to finance transactions in Russia where repayment of the financing is secured through the assignment of hard currency proceeds from the sale of commodities (or other products) to a third-party off taker. While most frequently used in the oil sector, a similar structure was used for a transaction involving the sale of U.S. construction equipment to a Russian diamond mining company. Although Ex-Im Bank remains closed under its regular programs in Azerbaijan, Armenia, Belarus, Georgia, Kyrgyzstan, and Tajikistan, Ex-Im Bank has signed Project Incentive Agreements (PIA) with all of these countries except Tajikistan. Under a PIA, Ex-Im Bank is able to consider creditworthy projects where the financing is secured through the assignment of hard currency proceeds from the sale of commodities (or other products) to a third-party off taker.

OPIC supports U.S. private sector investment in all 12 countries of the former Soviet Union. Under its project finance program, OPIC provides medium- to long-term limited recourse project financing in the form of loan guarantees and direct loans to overseas investment projects with significant U.S. equity participation. Under its insurance program, OPIC underwrites political risks associated with foreign investments, including currency inconvertibility, expropriation and political violence. In FY97, OPIC committed \$116 million in project finance to U.S. business ventures in the NIS, and \$497 million in investment insurance, mostly in the manufacturing, oil and gas, communications, and financial services sectors.

TDA is a pioneer in providing assistance to the NIS. Since providing its first NIS feasibility study grant in 1992, TDA's initiatives in the region have grown. While concentrating on Russia, TDA's regional team has increased its activities in Central Asia, the Caucasus, and Ukraine. In May 1998, the Secretary of Energy announced the "Caspian Sea Initiative" to coordinate efforts among the financing agencies—TDA, OPIC and Ex-IM Bank—in the Caspian region. Since the opening of NIS markets, TDA has funded over 180 feasibility studies totaling over \$70 million. Exports of U.S. goods and services related to those projects already total about \$600 million. TDA obligated about \$10 million in program funds in FY1997, including 34 feasibility studies for projects in various sectors.