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Series: Speech File Backup Files
Subseries: Chron Files, 1989-1993

OA/ID Number: 13716
Folder ID Number: 13716-008

Folder Title:
U.S. Chamber of Commerce 4/30/90 [OA 8312] [1]

Stack:	Row:	Section:	Shelf:	Position:
G	26	20	5	4

Richard L. Breault
Group Vice President, Policy



U.S. CHAMBER OF COMMERCE
1615 H Street, N.W.
Washington, D.C. 20062
202/463-5417

Blaine Friedlander

500-47116

U.S. CHAMBER OF COMMERCE
CONSTITUTION HALL
APRIL 30, 1990
10:00 A.M.

THANK YOU. IT'S ALWAYS A PLEASURE TO MEET WITH THIS HIGH-POWERED GROUP. I WANT TO ACKNOWLEDGE DICK LESHER, PRESIDENT OF THE CHAMBER OF COMMERCE. / OUTGOING CHAIRMAN JOHN CLENDENIN -- FOR THE LEADERSHIP HE'S SHOWN THIS PAST YEAR. / INCOMING CHAIRMAN JAMES BAKER -- NO, IT'S NOT A CABINET SHAKE-UP: I'M TALKING ABOUT JAMES K. BAKER -- WHO WILL CARRY THE CHAMBER'S FINE TRADITION FORWARD INTO THIS NEW DECADE.

AND FINALLY, LET ME WELCOME OUR SPECIAL GUESTS: ALL THESE WASHINGTON-AREA SCHOOLCHILDREN, RIGHT HERE IN FRONT. I KNOW YOU'VE BEEN LOOKING FORWARD TO TODAY FOR A LONG TIME. // AFTER ALL, IT'S NOT EVERY DAY YOU GET OUT OF MATH AND SPELLING. //

I KNOW IT WON'T BE EASY TO UNDERSTAND ALL THE THINGS WE'RE TALKING ABOUT THIS MORNING. BUT THERE IS ONE THING I'M SURE YOU CAN UNDERSTAND. YOU'RE HERE BECAUSE YOU ARE IMPORTANT -- BECAUSE WHEN YOU GROW UP, YOU MIGHT JUST RUN YOUR OWN BUSINESS, LIKE THE PEOPLE HERE. OR MAYBE YOU'LL EVEN RUN FOR PRESIDENT. [BELIEVE IT OR NOT, I WAS ONCE A 2ND GRADER, JUST LIKE YOU ARE NOW.] SO TODAY I WANT TO CHALLENGE ALL OF YOU: KEEP WORKING HARD IN SCHOOL. DO YOUR VERY BEST -- AND DON'T BE AFRAID TO REACH FOR YOUR DREAMS. //

AND I WANT TO CHALLENGE THE CHAMBER OF COMMERCE AS WELL. ALL OF YOU KNOW THAT THE GOVERNORS AND I HAVE AGREED ON A NATIONAL EDUCATION GOALS -- GOALS WE MUST MEET BY THE YEAR 2000 -- THE YEAR THESE 2ND GRADERS GRADUATE. I AM DELIGHTED AT ALL THE CHAMBER OF COMMERCE IS DOING TO ADVANCE THIS GREAT CAUSE OF EXCELLENCE IN EDUCATION -- BUT TODAY I CHALLENGE YOU TO GET INVOLVED IN EVERY SCHOOL AND COMMUNITY ACROSS AMERICA. HELP US MAKE THAT CLASSROOM A PLACE WHERE MIRACLES HAPPEN. ///

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SECOND, LET ME SAY A WORD ABOUT JAPAN. ALL OF YOU KNOW THAT I DID NOT NAME JAPAN A PRIORITY COUNTRY UNDER THE SUPER 301 PROVISIONS OF THE 1988 TRADE ACT. THAT DOES NOT MEAN ALL OF OUR TRADE PROBLEMS WITH JAPAN HAVE DISAPPEARED. WE KNOW THAT WE COULD SELL MORE AMERICAN PRODUCTS IF JAPAN'S MARKET WERE TRULY OPEN. BUT WE'VE BEEN WORKING HARD ON THAT -- AND WITH IMPRESSIVE RESULTS. OVER THE PAST FEW MONTHS, WE'VE MADE MORE PROGRESS ON TRADE ISSUES WITH JAPAN THAN AT ANY OTHER TIME I CAN RECALL. PART OF THE REASON FOR THIS SUCCESS IS THAT PRIME MINISTER KAIFU SHARES OUR COMMITMENT TO ENSURING THAT TRADE STRENGTHENS -- RATHER THAN UNDERMINES -- THE FRIENDSHIP BETWEEN OUR NATIONS. // WE'LL CONTINUE TO PRESS FOR PROGRESS -- AND KEEP IN MIND: SECTION 301 AND OTHER TRADE LAW AUTHORITY REMAIN AVAILABLE. WE WILL USE ALL THE TOOLS AT OUR DISPOSAL TO OPEN MARKETS -- AND ENSURE FAIR TREATMENT FOR AMERICAN PRODUCTS, SERVICES, AMERICAN INVESTMENT AND IDEAS. I'M CONFIDENT IN CARLA HILLS, OUR VERY ABLE AND TENACIOUS U.S. TRADE REPRESENTATIVE -- AND I'M CONFIDENT WE'LL ACHIEVE RESULTS. //

JOHN CLENDENIN MENTIONED IN HIS SPEECH THE WHIRLWIND OF CHANGE WE'VE SEEN THIS PAST YEAR. LAST YEAR, I SPOKE TO YOU ON MAY 1 -- MAY DAY -- BY TRADITION ONE OF THE GREAT DAYS OF CELEBRATION IN THE SOCIALIST WORLD. I SAID THEN THAT EVEN THE SOCIALIST WORLD WAS COMING TO SEE THAT SOCIALISM WASN'T JUST ANOTHER ECONOMIC SYSTEM -- IT WAS THE DEATH OF ECONOMICS.

THAT MUCH WAS CLEAR. WHAT NONE OF US COULD SEE ON THE EVE OF MAY DAY '89 WAS HOW CLOSE WE HAD COME TO THE WHOLESALE COLLAPSE OF COMMUNISM.

FIRST IN POLAND, THEN ACROSS EASTERN EUROPE -- ONE NATION AFTER ANOTHER BROKE THE STRANGLEHOLD OF THE STATE, AND EMBRACED DEMOCRACY. HERE IN OUR OWN HEMISPHERE, IN PANAMA AND NICARAGUA, THE DAY OF THE DICTATOR GAVE WAY TO THE DECADE OF DEMOCRACY. //

THESE TRANSFORMING EVENTS BROUGHT FREEDOM TO TENS OF MILLIONS OF PEOPLE. AND WITH THAT FREEDOM, NEW CHALLENGES: DIGGING OUT FROM UNDER THE WRECKAGE OF RUINED ECONOMIES. RECLAIMING RIGHTS AND FREEDOMS LONG DENIED. EVERYWHERE FROM PRAGUE TO PANAMA CITY, THE TIME HAS COME TO MAKE A START IN THE DIFFICULT WORK OF DEMOCRACY-BUILDING.

IT'S THAT CHALLENGE THAT I WANT TO TALK ABOUT TODAY. AND IT'S A CHALLENGE THAT CAN ENGAGE EVERY ONE OF YOU -- BECAUSE YOU AND THE INSTITUTIONS YOU REPRESENT ARE PROOF OF THE POWER OF THE PRIVATE SECTOR. // DEMOCRACY PROSPERS WHEN IT RESTS ON THE FIRM FOUNDATION OF THE FREE MARKET.

THINK ABOUT THAT. WHAT IT MEANS IS THAT ONE OF THE CHIEF AIMS OF OUR PUBLIC POLICY MUST BE TO INVOLVE THE PRIVATE SECTOR -- IN ALL ITS DIVERSITY -- IN THE BUSINESS OF BUILDING DEMOCRACY. THAT'S NOT TO SAY THAT THERE IS NO WORK FOR GOVERNMENT TO DO. GOVERNMENT-TO-GOVERNMENT AID IS ESSENTIAL -- ESPECIALLY IN THE FIRST DAYS OF DEMOCRACY, WHEN THE INSTITUTIONS OF FREE GOVERNMENT ARE MOST FRAGILE. / THAT'S WHY WE'VE PUT TOGETHER AID PACKAGES FOR POLAND AND HUNGARY. AND THAT'S WHY I CONTINUE TO URGE CONGRESS TO MOVE OUR NICARAGUA AND PANAMA EMERGENCY LEGISLATION TO FINAL PASSAGE AS SOON AS POSSIBLE. / IT IS FRUSTRATING TO SEE CONGRESS DELAYING ITS WORK ON THIS LEGISLATION. I CALLED FOR THIS AID ON MARCH 13, AND ASKED THAT IT BE PASSED BY APRIL 5. IN THE HOUSE, \$800 MILLION IN DOMESTIC DISCRETIONARY SPENDING WAS ADDED. THE SENATE ADDED ANOTHER HALF A BILLION DOLLARS, AND IN COMMITTEE, TACKED ON AN ABORTION PROVISION. NO WONDER THE AMERICAN PEOPLE GET SO FRUSTRATED WITH THE WAY CONGRESS OPERATES.

NICARAGUA AND PANAMA NEED THIS AID. WE'VE GOT TO DELIVER -- WE'VE GOT TO SHOW THAT WHEN DEMOCRACY'S AT STAKE, AMERICA ALWAYS EXTENDS A HAND. //

BUT AS I'VE SAID MANY TIMES, GOVERNMENT AID ALONE
IS NOT THE ANSWER. / IT'S MORE THAN A MATTER OF
FINDING ENOUGH FUNDS. IT'S A MATTER OF PRINCIPLE -- OF
WHAT WE MEAN WHEN WE TALK ABOUT BUILDING DEMOCRACY.
THE SIMPLE TRUTH IS THIS: DEMOCRACY -- AND THE
FREEDOMS IT ENSHRINES -- CAN NEVER BE A GIFT OF
GOVERNMENT.

EARLIER THIS YEAR, IN THE STATE OF THE UNION, I
TALKED ABOUT THE CORNERSTONES OF FREE SOCIETY -- THE
BUILDING BLOCKS OF DEMOCRACY. ALL THE ELEMENTS THAT
MAKE AMERICA WHAT IT IS: COMPETITION. OPPORTUNITY.
STEWARDSHIP. PRIVATE INVESTMENT.

THOSE BUILDING BLOCKS ARE WHAT MAKE AMERICA WORK.
MORE THAN THAT -- THEY'RE WHAT MAKE DEMOCRACY WORK.

AND THEY'RE WHAT THE NEWLY EMERGING DEMOCRACIES OF
THIS HEMISPHERE AND IN EASTERN EUROPE NEED TO GROW AND
PROSPER. THINK BACK TO WHAT LECH WALESA SAID LAST
NOVEMBER, WHEN HE SPOKE TO THE AFL-CIO ABOUT THE NEEDS
OF THE NEW POLAND. "SUCH IS THE FATE OF A POLISH TRADE
UNIONIST," HE SAID, THAT "HE HAS TO LAUNCH A PUBLICITY
CAMPAIGN FOR PRIVATE ENTREPRENEURSHIP."

LECH WALESIA TOLD THE CONGRESS HE HADN'T COME TO ASK FOR CHARITY. HE KNEW -- AS WE KNOW -- THAT WE CAN'T CREATE DEMOCRACY BY WRITING A CHECK. WE BUILD DEMOCRACY IN OTHER NATIONS NOT BY TAKING RESPONSIBILITY FOR THEIR NEEDS -- BUT BY HELPING THEM TAKE RESPONSIBILITY FOR THEMSELVES. WE BUILD DEMOCRACY WHENEVER WE HELP INDIVIDUALS TAKE THEIR DESTINY IN THEIR OWN HANDS.

DEMOCRACY PUTS THE FOCUS NOT ON GOVERNMENT -- BUT ON THE FREEDOM OF THE INDIVIDUAL. NOT ON THE STATE, BUT ON SOCIETY -- THE PRIVATE SECTOR. DEMOCRACY THRIVES IN DIRECT PROPORTION TO THE FLOWERING OF INDIVIDUAL FREEDOM AND FREE ENTERPRISE.

AND MY ADMINISTRATION IS DOING ALL IT CAN TO PROMOTE PRIVATE SECTOR DEVELOPMENT. THE COMMERCE DEPARTMENT, UNDER BOB MOSBACHER'S LEADERSHIP, HAS OPENED ITS EASTERN EUROPE BUSINESS INFORMATION CENTER AND, WITH THE CHAMBER, HAS JUST HOSTED A CONFERENCE ON DOING BUSINESS IN EASTERN EUROPE. CARLA HILLS AND HER USTR TEAM HAVE BEEN NEGOTIATING WITH THE EMERGING DEMOCRACIES TO OPEN THE WAY FOR EXPANDED TRADE. AT LABOR, ELIZABETH DOLE IS DIRECTING PROGRAMS ASSISTING POLAND ON KEY ISSUES SUCH AS JOB TRAINING AND UNEMPLOYMENT INSURANCE. AND AT AGRICULTURE, CLAYTON YEUTTER HAS LED OUR EFFORT TO PROVIDE FOOD AID -- AND FREE MARKET EXPERTISE TO SPEARHEAD AGRICULTURAL REFORMS.

BUT TODAY, I WANT TO TURN THE SPOTLIGHT ON ONE OF THE BEST-KEPT SECRETS IN TOWN: AN AGENCY CALLED OPIC -- THE OVERSEAS PRIVATE INVESTMENT CORPORATION.

OPIC'S PROGRAMS HAVE BEEN AROUND SINCE THE DAYS OF THE MARSHALL PLAN, PROVIDING LOANS AND RISK INSURANCE TO AMERICAN COMPANIES EXPANDING INTO MARKETS ACROSS THE DEVELOPING WORLD. HERE'S A FACT I KNOW THIS CROWD WILL APPRECIATE: OPIC IS ONE GOVERNMENT AGENCY THAT ACTUALLY TURNS A PROFIT. // TODAY ESPECIALLY, OPIC IS AS AN IMPORTANT TOOL IN OUR OVERALL APPROACH TO HELP THE WORLD'S EMERGING DEMOCRACIES SUSTAIN THEMSELVES.

BUT WE'VE GOT TO BE REALISTIC. ECONOMIC GROWTH WON'T COME OVERNIGHT. EASTERN EUROPE SUSTAINED FOUR DECADES OF ECONOMIC DECAY. HERE IN OUR OWN HEMISPHERE, YEARS OF DICTATORSHIP IN NICARAGUA DROVE ITS ECONOMY INTO THE GROUND -- DESTROYED THE BASIC COMMERCIAL INFRASTRUCTURE THAT MAKES GROWTH POSSIBLE.

BUT WITH THE EMERGENCE OF DEMOCRACY, THESE NATIONS ARE WORKING ROUND THE CLOCK TO JUMP-START THEIR STALLED ECONOMIES --TO MAKE THE FUNDAMENTAL CHANGES NEEDED TO CREATE A FUNCTIONING FREE MARKET. FOR DEMOCRACY'S SAKE -- WE'VE GOT TO DO ALL WE CAN TO HELP THIS TRANSITION TAKE PLACE.

LET ME TELL YOU WHAT OPIC'S DOING TO STRENGTHEN THE FREE MARKET FOUNDATIONS OF DEMOCRACY IN PANAMA. JUST 60 DAYS AFTER OPERATION JUST CAUSE, OPIC LED AN INVESTMENT MISSION OF 27 AMERICAN BUSINESSPEOPLE TO MEET WITH THEIR COUNTERPARTS IN PANAMA. THE INVESTMENT AGREEMENTS THAT CAME OUT OF THAT 7-DAY MISSION SHOULD LEAD TO THE DIRECT INVESTMENT OF MORE THAN \$70 MILLION DOLLARS IN PANAMA, AND 400 NEW JOBS.

HERE'S THE STORY OF ONE COMPANY THAT TOOK PART IN THAT OPIC MISSION: SERVRITE INTERNATIONAL -- A SMALL DAIRY COMPANY, BASED IN NEW HAVEN, CONNECTICUT. SERVRITE HAD PLANS TO INVEST IN PANAMA -- PLANS IT ABANDONED BECAUSE OF THE OLD REGIME. NOW, WITH THE RETURN OF DEMOCRACY, SERVRITE IS MOVING FORWARD -- BUILDING A MODERN MILK PROCESSING PLANT IN THE RURAL PROVINCE OF CHIRIQUI. // THE PROJECT WILL CREATE 50 NEW JOBS, AND PROVIDE TECHNICAL ASSISTANCE TO HELP 30 PANAMANIAN DAIRY FARMERS GET THEIR MILK TO MARKET. FOR SERVRITE, THIS IS A GOOD BUSINESS OPPORTUNITY. BUT FOR THE PANAMANIAN INVOLVED, IT'S MORE THAN JUST A PAYCHECK. IT'S A CHANCE TO BUILD A FUTURE. //

WE'RE LOOKING TO CREATE THE SAME KIND OF OPPORTUNITIES FOR INVESTMENT IN NICARAGUA -- AND OF COURSE, BEYOND OUR OWN HEMISPHERE, IN EASTERN EUROPE. AS WE SPEAK, OPIC'S PRESIDENT, MY GOOD FRIEND FRED ZEDER, A VERY SUCCESSFUL BUSINESSMAN IN HIS OWN RIGHT -- IS LEADING A MISSION TO HUNGARY AND POLAND -- PLAYING MATCHMAKER TO 43 AMERICAN CORPORATIONS AND A FAR LARGER NUMBER OF EASTERN EUROPE'S ASPIRING ENTREPRENEURS.

MOST OF YOU KNOW ABOUT THE \$150 MILLION DOLLAR DEAL BETWEEN GENERAL ELECTRIC AND HUNGARY'S LARGEST ELECTRIC ENTERPRISE, TUNGSRAM -- WHAT YOU MAY NOT KNOW IS OPIC'S LEADING ROLE IN MAKING THAT INVESTMENT POSSIBLE. THAT'S JUST A FRACTION OF THE INTEREST GENERATED SO FAR: ALREADY, OPIC HAS RECEIVED REQUESTS REPRESENTING MORE THAN \$2 BILLION DOLLARS WORTH OF AMERICAN INVESTMENT IN HUNGARY AND POLAND ALONE. THE POTENTIAL FOR GROWTH -- AND THE DIVIDENDS FOR DEMOCRACY -- ARE BOTH GREAT.

YOU MAY HAVE HEARD ABOUT SOME OF JAPAN'S NEW JOINT VENTURES IN EASTERN EUROPE -- SUZUKI'S PLAN TO BUILD CARS IN HUNGARY, OR DAIHATSU'S DEAL TO DO THE SAME IN POLAND. // THERE'S NOTHING UNFAIR ABOUT THESE VENTURES -- JUST PROOF THAT ONE OF OUR KEY COMPETITORS IS ENGAGED IN A HARD-NOSED HUNT FOR GOOD OPPORTUNITIES IN A NEW MARKET.

I'VE SAID IT BEFORE AND I'LL SAY IT NOW: AMERICAN BUSINESS CAN OUT-THINK, OUT-WORK, AND OUT-PERFORM ANY NATION IN THE WORLD. BUT WE CAN'T BEAT THE COMPETITION IF WE DON'T GET IN THE GAME. // IF AMERICAN BUSINESS WANTS TO KEEP AHEAD OF THE COMPETITION, THE TIME TO ACT IS NOW. //

DATE: APRIL 19, 1990

CLIENT:

LIBRARY: NEXIS

FILE: PAPERS

YOUR SEARCH REQUEST IS:

VICE PRESIDENT W/Z BUSH AND VENEZUELA AND DATE IS 1981

NUMBER OF STORIES FOUND WITH YOUR REQUEST THROUGH:

LEVEL 1... 15

PRINT CASE REQUESTED: APRIL 19, 1990
4 DOCUMENTS PRINTED
16 PRINTED PAGES

1006/P

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EXECUTIVE OFFICE OF THE PRESIDENT
OLD EXECUTIVE OFFICE BUILDING
1711 & PENNSYLVANIA AVE., NW
WASHINGTON DISTRICT OF COLUMBIA 20017

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*           5 PAGES           185 LINES           *
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SEED leg. 4 missions *long term risk report*

- 1) pre up priv cap into new mkte
- 2) privatization (don't delay transition)
- 3) environment
 - East Coast Growth Fund
 - Emo Growth Fund
- 4) small business mandate } *venture cap fund*

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See from part 2 // Arguments as to do 2

Engelkamp - OPIC = 0.00

Jump start investments on FP
Newly shifting priorities on FP

Also note an outbreak dip rate

global powerhouses = risen strength of priv actors
Hamtramck

gov + priv act + priv act = 0.2 pts

OPIC

outgrowth of Merced Plan

priv act vine + financing

gov. long term inv. not making
govt support

invest from Jun 7 to m
inv guarantees - 40 m

inv support on country

measures program 20-30 US investors

fundam w/in 7 wks. 400-500 jobs
be thought + measure on this/okump from

***** USUS/ ***** PRINTOUT COMPLETED ***** APRIL 19, 10:12 A.M. *****
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4/27 Hung mission ends
 5/5 Pol " "
GE in Hungary

450 m make ins

12 lightbulb mfg plants
 reform, EC 92, ins efficiency (lay-offs)

~~Hung govt - Dec 31 deadline~~
 best country + investor + Bush admin

Hung + Pan etc. ready to do business

→ good thing we're out of \$

not going to be easy, will take time - can't
 just throw \$ at it - will be a struggle

***** UY1/U ***** BEGIN PRINTOUT ***** APRIL 19, 1:19 P.M. *****
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met w/walrusa Myles park Zeller

sign bilat agreement
(Czech)
Cong - non-comm.
Pres.

10/9/89 - Budapest taking ad stars down

UPDATE →

for time announced
program start
Pal/Hung - register
when contemplating
project - ~ \$2 billion
ins. reg + proj proposals

Pell bill
Admin bill
June

AFZ-C10 + OPIC

Ginny &
Bret Coulson
HSP - rolled into
State auth -
Pam/NIC
Sen - raise
funding

Denny Dolan Jim Berg
457-7002

Kevin Callwood
647-3218

Madam - Hung

Jim Hall - Pub Affs
457-7093

long auth / Bd Auth /
not Pres Auth

To _____

Date _____ Time _____

WHILE YOU WERE OUT

M. Bill Wisecover

of Dole's office

Phone 224-6521

Area Code Number Extension

TELEPHONED	PLEASE CALL	
CALLED TO SEE YOU	WILL CALL AGAIN	
WANTS TO SEE YOU	URGENT	

RETURNED YOUR CALL

Message _____

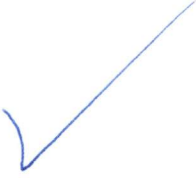
Operator



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JOHN CLENDENIN MENTIONED IN HIS SPEECH THE WHIRLWIND OF CHANGE WE'VE SEEN THIS PAST YEAR. LAST YEAR, I SPOKE TO YOU ON MAY 1 -- MAY DAY -- BY TRADITION ONE OF THE GREAT DAYS OF CELEBRATION IN THE SOCIALIST WORLD. I SAID THEN THAT EVEN THE SOCIALIST WORLD WAS COMING TO SEE THAT SOCIALISM WASN'T JUST ANOTHER ECONOMIC SYSTEM -- IT WAS THE DEATH OF ECONOMICS.

THAT MUCH WAS CLEAR. WHAT NONE OF US COULD SEE ON THE EVE OF MAY DAY '89 WAS HOW CLOSE WE HAD COME TO THE WHOLESALE COLLAPSE OF COMMUNISM.

FIRST IN POLAND, THEN ACROSS EASTERN EUROPE -- ONE NATION AFTER ANOTHER BROKE THE STRANGLEHOLD OF THE STATE, AND EMBRACED DEMOCRACY. HERE IN OUR OWN HEMISPHERE, IN PANAMA AND NICARAGUA, THE DAY OF THE DICTATOR GAVE WAY TO THE DECADE OF DEMOCRACY. // !!

THESE TRANSFORMING EVENTS BROUGHT FREEDOM TO TENS OF MILLIONS OF PEOPLE. AND WITH THAT FREEDOM, NEW CHALLENGES: DIGGING OUT FROM UNDER THE WRECKAGE OF RUINED ECONOMIES. RECLAIMING RIGHTS AND FREEDOMS LONG DENIED. EVERYWHERE FROM PRAGUE TO PANAMA CITY, THE TIME HAS COME TO MAKE A START IN THE DIFFICULT WORK OF DEMOCRACY-BUILDING.

IT'S THAT CHALLENGE THAT I WANT TO TALK ABOUT TODAY. AND IT'S A CHALLENGE THAT CAN ENGAGE EVERY ONE OF YOU -- BECAUSE YOU AND THE INSTITUTIONS YOU REPRESENT ARE PROOF OF THE POWER OF THE PRIVATE SECTOR. // DEMOCRACY PROSPERS WHEN IT RESTS ON THE FIRM FOUNDATION OF THE FREE MARKET.

THINK ABOUT THAT. WHAT IT MEANS IS THAT ONE OF THE CHIEF AIMS OF OUR PUBLIC POLICY MUST BE TO INVOLVE THE PRIVATE SECTOR -- IN ALL ITS DIVERSITY -- IN THE BUSINESS OF BUILDING DEMOCRACY. THAT'S NOT TO SAY THAT THERE IS NO WORK FOR GOVERNMENT TO DO.

→ GOVERNMENT-TO-GOVERNMENT AID IS ESSENTIAL -- ESPECIALLY IN THE FIRST DAYS OF DEMOCRACY, WHEN THE INSTITUTIONS OF FREE GOVERNMENT ARE MOST FRAGILE. / THAT'S WHY WE'VE PUT TOGETHER AID PACKAGES FOR POLAND AND HUNGARY. AND THAT'S WHY I CONTINUE TO URGE CONGRESS TO MOVE OUR ~~NICARAGUA AND PANAMA EMERGENCY AID LEGISLATION OUT OF~~ CONFERENCE AND TO THE FLOOR -- FOR FINAL PASSAGE AS SOON AS POSSIBLE. / IT IS FRUSTRATING TO SEE CONGRESS DELAYING ITS WORK ON THIS LEGISLATION. I CALLED FOR THIS AID ON MARCH 13, AND ASKED THAT IT BE PASSED BY APRIL 5. IN THE HOUSE, ⁸⁰⁰ \$1.5 BILLION IN ~~NON-RELATED~~ ^{some discretion my} SPENDING WAS ADDED. THE SENATE ADDED ANOTHER ~~\$400~~ ^{HALF A BILLION} MILLION, AND IN COMMITTEE, TACKED ON AN ABORTION ^{DOLLARS} PROVISION. NO WONDER THE AMERICAN PEOPLE GET SO FRUSTRATED WITH THE WAY CONGRESS OPERATES.

NICARAGUA AND PANAMA NEED THIS AID. WE'VE GOT TO DELIVER --WE'VE GOT TO SHOW THAT WHEN DEMOCRACY'S AT STAKE, AMERICA ALWAYS EXTENDS A HAND. //

BUT AS I'VE SAID MANY TIMES, GOVERNMENT AID ALONE
IS NOT THE ANSWER. / IT'S MORE THAN A MATTER OF
FINDING ENOUGH FUNDS. IT'S A MATTER OF PRINCIPLE -- OF
WHAT WE MEAN WHEN WE TALK ABOUT BUILDING DEMOCRACY.
THE SIMPLE TRUTH IS THIS: DEMOCRACY -- AND THE
FREEDOMS IT ENSHRINES -- CAN NEVER BE A GIFT OF
GOVERNMENT.

EARLIER THIS YEAR, IN THE STATE OF THE UNION, I
TALKED ABOUT THE CORNERSTONES OF FREE SOCIETY -- THE
BUILDING BLOCKS OF DEMOCRACY. ALL THE ELEMENTS THAT
MAKE AMERICA WHAT IT IS: COMPETITION. OPPORTUNITY.
STEWARDSHIP. PRIVATE INVESTMENT.

THOSE BUILDING BLOCKS ARE WHAT MAKE AMERICA WORK.
MORE THAN THAT -- THEY'RE WHAT MAKE DEMOCRACY WORK.

AND THEY'RE WHAT THE NEWLY EMERGING DEMOCRACIES OF
THIS HEMISPHERE AND IN EASTERN EUROPE NEED TO GROW AND
PROSPER. THINK BACK TO WHAT LECH WALESZA SAID LAST
NOVEMBER, WHEN HE SPOKE TO THE AFL-CIO ABOUT THE NEEDS
OF THE NEW POLAND. "SUCH IS THE FATE OF A POLISH TRADE
UNIONIST," HE SAID, THAT "HE HAS TO LAUNCH A PUBLICITY
CAMPAIGN FOR PRIVATE ENTREPRENEURSHIP."

LECH WALESA TOLD THE CONGRESS HE HADN'T COME TO ASK FOR CHARITY. HE KNEW -- AS WE KNOW -- THAT WE CAN'T CREATE DEMOCRACY BY WRITING A CHECK. WE BUILD DEMOCRACY IN OTHER NATIONS NOT BY TAKING RESPONSIBILITY FOR THEIR NEEDS -- BUT BY HELPING THEM TAKE RESPONSIBILITY FOR THEMSELVES. WE BUILD DEMOCRACY WHENEVER WE HELP INDIVIDUALS TAKE THEIR DESTINY IN THEIR OWN HANDS.

DEMOCRACY PUTS THE FOCUS NOT ON GOVERNMENT -- BUT ON THE FREEDOM OF THE INDIVIDUAL. NOT ON THE STATE, BUT ON SOCIETY -- THE PRIVATE SECTOR. DEMOCRACY THRIVES IN DIRECT PROPORTION TO THE FLOWERING OF INDIVIDUAL FREEDOM AND FREE ENTERPRISE.

AND MY ADMINISTRATION IS DOING ALL IT CAN TO PROMOTE PRIVATE SECTOR DEVELOPMENT. THE COMMERCE DEPARTMENT, UNDER BOB MOSBACHER'S LEADERSHIP, HAS OPENED ITS EASTERN EUROPE BUSINESS INFORMATION CENTER AND, WITH THE CHAMBER, HAS JUST HOSTED A CONFERENCE ON DOING BUSINESS IN EASTERN EUROPE. CARLA HILLS AND HER USTR TEAM HAVE BEEN NEGOTIATING WITH THE EMERGING DEMOCRACIES TO OPEN THE WAY FOR EXPANDED TRADE. AT LABOR, ELIZABETH DOLE IS DIRECTING PROGRAMS ASSISTING POLAND ON KEY ISSUES SUCH AS JOB TRAINING AND UNEMPLOYMENT INSURANCE. AND AT AGRICULTURE, CLAYTON YEUTTER HAS LED OUR EFFORT TO PROVIDE FOOD AID -- AND FREE MARKET EXPERTISE TO SPEARHEAD AGRICULTURAL REFORMS.

BUT TODAY, I WANT TO TURN THE SPOTLIGHT ON ONE OF THE BEST-KEPT SECRETS IN TOWN: AN AGENCY CALLED OPIC -- THE OVERSEAS PRIVATE INVESTMENT CORPORATION.

OPIC'S PROGRAMS HAVE BEEN AROUND SINCE THE DAYS OF THE MARSHALL PLAN, PROVIDING LOANS AND RISK INSURANCE TO AMERICAN COMPANIES EXPANDING INTO MARKETS ACROSS THE DEVELOPING WORLD. HERE'S A FACT I KNOW THIS CROWD WILL APPRECIATE: OPIC IS ONE GOVERNMENT AGENCY THAT ACTUALLY TURNS A PROFIT. // TODAY ESPECIALLY, OPIC IS AS AN IMPORTANT TOOL IN OUR OVERALL APPROACH TO HELP THE WORLD'S EMERGING DEMOCRACIES SUSTAIN THEMSELVES.

BUT WE'VE GOT TO BE REALISTIC. ECONOMIC GROWTH WON'T COME OVERNIGHT. EASTERN EUROPE SUSTAINED FOUR DECADES OF ECONOMIC DECAY. HERE IN OUR OWN HEMISPHERE, YEARS OF DICTATORSHIP IN NICARAGUA DROVE ITS ECONOMY INTO THE GROUND -- DESTROYED THE BASIC COMMERCIAL INFRASTRUCTURE THAT MAKES GROWTH POSSIBLE.

BUT WITH THE EMERGENCE OF DEMOCRACY, THESE NATIONS ARE WORKING ROUND THE CLOCK TO JUMP-START THEIR STALLED ECONOMIES --TO MAKE THE FUNDAMENTAL CHANGES NEEDED TO CREATE A FUNCTIONING FREE MARKET. FOR DEMOCRACY'S SAKE -- WE'VE GOT TO DO ALL WE CAN TO HELP THIS TRANSITION TAKE PLACE.

LET ME TELL YOU WHAT OPIC'S DOING TO STRENGTHEN THE FREE MARKET FOUNDATIONS OF DEMOCRACY IN PANAMA. JUST 60 DAYS AFTER OPERATION JUST CAUSE, OPIC LED AN INVESTMENT MISSION OF 27 AMERICAN BUSINESSPEOPLE TO MEET WITH THEIR COUNTERPARTS IN PANAMA. THE INVESTMENT AGREEMENTS THAT CAME OUT OF THAT 7-DAY MISSION SHOULD LEAD TO THE DIRECT INVESTMENT OF MORE THAN \$70 MILLION DOLLARS IN PANAMA, AND 400 NEW JOBS.

HERE'S THE STORY OF ONE COMPANY THAT TOOK PART IN THAT OPIC MISSION: SERVRITE INTERNATIONAL -- A SMALL DAIRY COMPANY, BASED IN NEW HAVEN, CONNECTICUT. SERVRITE HAD PLANS TO INVEST IN PANAMA -- PLANS IT ABANDONED BECAUSE OF THE OLD REGIME. NOW, WITH THE RETURN OF DEMOCRACY, SERVRITE IS MOVING FORWARD -- BUILDING A MODERN MILK PROCESSING PLANT IN THE RURAL PROVINCE OF CHIRIQUI. // THE PROJECT WILL CREATE 50 NEW JOBS, AND PROVIDE TECHNICAL ASSISTANCE TO HELP 30 PANAMANIAN DAIRY FARMERS GET THEIR MILK TO MARKET. FOR SERVRITE, THIS IS A GOOD BUSINESS OPPORTUNITY. BUT FOR THE PANAMANIAN INVOLVED, IT'S MORE THAN JUST A PAYCHECK. IT'S A CHANCE TO BUILD A FUTURE. //

WE'RE LOOKING TO CREATE THE SAME KIND OF OPPORTUNITIES FOR INVESTMENT IN NICARAGUA -- AND OF COURSE, BEYOND OUR OWN HEMISPHERE, IN EASTERN EUROPE. AS WE SPEAK, OPIC'S PRESIDENT, MY GOOD FRIEND FRED ZEDER, A VERY SUCCESSFUL BUSINESSMAN IN HIS OWN RIGHT -- IS LEADING A MISSION TO HUNGARY AND POLAND -- PLAYING MATCHMAKER TO 43 AMERICAN CORPORATIONS AND A FAR LARGER NUMBER OF EASTERN EUROPE'S ASPIRING ENTREPRENEURS.

MOST OF YOU KNOW ABOUT THE \$150 MILLION DOLLAR DEAL BETWEEN GENERAL ELECTRIC AND HUNGARY'S LARGEST ELECTRIC ENTERPRISE, TUNGSRAM -- WHAT YOU MAY NOT KNOW IS OPIC'S LEADING ROLE IN MAKING THAT INVESTMENT POSSIBLE. THAT'S JUST A FRACTION OF THE INTEREST GENERATED SO FAR: ALREADY, OPIC HAS RECEIVED REQUESTS REPRESENTING MORE THAN \$2 BILLION DOLLARS WORTH OF AMERICAN INVESTMENT IN HUNGARY AND POLAND ALONE. THE POTENTIAL FOR GROWTH -- AND THE DIVIDENDS FOR DEMOCRACY -- ARE BOTH GREAT.

YOU MAY HAVE HEARD ABOUT SOME OF JAPAN'S NEW JOINT VENTURES IN EASTERN EUROPE -- SUZUKI'S PLAN TO BUILD CARS IN HUNGARY, OR DAIHATSU'S DEAL TO DO THE SAME IN POLAND. // THERE'S NOTHING UNFAIR ABOUT THESE VENTURES -- JUST PROOF THAT ONE OF OUR KEY COMPETITORS IS ENGAGED IN A HARD-NOSED HUNT FOR GOOD OPPORTUNITIES IN A NEW MARKET.

I'VE SAID IT BEFORE AND I'LL SAY IT NOW: AMERICAN BUSINESS CAN OUT-THINK, OUT-WORK, AND OUT-PERFORM ANY NATION IN THE WORLD. BUT WE CAN'T BEAT THE COMPETITION IF WE DON'T GET IN THE GAME. // IF AMERICAN BUSINESS WANTS TO KEEP AHEAD OF THE COMPETITION, THE TIME TO ACT IS NOW. //

GOVERNMENT MUST ACT TOO -- TO HELP ENERGIZE THE PRIVATE SECTOR. / TODAY, I'M ANNOUNCING A NEW INITIATIVE -- UNDER OPIC'S AUSPICES -- TO ESTABLISH AN EASTERN EUROPEAN GROWTH FUND. A MAGNET FOR THE KIND OF INVESTMENT CAPITAL THAT CAN CREATE SELF-SUSTAINING GROWTH AND RESPONSIBLE DEVELOPMENT. // THIS FUND WILL BE PRIVATELY MANAGED -- UNDERWRITTEN, IN PART, BY OPIC AND BACKED BY ITS POLITICAL RISK INSURANCE -- WITHIN EXISTING BUDGET AUTHORITIES. WHEN FULLY CAPITALIZED AT \$200 MILLION DOLLARS, THIS FUND WILL PROVIDE A SIGNIFICANT SOURCE OF NEW CAPITAL FOR PROMISING ECONOMIC VENTURES.

I KNOW THE CHAMBER IS ALREADY INVOLVED IN EXPANDING FREE MARKET FORCES. I'VE HEARD ABOUT YOUR NEWLY-CREATED EAST EUROPEAN TRADE AND TECHNICAL ASSISTANCE CENTER -- AND ABOUT THE NEW AMERICAN CHAMBER OF COMMERCE IN BUDAPEST. //

YOU ARE HELPING MILLIONS OF PEOPLE REALIZE THEIR DREAM OF DEMOCRACY. IT WILL BE A TREMENDOUS STRUGGLE -- MEASURED NOT IN DAYS OR MONTHS, BUT YEARS. BUT WHAT I'VE SEEN ON MY VISITS TO POLAND AND HUNGARY -- AND WHAT I'VE LEARNED IN MY CONVERSATIONS WITH THE NEW LEADERS OF NICARAGUA AND PANAMA -- IS THAT ALL THE YEARS OF DESPOTIC RULE HAVE NOT CRUSHED THE HUMAN SPIRIT. //

THESE PEOPLE ARE DETERMINED -- FULL OF HOPE AND DREAMS. AND NOW -- THEY'RE FREE.

AND IF OUR AMERICAN EXAMPLE TEACHES ANYTHING -- IT TEACHES THAT FREEDOM IS THE WORLD'S MOST POWERFUL FORCE. ///

IT'S BEEN A PRIVILEGE TO SPEAK TO ALL OF YOU TODAY. THANK YOU -- AND MAY GOD BLESS THE UNITED STATES OF AMERICA.

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McGroarty/Dooley
April 26, 1990
6:00 pm
[comm.90]

PRESIDENTIAL REMARKS: U.S. CHAMBER OF COMMERCE
CONSTITUTION HALL
APRIL 30, 1990
10:00 A.M.

Thank you. It's always a pleasure to meet with this high-powered group. I want to acknowledge outgoing Chairman John Clendenin for the leadership he's shown this past year. / Incoming Chairman James Baker -- and no, it's not a Cabinet shake-up: I'm talking about James K. Baker -- who will carry the Chamber's fine tradition forward into this new decade. Let me say hello to Dick Leshner, President of the Chamber of Commerce.

And finally, let me welcome our special guests -- the schoolchildren here today from all around the Washington area, right here in front. I know you've been looking forward to today for a long time. // After all, it's not every day you get out of math and spelling. //

I know it isn't easy to understand all the things we're talking about this morning. But there is one thing I'm sure you can understand. You're here because you are important -- because when you grow up, you might just run your own business, like the people here. Or maybe you'll even run for President -- and believe it or not, I was once a Second Grader, just like you are now. // So today I want to challenge all of you: keep working hard in school. Do your very best. // And I want to

challenge the Chamber of Commerce as well. Keep up your crusade for excellence in education. Help us make that classroom a place where miracles happen. ///

And before I go any further, I want to thank the Chamber of Commerce for its support on an issue essential to our nation's economic future. Last week, I sent to Congress a three point plan for budget reform: One, supporting the Legislative Line-Item Veto Act. Two, proposing an amendment to the Constitution to provide the President a line-item veto. And three, endorsing a balanced budget amendment. // The Chamber -- together with other organizations in the Coalition for Fiscal Responsibility -- has been on the front lines of the battle for budget reform. I ask you now to push hard for this three point plan. The time has come to put our fiscal house in order. //

John Clendenin mentioned in his speech the whirlwind of change we've seen this past year. Last year, I spoke to you on May 1 -- May Day -- by tradition one of the great days of celebration in the socialist world. I said then that even the socialist world was coming to see that socialism wasn't just another economic system -- it was the death of economics.

That much was clear. What none of us could see on the eve of May Day '89 was how close we had come to the wholesale collapse of communism.

First in Poland, then across Eastern Europe -- one nation after another broke the stranglehold of the State, and embraced

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democracy. Here in our own hemisphere, in Panama and Nicaragua, the day of the dictator gave way to the decade of democracy. //

These transforming events brought freedom to tens of millions of people. Democracy is premised on individual freedom. And with that freedom comes new challenges: Digging out from under the wreckage of ruined economies. Reclaiming rights and freedoms long denied. Everywhere from Prague to Panama City, the time has come to make a start in the difficult work of democracy-building and economic restructuring.

It's that challenge that I want to talk about today. And it's a challenge that can engage every one of you -- because you and the institutions you represent are proof of the power of the private sector. // Democracy prospers when it rests on the firm foundation of the free market.

Think about that. What it means is that one of the chief aims of our public policy must be to involve the private sector -- in all its diversity -- in the business of building democracy.

That's not to say that there is no work for government to do. Government-to-government aid is essential -- especially in the first days of democracy, when the institutions of free government are most fragile. / That's why I continue to urge Congress to move our Nicaragua and Panama emergency aid legislation out of conference and to the floor -- for final passage as soon as possible. // That's why we've already put together aid packages for Poland and Hungary. When democracy's at stake, America always extends a hand. //

But as I've said many times, government aid alone is not the answer. / It's more than a matter of finding enough funds. It's a matter of principle -- of what we mean when we talk about building democracy.

The simple truth is this: Democracy -- and the freedoms it enshrines -- can never be a gift of government.

Earlier this year, in the State of the Union, I talked about the cornerstones of free society -- the building blocks of democracy. All the elements that make America what it is: Competition. Opportunity. Stewardship. Private investment.

Those building blocks are what make America work. More than that -- they're what make democracy work.

And they're what the newly emerging democracies of this hemisphere and in Eastern Europe need to grow and prosper. Think back to what Lech Walesa said last November, when he spoke to the AFL-CIO about the needs of the new Poland. "Such is the fate of a Polish trade unionist," he said, that "he has to launch a publicity campaign for private entrepreneurship."

Lech Walesa told the Congress he hadn't come to ask for charity. He knew -- as we know -- that we can't create democracy by writing a check. We build democracy in other nations not by taking responsibility for their needs -- but by helping them take responsibility for themselves. We build democracy whenever we help individuals take their destiny in their own hands.

Democracy puts the focus not on government -- but on the freedom of the individual. Not on the State, but on society --

the private sector. Democracy thrives in direct proportion to the flowering of individual freedom and free enterprise.

And my Administration is doing all it can to promote private sector development. The Commerce Department -- under Bob Mosbacher's leadership -- has opened its Eastern Europe Business Information Center and, with the Chamber, has just hosted a conference on doing business in Eastern Europe. Carla Hills and her USTR team have been negotiating with the emerging democracies to open the way for expanded trade. At Labor, Elizabeth Dole is directing programs assisting Poland on key issues such as job training and unemployment insurance. And at Agriculture, Clayton Yeutter has led our effort to provide food aid -- and free market expertise to spearhead agricultural reforms.

But today, I want to turn the spotlight on one of the best-kept secrets in town: an agency called OPIC -- the Overseas Private Investment Corporation.

OPIC's programs have been around since the days of the Marshall Plan, providing loans and risk insurance to American companies expanding into markets across the developing world. And here's a fact I know this crowd will appreciate: OPIC is one government agency that actually turns a profit. // Today, after years of being overlooked, OPIC is coming into its own -- as an important tool in our overall approach to help the world's emerging democracies sustain themselves.

We've got to be realistic. Economic growth won't come overnight. The newly-formed democracies of Eastern Europe have

sustained four decades of economic decay. Here in our own hemisphere, years of dictatorship in Nicaragua drove its economy into the ground -- destroyed the basic commercial infrastructure that makes growth possible.

But with the emergence of democracy, fundamental changes are taking place. These nations are working round the clock to jump-start their stalled economies -- to create conditions for a functioning free market. And for democracy's sake -- we've got to do all we can to help this transition take place.

Let me tell you what OPIC's doing to strengthen the free market foundations of democracy in Panama. Just 60 days after Operation Just Cause, OPIC led an investment mission of 27 American businesspeople to meet with their counterparts in Panama. The investment agreements that came out of that 7-day mission should lead to the direct investment of more than \$70 million dollars in Panama, and 400 new jobs.

Here's the story of one company that took part in that OPIC mission: Servrite International -- a small dairy company, based in New Haven, Connecticut. Servrite has had plans to invest in Panama -- plans it abandoned because of the old regime. Now, with the return of democracy, Servrite is moving forward with plans to build a modern milk processing plant in the rural province of Chiriqui. // The project will create 50 new jobs, and provide American technical assistance to help 30 Panamanian dairy farmers get their milk to market. For Servrite, this is a good business opportunity. But for the Panamanians involved in

the project, it's more than just a paycheck. It's a chance to build a future. //

We're looking to create the same kind of opportunities for investment in Nicaragua, where an OPIC mission is planned for early June. / And of course, beyond our own hemisphere, there is a need for this kind of private investment in Eastern Europe. // As we speak, OPIC's President, my good friend Fred Zeder, is leading an investment mission to Hungary and Poland -- playing matchmaker to 44 American corporations and a far larger number of Eastern Europe's aspiring entrepreneurs.

Most of you know about the \$150 million dollar deal between General Electric and Hungary's largest electric enterprise, Tungfram -- what you may not know is OPIC's leading role in making that investment possible. And that's just a fraction of the interest generated so far: already, OPIC has received requests representing **more than \$2 billion dollars worth of American private sector investment in Hungary and Poland alone.**

The potential for growth -- and the dividends for democracy -- are both great. //

You may have heard about some of Japan's new joint ventures in Eastern Europe -- Suzuki's plan to build cars in Hungary, or Daihatsu's deal to do the same in Poland. // There's nothing **unfair** about these ventures -- just proof that one of our key competitors is engaged in a hard-nosed hunt for good opportunities in a new market.

I've said it before and I'll say it now: American business can out-think, out-work, and out-perform any nation in the world. But we can't beat the competition if we don't get in the game. // If American business wants to keep ahead of the competition, the time to act is now. //

Government must act too -- to help energize the private sector. // Today, I'm announcing a new initiative -- under OPIC's auspices -- to establish an Eastern European Growth Fund. A magnet for the kind of investment capital that can create self-sustaining growth and responsible development.

This fund will be privately managed -- underwritten, in part, by OPIC and backed by its political risk insurance -- within existing budget authorities. When fully capitalized at \$200 million dollars, the Eastern European Growth Fund will provide a significant source of new capital for promising economic ventures.

I know many of you are already involved in the economies of the countries I've been speaking about. John Clendenin mentioned your newly-created East European Trade and Technical Assistance Center -- and I also know an American Chamber of Commerce was recently established in Budapest.

You are making history -- helping millions of people realize their dream of democracy. It will be a tremendous struggle -- a struggle measured not in days or months, but years. But what I've seen on my visits to Poland and Hungary -- and what I've learned in my conversations with the new leaders of Nicaragua and

Panama -- is that all the years of despotic rule **have not crushed the human spirit.**

These people are determined -- full of hope and dreams. And now -- they're free.

And if our American example teaches anything -- it teaches that freedom is the world's most powerful force. ///

It's been a privilege to speak to all of you today. Thank you -- and may God bless the United States of America.

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McGroarty/Dooley
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[comm.90]

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But with the emergence of democracy, fundamental changes are taking place. These nations are working round the clock to jump-start their stalled economies -- to create conditions for a functioning free market. And for democracy's sake -- we've got to do all we can to help this transition take place.

Let me tell you what OPIC's doing to strengthen the free market foundations of democracy in Panama. Just 60 days after Operation Just Cause, OPIC led an investment mission of 27 American businesspeople to meet with their counterparts in Panama. The investment agreements that came out of that 7-day mission should lead to the direct investment of more than \$70 million dollars in Panama, and 400 new jobs.

Here's the story of one company that took part in that OPIC mission: Servrite International -- a small dairy company, based in New Haven, Connecticut. Servrite has had plans to invest in Panama -- plans it abandoned because of the old regime. Now, with the **return of democracy**, Servrite is moving forward with plans to build a modern milk processing plant in the rural province of Chiriqui. // The project will create **50 new jobs**, and provide American **technical assistance** to help 30 Panamanian dairy farmers get their milk to market. For Servrite, this is a good business opportunity. But for the Panamanians involved in the project, it's more than just a paycheck. It's a chance to build a future. //

We're looking to create the same kind of opportunities for investment in Nicaragua, where an OPIC mission is planned for early June. / And of course, beyond our own hemisphere, there is a need for this kind of private investment in Eastern Europe. // As we speak, OPIC's President, my good friend Fred Zeder, is leading an investment mission to Hungary and Poland --playing matchmaker to ~~30~~⁴⁴ American corporations and a far larger number of Eastern Europe's aspiring entrepreneurs.

Most of you know about the \$150 million dollar deal between General Electric and Hungary's largest electric enterprise, Tungsram -- what you may not know is OPIC's leading role in making that investment possible. And that's just a fraction of the interest generated so far: already, OPIC has received requests representing **more than \$2 billion dollars worth of American private sector investment in Hungary and Poland alone.**

The potential for growth -- and the dividends for democracy -- are both great. //

You may have heard about some of Japan's new joint ventures in Eastern Europe -- Suzuki's plan to build cars in Hungary, or Daihatsu's deal to do the same in Poland. // There's nothing **unfair** about these ventures -- just proof that one of our key competitors is engaged in a hard-nosed hunt for good opportunities in a new market.

I've said it before and I'll say it now: American business can out-think, out-work, and out-perform any nation in the world. **But we can't beat the competition if we don't get in the game.**

// If American business wants to keep ahead of the competition, the time to act is now. //

Government must act too -- to help energize the private sector. // Today, I'm announcing a new initiative -- under OPIC's auspices -- to establish an Eastern European Growth Fund. A magnet for the kind of investment capital that can create self-sustaining growth and responsible development.

This fund will be privately managed -- underwritten, in part, by OPIC and backed by its political risk insurance -- within existing budget authorities. When fully capitalized at **\$200 million dollars**, the Eastern European Growth Fund will provide a significant source of new capital for promising economic ventures.

I know many of you are already involved in the economies of the countries I've been speaking about. John Clendenin mentioned your newly-created East European Trade and Technical Assistance Center -- and I also know ^{an American} ~~the~~ Chamber of Commerce ~~just opened its newest international office~~ ^{was recently established} in Budapest.

You are making history -- helping millions of people realize their dream of democracy. It will be a tremendous struggle -- a struggle measured not in days or months, but years. But what I've seen on my visits to Poland and Hungary -- and what I've learned in my conversations with the new leaders of Nicaragua and Panama -- is that all the years of despotic rule **have not crushed the human spirit.**

These people are determined -- full of hope and dreams. And now -- they're free.

And if our American example teaches anything -- it teaches that freedom is the world's most powerful force. ///

It's been a privilege to speak to all of you today. Thank you -- and may God bless the United States of America.

#

THE WHITE HOUSE
WASHINGTON

9:05

PD -

Bill Keller
U.S. Chamber

463-5533

Off for
Workforce Prep
Quality
Educ.

Susan Cousins
U.S. Chamber
463-5503

U.S. Chamber of Commerce
1615 H. St. NW
Washington, DC 20062

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(Draft Speech (10 pp))

FAX NO.: 456-6218

2700

FROM: Rick Brauer

FAX NO.: 463-5836

463-5533

Bill Keller

ORIGINATOR: _____

Countdown

Annual Meeting

U.S. CHAMBER OF COMMERCE

APRIL 29-MAY 1, 1990

WASHINGTON, D.C.

Sessions/Speakers Update

Sunday, April 29

1 p.m. Tour of U.S. Chamber Building.

1:30 p.m. Action Forums:
Your Legislative Calendar—Emerging Issues.

• **Health Insurance: Big Headache for Small Business.**
Moderator: *Frederick J. Krebs, Manager, Business-Government Policy Department, U.S. Chamber.*
Participants: *Monica McFadden, Professional Staff, The Pepper Commission; Fredric Rohm, President, New Castle (Del.) County Chamber of Commerce; Hazel White, Assistant Chief Counsel, Small Business Administration.*

• **Child Care: Do We Want a Federally-Mandated Nanny?**
Moderator: *Terrl Neese, Director, Small Business, Oklahoma State Chamber of Commerce and Industry.*
Participants: *Dr. Earl Hess, President, Lancaster Laboratories, Inc.; Marilyn Higgins-Rohde, Senior Vice President, Greater Syracuse (N.Y.) Chamber of Commerce; William Tobin, Director of Government Affairs, National Child Care Association.*

• **Solid Waste Disposal: The Garbage Glut and Economic Development.**
Moderator: *Dr. Harvey Aber, Manager, Resources Policy Department, U.S. Chamber.*
Participants: *Ronald Nelson, Director, Hazardous and Solid Waste Management Administration, Maryland Department of the Environment; Ronald S. Schimmel, Chairman, Economic Development Committee Howard County (Md.) Chamber of Commerce.*

3 p.m. Television Taping: *It's Your Business. America's Future: How Do We Pay for It?*

4:30 p.m. Welcome Reception/Buffer.

Monday, April 30

6:45 a.m. Business Breakfast.
The 1990 Elections: Succeeding When Political Power Shifts.
Moderator: *Meryl Comer, Vice President, Communications Development, U.S. Chamber.*
Panelists: *David Gergen and Mark Shields, Chief Political Correspondents, MacNeil-Lehrer Newshour; Edward J. Rollins, Co-Chairman, National Republican Congressional Committee. Also Scheduled: A Democratic Party representative.*

9 a.m. First General Session at Constitution Hall.
Education: Key to the Future.
Address: *The Honorable George Bush, President of the United States.*
Presiding Officer: *John L. Clendenin, Chairman, U.S. Chamber; Chairman of the Board and Chief Executive Officer, BellSouth Corporation.*

Register today! Ticket prices increase April 2.

U.S. CHAMBER OF COMMERCE

1615 H STREET, N.W.

WASHINGTON, D.C. 20062

Passport to the 21st Century

Andy Bisset
403-5685



For More Information:
Meeting Registrations
301/468-5120

Hotel Reservations
202/483-3000

Program/Sessions
202/463-5564

Def Budget Issues - Congress

12 Noon

Federation Luncheon.

Global Politics and Economics: The Trend Toward Democracy.

Address: *The Honorable Richard B. Cheney, Secretary of Defense.*

Moderator: *Dr. Carl Grant, Group Vice President, Communications, U.S. Chamber.*

Panelists: *William Archey, Vice President, International, U.S. Chamber; U.S. Rep. Dante Fascell (D-Fla.); U.S. Senator Richard G. Lugar (R-Ind.).*

2:30 p.m.

Second General Session.

Managing the Future: Will You Be Ready for the Year 2000?

Speaker: *David Pearce Snyder, Consulting Futurist.*

Moderator: *Larry Butler, Financial Correspondent.*

Panelists: *Patrick Choate, Vice President for Policy Analysis, TRW; Anthony Downs, Senior Fellow, The Brookings Institution; Frank Smith, President, Greater Detroit Chamber of Commerce.*

7 p.m.

Delegate Reception.

8 p.m.

Gala Annual Dinner/Dance. with Crystal Gayle.

Tuesday, May 1

7 a.m.

Federation Breakfast.

A Dialogue with the U.S. Chamber's Chairman and President.

Moderator: *Meryl Comer, Vice President, Communications Development, U.S. Chamber.*

Speakers: *James K. Baker, Incoming Chairman, U.S. Chamber; Chairman and Chief Executive Officer, Arvin Industries, Inc.; Dr. Richard L. Leshner, President, U.S. Chamber of Commerce.*

9:30 a.m.

Action Forums:

Your Organization's Future—Managing into the 21st Century.

•Communications: Managing Your Message.

Moderator: *Barrell King, Director, Media Relations, U.S. Chamber of Commerce.*

Participants: *Thomas Hobson, Communications Consultant, Detroit, Michigan; Billy P. Mitchell, CCE, Manager, Office of Chamber of Commerce Relations, U.S. Chamber; Keith Woods, President, Santa Rosa (Calif.) Chamber of Commerce.*

•World Trade: Expanding Your Markets.

Moderator: *Paul Ellsworth, CCE, President, Metropolitan Richmond (Va.) Chamber of Commerce.*

Participants: *David P. Cordeau, President, Duluth (Minn.) Chamber of Commerce; Mark Van Fleet, Director, Export Expansion, U.S. Chamber.*

•Education: Preparing Our Youth.

Moderator: *Robert Martin, Executive Director, Employers Center for Workforce Preparation and Quality Education.*

Participants: *George Evans, IBM Executive in Residence, Iacocca Institute, Lehigh University; Margaret LaRoe, Senior Vice President, Florida Chamber of Commerce; Thomas T. Mooney, President, Rochester (N.Y.) Chamber of Commerce.*

All speakers listed are confirmed. Some sessions will add additional speakers prior to Annual Meeting.

**Register today by returning the enclosed Registration Forms to:
1990 Annual Meeting, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062
Ticket prices increase April 2.**

DRAFT

John L. Clendenin
Chairman of the Board
1990 Annual Meeting
Keynote Address

Final

I want to offer a special thanks to this wonderful Marine Corps band which has once again dazzled us with its remarkable skill. Somehow they always come up with a program better than the year before. Aren't they marvelous? Let's give them another warm hand.

Also, I want to thank you--each and every one of you--for the honor you have bestowed upon Ann and me. For the past year, as your representatives, we have traveled hither and yon around the United States, as well as to Asia and Europe, visiting chambers of commerce, and other business and civic groups.

During our travels, Ann and I have met many delightful people in the chamber of commerce movement, interesting people who radiate energy and concern for the future of our country. It has been a fascinating and educational experience. Meeting so many dedicated, intelligent, and ambitious people made it clear to us that our country has the character and integrity to deal with whatever problems come our way. This has been a wonderful year, a year we will never forget.

My basic message, delivered on your behalf, has been one of optimism, hope, and eagerness to accept challenge. We hear and read much these days about what is wrong with our country. In the clamor of bad news, it is easy to lose sight of the bigger picture. Yes, we all

realize the United States has many serious problems that require attention. We understand that if our country is to remain competitive into the 1990s--and I mean really competitive with the vigorous economic powers of Asia and Europe--we are going to have to buckle down to work harder, both mentally and physically.

Still, there is no reason for us to lose heart, or waver before the challenge. There is a lot of good news to report, promising developments that suggest strongly our country is rising to the task. We are not down and out, not by a long shot.

For example, we still boast the world's largest economy. We are the biggest and getting bigger. We continue to enjoy the longest economic expansion in our history, 89 months and counting. Unemployment and interest rates remain low, while capital investment is rising. That is good news.

Not only are we the world's largest economy, but last year we reasserted ourselves as the world's largest exporter. Some three years before we had lost that title to West Germany. But the people of the United States are not accustomed to playing second fiddle to anyone. During the 1980s, we came to realize we were in a new ball game, that our position of economic leadership was in jeopardy. We got serious about streamlining our industry. We are setting new records in efficiency and productivity.

Yes, we still have a long way to go, we still have a lot to do. But we are not sitting on our hands. We are making real progress all across the board.

Our country is rich in natural resources, but by far our most vital and important resource is the American people. We believe in the future, and that this country, whatever its flaws, still has the best

formula for tapping individual potential and producing collective success.

Things like faith in the future and freedom to pursue dreams don't show up in economic statistics, but they are important factors nonetheless. I believe they are the most important factors of all.

Our values constitute the real genius of America, and that basic truth is at long last being recognized by the communist world. The communists realize our success is a natural outgrowth of our values.

The dramatic events now unfolding in Eastern Europe have left the entire world breathless. Can you imagine what the reaction would have been had President Bush, when he spoke to us here in this hall one year ago, predicted the collapse of communist regimes in the Eastern bloc within a few months? Or if he had said that by the time we met here again today that the Soviet Union would have legalized private enterprise? Or if he had claimed the Soviets would soon disavow one party rule of their country, adopting in its place a Constitution based upon our own?

Many commentators would have said our President had lost his senses. Yet in the short year that has passed since we last met, the world has acquired a new face.

The communists are in effect admitting we were right all along, that our system based upon individual freedom--political and economic freedom--is superior to theirs. They are confessing before the world that the communist ideology they have been trying to force upon the world for the greater part of this century is a failure.

The task now is to ratify and consolidate this victory. The free world must help the people of Eastern Europe build free political

and economic systems upon the ruins of communism. It will be no simple undertaking. You cannot undo overnight the economic folly of a generation. The industrial infrastructure of the communist world is hopelessly inefficient and out of date. Their transportation networks are primitive by our standards. Their technology is trapped in the 1950s. Worst of all, their people have lost their sense of personal initiative and ambition. Those fires must somehow be restoked.

To help build free political and economic systems upon such a shaky foundation will require great effort and imagination. The U.S. Chamber of Commerce is well out front in this campaign with our newly-created East European Trade and Technical Assistance Center. Through the Center, we are advising the governments of the Eastern nations how to adopt free markets. We also are helping U.S. firms link up with investment opportunities now opening up in that part of the world.

Over a period of many years, we exposed the folly of socialism. At the same time, we have worked to establish positive links with the victims of socialism, preparing for the future that is now at hand. And today we are taking the lead in helping those countries recover. We can all take pride in our record in this great drama, and we can all take pride in the work the U.S. Chamber is doing today. We are doing our part, and then some.

It is no mere happenstance that the fatal flaws of central economic planning have been drawn in such stark relief during these times. Our age is one characterized by swiftly advancing technologies that have transformed the workplace and world commerce.

John Scully, the chairman and chief executive officer of Apple Computer, points out that in 1975, the year before Apple was founded,

there were only 50,000 computers in the world. Now 50,000 computers are sold every day. Just imagine that--50,000 computers per day. For banks, for factories, for insurance companies, for grocery and department stores, for law offices, for hardware and auto parts stores, for every line of work, for schools and offices and homes. This is a technological revolution remaking every aspect of the way we work and live.

It's this explosion of technology, and all the accompanying changes it has wrought in the world economy, that left the planned economies trailing in the dust. They were always rigid and unresponsive to change, and the rapid pace of change today has magnified that defect. The planned economies simply didn't have a chance to match our progress.

The gap between us--the vast chasm between the free market economies and the planned economies--could no longer be hidden or explained away. You can't keep promising people that the land of milk and honey lies just on the other side of the next five year plan--and then fail to deliver. Sooner or later, reality catches up with you.

It's this backdrop of change--change in the planned economies and the knitting together of the world economy--against which we can view our own political and economic challenges.

The foremost challenge before us, of course, is that of competitiveness. While we can take satisfaction in our ideological triumph over communism, we have no time to celebrate, and certainly no room for complacency. The modern world increasingly is becoming one marketplace. We are beset by intense competition on every side. To maintain our economic place in the world, and our standard of living, it is imperative that we double and redouble our efforts to achieve

ever higher levels of efficiency and productivity.

We have in fact been doing that throughout the 1980s. That is why our economy is still the largest in the world. That is why we are in our 89th consecutive month of economic growth. That is how we were able to reassert our lead as the world's largest exporter.

But the question that the best bosses always ask their employees--the question my board of directors frequently asks me--is not what did you do for us yesterday. The question is--what are you doing for us today? What are your plans for tomorrow?

Our achievements of the 1980s are history. The question now is what we will do in the 1990s.

The challenge remains the same. To become ever more competitive. To do that, we must constantly strive to higher and higher levels of efficiency and productivity. The Japanese never quit trying to do it better. The Germans never stop trying to do it better. And we can never stop trying to do it better.

There are many pieces to the competitiveness puzzle, and I have addressed them during the past year. We need more responsible fiscal policies by our government, in particular less wasteful spending. We need laws and regulations that encourage investment and economic growth. We need to restrain our national preoccupation with litigation. We need trade policies that promote a level playing field to keep open the lanes of international commerce.

But when I consider the challenge of competitiveness, there is one core issue I return to again and again, the one all-important issue which will make or break us in the long run.

That issue is education.

I am reminded of a story told by Dr. George Washington Carver,

the great scientist whose remarkable discoveries remade southern agriculture. Dr. Carver was born to slavery. It is more than a little ironic that one so cruelly abused by the Old South should step forward and, through sheer force of intellect, lay the groundwork for the New South.

Dr. Carver was a religious man. He liked to tell a story of how, as a small boy, he implored God to share cosmic secrets with him. "Teach me the secrets of the universe," he prayed.

According to Dr. Carver, the creator deemed this request somewhat impertinent. "Now George," God replied, "that is something only for me to know."

So he thought a while, and then he prayed again. He prayed, "Well then, God, teach me the secrets of the peanut."

And according to Dr. Carver, God smiled down upon him, saying, "Now that, George, is a little more your size."

It was education that enabled a boy born to slavery to overcome his humble beginnings and reach for the stars. Many years have passed since then, and many things have changed. But one thing that has not changed is the importance of education. There are millions of young Americans today who are scarcely better off than Dr. Carver was in his childhood. Education is their key to freedom and achievement, as it was for him.

Education is all-important to them and it is essential to the future of this country. As your chairman, I have spoken to many great issues of our time, matters about which experts disagree, questions which politicians fight over in long-winded debates. But like Dr. Carver, I have carried one little item in my knapsack that I know inside and out, backwards and forwards, and about which I am

absolutely certain. I know beyond a shadow of a doubt that education is absolutely critical to the future of this nation.

If we aspire to be the world's premier economy and society in the 1990s and beyond, we have to do a better job in the classroom. That is where competitiveness starts. Not in my boardroom, or the boardroom of General Motors, or IBM, or USX, or any other corporate headquarters. It's in the classroom where kids learn to read and write and think, where they reinforce curiosity about everything around them, from the way we organize ourselves politically and economically, to the mysterious magic of the computer chip.

The technologies driving our economy today, quite simply, require more educated workers. My company, for example, like so many today, is built on incredibly sophisticated technologies. What a contrast I see from when I started in the business back in Illinois right after I graduated from Northwestern.

In fact, what a difference from a decade ago! Not so many years back, our people in the field needed nothing much more complex than a screwdriver and lineman's pliers. Today, they work with the intricacies of fiber optic cable, and they routinely maintain and use the most sophisticated computers.

The pace of advances in technology far outstrips the pace of improvements in education. The gap between the two is frightening. Our nation is especially deficient in math and science. Fifty percent of all public school students in Japan perform better than the top five percent of American students. A majority of doctoral degrees in math and science granted by American universities goes to foreign students. In chemistry and physics, our best students rank near the bottom among the best students from 13 countries.

All this is not encouraging. Math and science are at the heart of today's technologies, the ones that make possible what we call the Global Economy, the ones you and I use every day. Advances in computers, in manufacturing technologies, in telecommunications, medicine, even agriculture--all these things hinge on math and science.

We Americans have grown accustomed to being number one. The world's top economy; the leader of the free world. It just seems like a natural state of affairs.

But we cannot assume that because the 20th century has been the American century, so too will the 21st century. We're facing global competition like nothing we have seen before. We can expect even more intense competition in the future.

The world economy is built on information and communications; it's an economy built on high technology and complex skills. In short, it's an economy built on education.

And in the classroom, where we're lagging behind, our competitors in the Pacific rim and Europe are running educational marathons. They are using top-notch education as a springboard to new technologies and better consumer products.

We know we can compete with the best they have to offer. We have proven it time and time again. And now that we understand what we are up against, we must recommit ourselves to educational excellence.

In my travels around the country, I have seen how Americans are rising to meet this challenge. I am greatly encouraged. I am especially encouraged by the rising level of business involvement in education. Business people understand better than anyone, even better than professional educators, the nature of the challenge our country

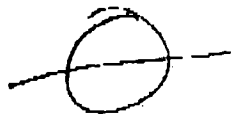
is up against. We know what subjects and values our young people need to learn. Best of all, business people are brimful of ideas and plans for improving education. All around this country, chambers of commerce are actively working with local school systems to motivate young people to greater academic excellence. This is a wonderful trend that augurs well for our future.

The U.S. Chamber has set up the Center for Workforce Preparation and Quality Education to support this national campaign. I urge you all, if you haven't already, to become a part of this network, to become more involved in education. The future of American business depends on it.

The future of America depends on it.

Aristotle was once asked what difference there was between an educated man and an uneducated one. "As much," he replied, "as between the living and the dead." Education makes us easy to lead, but impossible to drive. It makes us easy to govern, but impossible to enslave. It lifts us from the basic preoccupation of living to the divine contemplation of life. It is education that upon this remote shore forged one culture from a hodge-podge of races, nationalities and languages. It was education that gave birth to our greatness, and only education can sustain our greatness.

Thank you.



OPIC COUNTRY & AREA LIST

In general, OPIC's insurance and finance programs are operable in the following countries and areas. Coverages may be limited in higher income areas, indicated by an asterisk.

Investors are urged to contact OPIC directly for up-to-date information on OPIC services available in specific countries and areas, as well as information regarding program availability in countries not listed.

Anguilla	Madagascar
Antigua/Barbuda	Malawi
Argentina	Malaysia
Aruba	Mali
Bahamas, The	Malta*
Bahrain*	Marshall Islands
Bangladesh	Mauritania
Barbados	Mauritius
Belize	Micronesia, Fed. States
Benin	Morocco
Bolivia	Mozambique
Botswana	Nepal
Brazil	Netherlands Antilles
Burkina Faso	Niger
Burundi	Nigeria
Cameroon	Northern Ireland
Cape Verde	Oman*
Central African Rep.	Pakistan
Chad	Panama
Colombia	Papua New Guinea
Congo	Philippines
Cook Islands	Poland
Costa Rica	Portugal*
Côte d'Ivoire	Qatar*
Cyprus*	Rwanda
Djibouti	St. Kitts-Nevis
Dominica	St. Lucia
Dominican Republic	St. Vincent/Grenadines
Ecuador	Sao Tome and Principe
Egypt	Saudi Arabia*
El Salvador	Senegal
Equatorial Guinea	Sierra Leone
Fiji	Singapore*
French Guiana*	Somalia
Gabon*	Sri Lanka
Gambia, The	Sudan
Ghana	Swaziland
Greece*	Syria
Grenada	Taiwan*
Guatemala	Tanzania
Guinea	Thailand
Guinea-Bissau	Togo
Guyana	Tonga
Haiti	Trinidad & Tobago
Honduras	Tunisia
Hungary	Turkey
India	Uganda
Indonesia	Uruguay
Ireland	Western Samoa
Israel*	Yemen Arab Rep.
Jamaica	Yugoslavia
Jordan	Zaire
Kenya	Zambia
Korea*	
Kuwait*	
Lebanon	
Lesotho	
Liberia	

OPIC



**OVERSEAS
PRIVATE
INVESTMENT
CORPORATION**

**EXECUTIVE
SUMMARY**

OVERVIEW

The Overseas Private Investment Corporation (OPIC) is a self-sustaining, U.S. government agency whose purpose is to promote economic growth in developing countries by encouraging U.S. private investment in those nations. By doing such, OPIC can help American companies remain competitive in the international marketplace.

OPIC assists U.S. investors through two principal programs: (1) financing investment projects through direct loans and/or loan guaranties, and (2) insuring investment projects against a broad range of political risks.

All of OPIC's guaranty and insurance obligations are backed by the full faith and credit of the United States of America, as well as by OPIC's own substantial financial reserves.

OPIC assistance is available for new business investments and expansions in more than 100 developing countries and areas around the world. However, OPIC will not provide assistance for any project that adversely affects the U.S. economy or domestic employment, is financially unsound, or does not promise significant benefits to the social and economic development of the host country.

The Overseas Private Investment Corporation was established by Congress in 1969, and began operations in 1971. Structured like a private corporation, it does not receive Congressional appropriations. Moreover, OPIC has recorded a positive net income for every year of operations, with reserves currently standing in excess of \$1.3 billion.

OPIC's professional staff, recruited primarily from the private sector, is dedicated to responding quickly to investor needs and to developing creative business solutions for furthering U.S. private investment in the developing world.

General inquiries may be directed to Public Affairs Officer, OPIC, 1615 M Street, N.W., Washington, D.C. 20527 or telephone (202) 457-7011.

PRIMARY PROGRAMS & SERVICES

Financing: Medium- to long-term financing for overseas investment projects is available through loan guaranties and/or direct loans. OPIC's all-risk loan guaranties, issued to U.S. lending institutions, typically range from \$2 million to \$25 million, but can be as large as \$50 million. OPIC's direct loans, reserved for overseas investment projects involving small and mid-sized companies, typically range from \$500,000 to \$6 million. In general, OPIC's finance commitments do not exceed 50 percent of the total project cost.

Political Risk Insurance: OPIC can insure U.S. investments overseas against the risks of political violence (war, revolution, insurrection, civil strife) to both assets and business income; expropriation; and inconvertibility of local currency. Specialized insurance coverages are also available for U.S. investors involved with certain contracting, exporting, licensing or leasing transactions to be undertaken in a developing country.

Investment Missions: OPIC traditionally conducts periodic investment missions to developing countries offering excellent investment opportunities for American businesses. Such missions are designed to introduce senior U.S. business executives to key business leaders, potential joint-venture partners and high-ranking government officials in the host country.

Opportunity Bank: This computer data system "matches" a U.S. investor's interest with specific overseas opportunities. American firms seeking joint-venture projects overseas submit a description of their company, the type of investment sought and the developing country or countries of interest. Upon request, the information is "matched" against similar information submitted by foreign businesses seeking American investors. Registration is free, with a modest fee charged for "match" requests. OPIC accepts registrations for this service without detailed check of the accuracy or reliability of the information submitted.

Investor Information Service: This information clearinghouse provides U.S. companies and individuals with basic economic, business and political information and data on 110 developing countries and 16 geographical regions. The information is packaged in country-specific and region-specific kits, available for a nominal fee.

OVERSEAS PRIVATE INVESTMENT CORPORATION



INTRODUCTION

The United States has long recognized that business investment overseas can assist in the economic development of foreign countries, as well as create jobs at home and new markets for American exports.

This is especially true of private investment in the world's developing countries, which absorb more than \$75 billion in U.S. exports annually and are among today's fastest growing markets.

Since 1971, the Overseas Private Investment Corporation (OPIC) has served as the key federal agency for encouraging mutually-beneficial American business investment in the world's developing nations.

To do this, OPIC provides qualified investors with insurance against certain political risks; loan guaranties; direct loans to small businesses and cooperatives; and a variety of pre-investment programs. All are designed to reduce the perceived stumbling blocks and risks associated with overseas investment.

OPIC's primary business is providing political risk insurance, a concept that dates back to 1948 when it was first

initiated under the Marshall Plan. At the time, insurance was offered against the risk of currency inconvertibility in order to generate capital formation for rebuilding war-torn Europe.

By the 1950s, when the European recovery was well under way, the political risk insurance aspect of the Marshall Plan was restructured to supplement direct aid programs to the world's developing countries. The programs' scope was also broadened to include coverage against the risk of expropriation and war.

In 1961, this insurance program was shifted to the newly-formed Agency for International Development (A.I.D.), and again broadened to include insurance coverage for revolution and insurrection, as well as a lending authority for loan guaranties. Because A.I.D.'s primary purpose was, and still remains, the administration of government-to-government assistance, Congress decided in 1969 that a separate, business-oriented agency should be established to provide more effective support for American investors entering the international marketplace.

The result was OPIC, which began operations in 1971. Organized as a cor-

poration and structured to be responsive to private business, the agency's mandate is to "mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed, friendly countries and areas."

Currently OPIC programs are available for new business enterprises or expansions in approximately 100 developing countries or areas around the world. Assistance is not available for projects that adversely affect U.S. employment, are financially unsound, or do not promise significant benefits to the social and economic development of the host country or area.

As a self-sustaining agency, OPIC has received no public funds beyond its original start-up appropriations, which have been returned to the U.S. Treasury. Moreover, it has recorded a positive net income for every year of operation, with reserves currently standing in excess of \$1 billion.

This booklet provides a general overview of OPIC and the many programs and services it offers.

INSURANCE

While private investors generally have the capability to assess the commercial aspects of doing business overseas, they may be hesitant to undertake long-term investments abroad, given the political uncertainties of many developing nations. To alleviate these uncertainties, OPIC insures U.S. investments against three major types of political risks:

Inconvertibility

This coverage protects an investor against the inability to convert into U.S. dollars the local currency received as profits, earnings, or return of capital on an investment. OPIC's inconvertibility coverage also protects against adverse discriminatory exchange rates. Conversion of local currency into dollars is assured only to the extent that such currency could have been exchanged for dollars at the time the insurance was issued. The coverage does not protect against the devaluation of a country's currency.

Expropriation

This coverage protects an investor against confiscation or nationalization of an investment without fair compensation. Expropriation coverage also protects U.S. investors against losses due to a variety of situations described as "creeping expropriation," i.e., a set of actions whose cumulative effect is to deprive investors of their fundamental rights in the investment. Expropriatory actions provoked or instigated by the investor are not covered.

Political Violence

This coverage protects an investor against losses due to war (declared or not), revolution, insurrection, and civil strife (politically motivated violent acts including terrorism and sabotage). An investor may elect to cover loss of business income and/or loss of tangible assets resulting from damage caused by political violence.

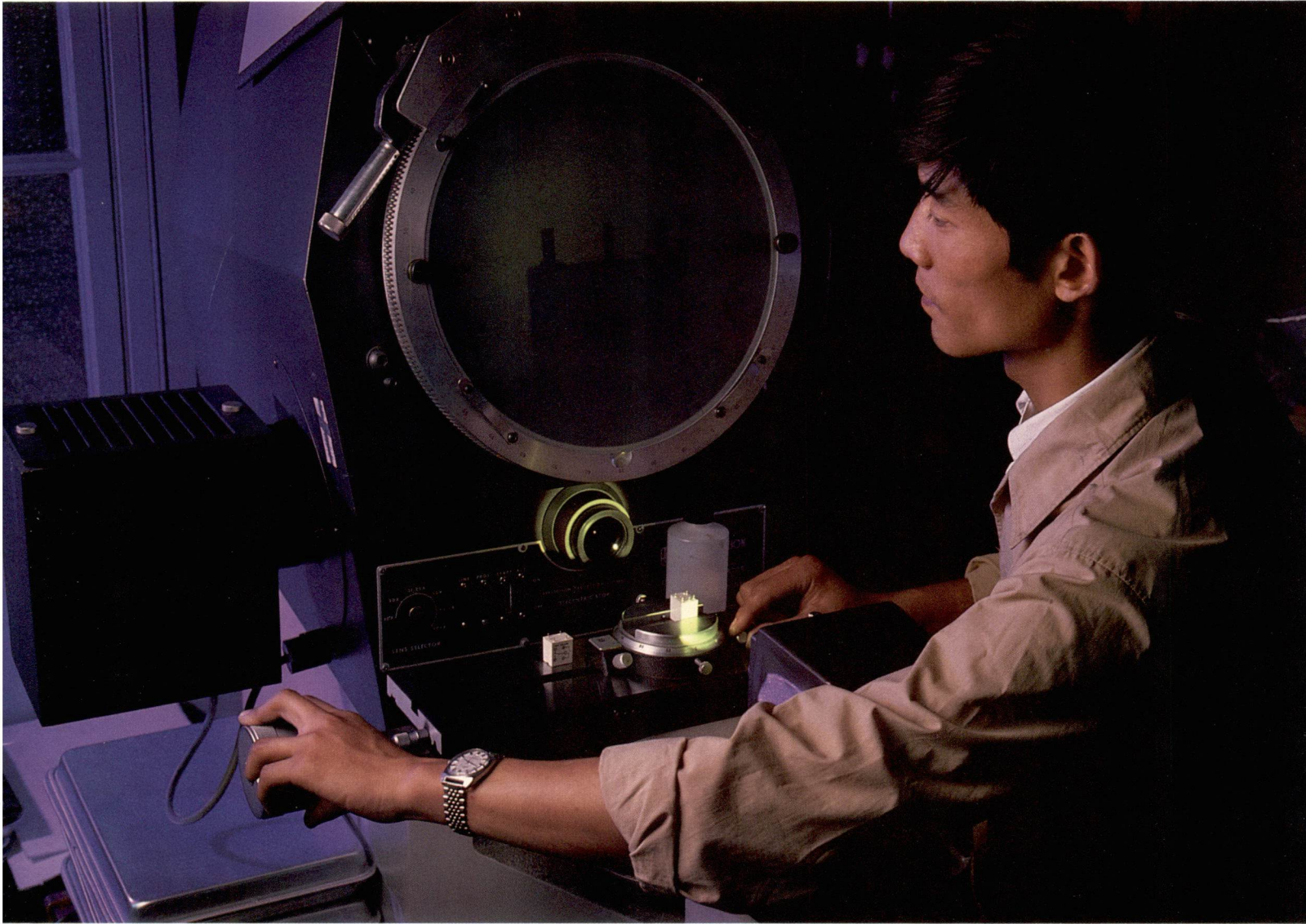
Premiums for OPIC's insurance coverages are based on the nature of the investor's undertaking and the project's risk profile, not the country where the project is located. Although different base rates may apply to specialized coverages (see pages 6 and 7), the following base rates are typical for most manufacturing and service projects.

Coverage*	Annual Base Rate Per \$100 of Coverage
Inconvertibility	30¢
Expropriation	60¢
Political Violence**	
Business Income	45¢
Assets	60¢

*All OPIC insurance is backed by the full faith and credit of the United States of America.

**Investors may choose to delete civil strife from this coverage; the premium rate is typically lowered by 10¢ in this case.

Since its inception, OPIC has settled approximately 215 insurance claims totalling \$465 million; it has denied less than eight percent of the claims received.





FINANCE

American investors planning to share significantly in the equity and management of an overseas venture can often utilize OPIC's finance programs for medium- to long-term financing.

To obtain OPIC financing, the venture must be commercially and financially sound, within the demonstrated competence of the proposed management, and sponsored by an investor having a proven record of success in the same or closely-related business.

OPIC's financing commitment to a new venture may extend to, but not exceed, 50 percent of the total project cost. A larger participation (up to 75 percent of the project cost) may be considered for an expansion of a successful, existing enterprise. Investors must be willing to establish a sound debt/equity relationship—typically in a ratio of 60 percent debt to 40 percent equity.

Currently, OPIC provides financing to investors through two major programs.

Direct Loans

These loans, which usually range from \$100,000 to \$6 million, are available only for ventures sponsored by, or significantly involving, U.S. small businesses or cooperatives. OPIC's definition of a "small business" is adjusted annually to reflect changes in the U.S. economy. In 1988, small businesses were defined as industrial companies with annual sales of less than \$130 million and non-industrial companies with stockholders' equity of less than \$47 million. Interest rates on OPIC direct loans vary according to a project's financial and political risk, but generally parallel commercial rates.

Loan Guaranties

Under this program, which is available to all businesses regardless of size, OPIC will issue a guaranty under which

funding can be obtained from or through a variety of U.S. financial institutions. The guaranty covers both commercial and political risks.

Typical OPIC loan guaranties range from \$5 million to \$25 million, but can be as large as \$50 million. Interest rates on guaranteed loans are comparable to those of other U.S. Government-guaranteed issues for similar amounts and maturity. In addition, OPIC charges the borrower a guaranty fee averaging 2 percent, depending upon a project's commercial and political risk, as well as facility and commitment fees. All OPIC loan guaranties are backed by the full faith and credit of the United States of America.

Repayment of direct and guaranteed loans is normally made in equal, semi-annual principal payments following a suitable grace period. Final maturity generally ranges from 5 to 12 years.

SPECIAL PROGRAMS

In addition to its general insurance and finance programs, OPIC has developed special programs to meet the specific needs of investors involved in contracting and exporting, energy exploration and development, and leasing arrangements.

Contractors and Exporters Program

To improve the competitive position of American contractors and exporters seeking to do business in developing nations, OPIC offers specialized insurance and financing services.

When bidding on or performing over-

seas contracts, U.S. firms must often post on-demand and standby letters of credit as bid, customs, performance, advance payment or other types of guaranties. OPIC offers political risk insurance against the wrongful calling of such letters of credit.

OPIC also insures against losses sustained when a government owner fails to settle a dispute in accordance with the underlying contract.

Premium rates are assessed on a semi-annual basis, according to the risk profile of the particular project, based on the following guidelines:

Semi-Annual Costs Per \$100 of Coverage

Bid, Performance and Other Guaranties (Wrongful Calling)	30¢
Contractual Disputes	40¢

Contractors and exporters may also obtain insurance against the risks of confiscation of tangible assets and bank accounts; damage to physical assets due to political violence; and, under certain conditions, currency inconvertibility. Costs and terms are comparable to those under OPIC's general insurance program (see page 2).



OPIC also offers a special loan guaranty program for small business contractors to assist with their credit needs. This plan provides an OPIC guaranty of up to 75 percent of a standby letter of credit that is issued by a financial institution on behalf of a small-business contractor.

Leasing Program

For U.S. investors involved in international leasing, OPIC provides specialized insurance and finance services.

Under this program, political risk insurance is available for cross-border operating and capital leases running for at least 36 months. Coverage is available for the lease transaction itself; equity investments in, and loans to, offshore leasing companies; and management/maintenance agreements involving leasing firms.

OPIC's investment guaranty and direct loan programs are also available to foreign leasing companies in which there is a significant U.S. private business interest.

Energy Programs

OPIC offers special insurance and finance programs for U.S. investors involved in oil and gas, oil shale, geothermal, mineral, solar and other energy projects, as well as for investors supplying support services or goods for such commercial projects.

Political risk insurance coverage is available to energy investors for currency inconvertibility, expropriation, and political violence. Coverage against "interference with operations" (cessation of operations due to political violence) is also available. Premium costs are determined by the risk profile of the particular project. However, the base

rates listed below are typical for most projects.

Once a commercially feasible energy project is established, OPIC can provide a loan guaranty of up to \$50 million to finance as much as 50 percent of the cost of a new project, or 75 percent of an expansion of an existing project.

OPIC's insurance and financial services are not available for oil or gas projects in the member nations of the Organization of Petroleum Export Countries. OPIC services may be available, however, for other types of energy projects in those countries, and for investors providing goods and services to oil and gas projects.

Coverage	Annual Base Rate Per \$100 of Coverage	
	Exploration	Development/Production
Inconvertibility	30¢	30¢
Exploration	40¢	\$1.50
Political Violence*	75¢	75¢
Interference with Operations	40¢	40¢

*Civil strife can be deleted from coverage; the premium rate will typically be reduced by 15¢.

PRE-INVESTMENT ASSISTANCE

For most U.S. companies, especially those with little or no international investment experience, access to information on specific investment opportunities and the business environment in the developing nations is critical to making an investment decision. To aid American firms in this area, OPIC offers three special programs.

Investment Missions

Each year, dozens of American business executives participate in OPIC's investment missions to various developing nations. On these missions, participants can obtain first-hand information about investment opportunities through personal meetings with business leaders and key government officials of the host country.

Countries are selected for investment missions after careful study of their needs, the investment climate, and the potential for profitable U.S. projects.

Participants are selected on the basis of their financial and management capability to undertake an overseas venture, as well as their experience in those industry sectors having priority in the host country. Investment mission participants pay all travel and accommodation costs.

Opportunity Bank

For investors seeking business opportunities in Third World countries, OPIC

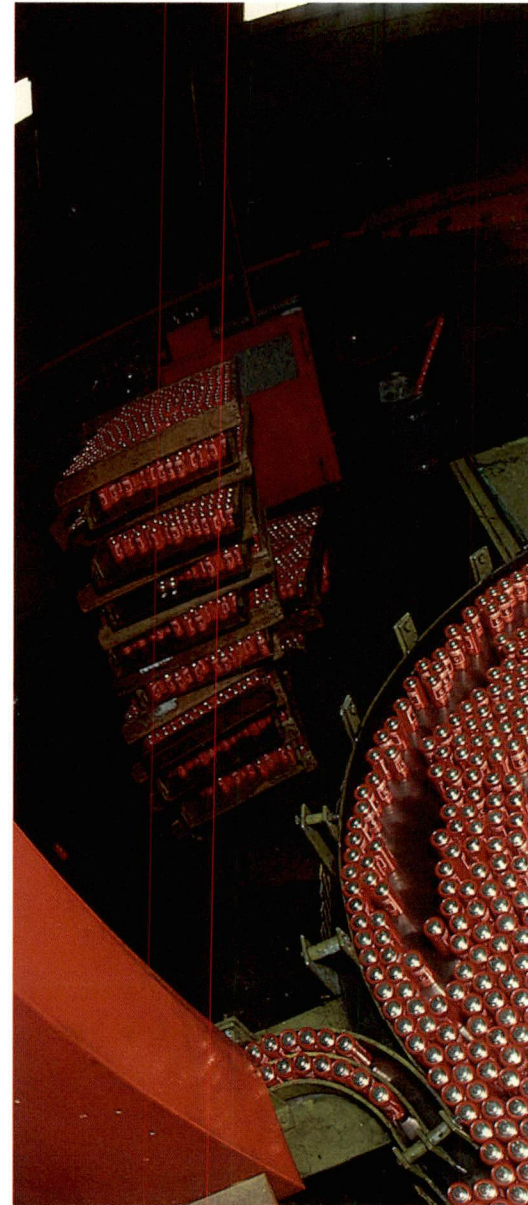
offers a computer data system that can match an investor's interest with specific overseas opportunities.

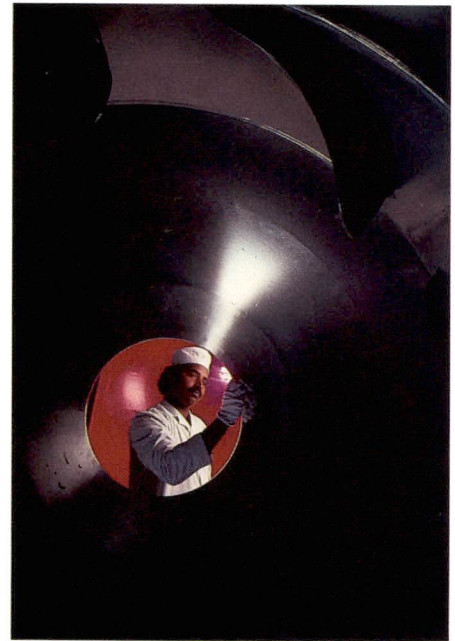
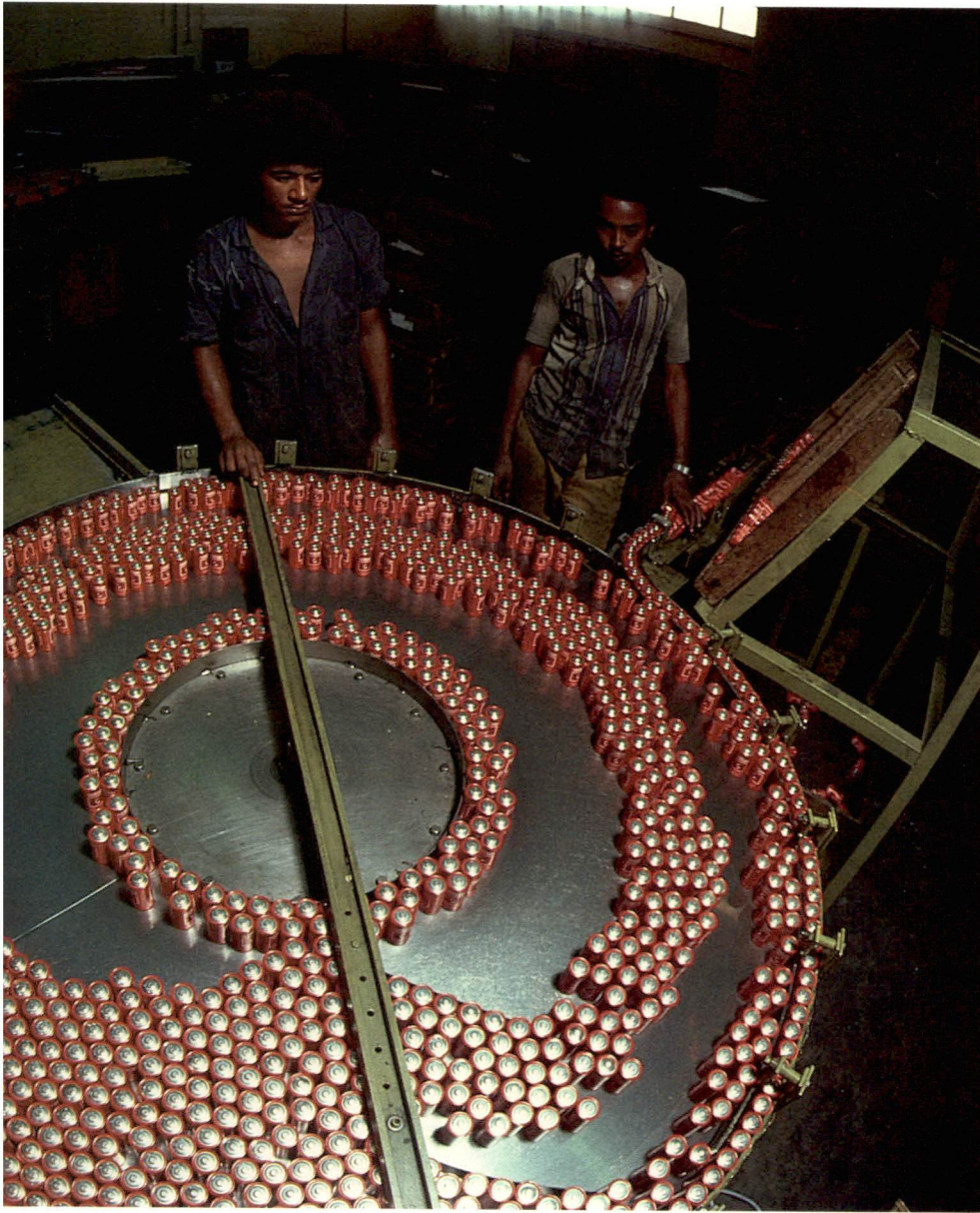
This service, known as the Opportunity Bank, allows U.S. firms to submit a description of their business, the type of investment sought, and the developing country or countries of interest. Upon request, the information can be "matched" against similar information submitted by foreign businesses seeking American investors.

Any domestic firm or foreign entity can register itself with the Opportunity Bank at no charge; a modest fee is charged for "match" requests. The Opportunity Bank is designed to foster the exchange of investment information. No determination is made by OPIC as to the accuracy or reliability of information submitted.

Investor Information Service

The Investor Information Service (IIS) provides interested companies and individuals with easy "one-stop shopping" for basic data and information needed by U.S. companies considering investment overseas. Country-specific information is available in kit form on more than 100 countries as well as 16 regions. Kits, available for a nominal fee, include materials covering the economies, trade laws, business regulations, political conditions and investment incentives of developing countries and regions.





OPIC COUNTRY & AREA LIST

In general, OPIC's insurance and finance programs are operable in the following countries and areas. Coverages may be limited in higher income areas, indicated by an asterisk.

Investors are urged to contact OPIC directly for up-to-date information on OPIC services available in specific countries and areas, as well as information regarding program availability in countries not listed.

Anguilla	Fiji	Northern Ireland
Antigua/Barbuda	French Guiana	Oman*
Argentina	Gabon	Pakistan
Aruba*	Gambia, The	Papua New Guinea
Bahamas, The*	Ghana	Philippines
Bahrain*	Greece	Portugal
Bangladesh	Grenada	Qatar*
Barbados*	Guatemala	Rwanda
Belize	Guinea	St. Kitts-Nevis
Benin	Guinea-Bissau	St. Lucia
Bolivia	Guyana	St. Vincent/Grenadines
Botswana	Haiti	Sao Tome and Principe
Brazil	Honduras	Saudi Arabia*
Burkina Faso	India	Senegal
Burundi	Indonesia	Sierra Leone
Cameroon	Ireland	Singapore*
Cape Verde	Israel*	Somalia
Central African Rep.	Jamaica	Sri Lanka
Chad	Jordan	Sudan
China	Kenya	Swaziland
China (Taiwan)	Korea	Syria
Colombia	Lebanon	Tanzania
Congo	Lesotho	Thailand
Cook Islands	Liberia	Togo
Costa Rica	Madagascar	Tonga
Cote d'Ivoire	Malawi	Trinidad & Tobago*
Cyprus	Malaysia	Tunisia
Djibouti	Mali	Turkey
Dominica	Malta*	Uganda
Dominican Republic	Mauritania	Uruguay
Ecuador	Mauritius	Western Samoa
Egypt	Morocco	Yemen Arab Rep.
El Salvador	Mozambique	Yugoslavia
Equatorial Guinea	Nepal	Zaire
	Netherlands Antilles*	Zambia
	Niger	
	Nigeria	



OVERALL ELIGIBILITY

OPIC programs are available only if:

- The investor's project is a new venture or an expansion of an existing enterprise, and
- The project is located in a developing country where OPIC operates, and
- The project will assist in the social and economic development of the host country, and
- The project is approved by the host government, and
- The project is consistent with the economic interests of the United States and will not have a significant adverse effect on the U.S. economy or U.S. employment.

OPIC will not support a "runaway plant" project, (i.e., the closing down of a U.S. facility to open a foreign facility where the same products or services will be produced for the same markets as before). OPIC cannot support certain other types of projects, including gambling facilities, distilleries, military projects, and projects posing serious environmental hazards.

In addition, OPIC cannot support projects subject to host-government requirements that would substantially reduce the potential U.S. trade benefits of the investment. Of particular concern are "trade-related" performance requirements covering local content, maximum import and minimum export levels.

Specific Program Eligibility

The following general restrictions and guidelines also should be kept in mind when considering specific OPIC-programs:

Insurance:

- OPIC can only issue insurance to "eligible investors," who are defined as:
 - citizens of the United States, or
 - U.S. corporations, partnerships or other business organizations with at least 50 percent U.S. ownership, or
 - foreign corporations, partnerships or other business organizations at least 95 percent owned by investors eligible under the above.
- OPIC generally will cover no more than 90 percent of an investment plus attributable earnings. Therefore, the investor typically must bear the risk of loss of at least 10 percent of any investment insured by OPIC.
- OPIC insurance is not available retroactively. Investors must obtain an OPIC insurance registration letter before the investment has been made or irrevocably committed. Investors are thus encouraged to contact OPIC in the early stages of investment planning.

- There is no fixed form which an investment must take in order to be eligible for OPIC insurance coverage. Conventional equity investments and loans; investment or exposure of funds; goods or services under contractual arrangements; and production-sharing agreements are among the investment forms commonly insured.

Finance:

- Direct loans are issued only for investment projects sponsored by, or significantly involving, U.S. small businesses or cooperatives.
- Loan guaranties are issued to:
 - U.S. financial institutions having over 50 percent U.S. beneficial ownership, or
 - Foreign lending institutions that are at least 95 percent U.S. owned.

For further information about OPIC, its
programs and services, write or phone:
Information Officer
Overseas Private Investment Corporation
1615 M Street, N.W.
Washington, D.C. 20527
Telephone 202-457-7010*

*Individuals residing outside of the Washington, D.C.
metropolitan area may phone toll-free: 1-800-424-6742

OPIC



McGroarty/Dooley
April 24, 1990
6:00 pm
[comm.90]

PRESIDENTIAL REMARKS: U.S. CHAMBER OF COMMERCE
CONSTITUTION HALL
APRIL 30, 1990
~~9:00 A.M.~~ 10:00 AM

X Clendenin on stage
Clendenin intro

Thank you. It's always a pleasure to meet with this high-powered group. I want to acknowledge outgoing Chairman of the Chamber, John Clendenin, for the leadership he's shown this past year. / Incoming Chairman James Baker -- and no, it's not a Cabinet shake-up: I'm talking about James K. Baker -- who will carry the Chamber's fine tradition forward into this new decade. / Let me say hello to Dick Leshner, President [~~-- I'm tempted to say President for Life --]~~] of the Chamber of Commerce. //

Bill Kelleher

Bill Kelleher
US Chamber
463-5533

And finally, let me welcome our special guests -- the schoolchildren here today from all around the Washington area, right here in front. I know you've been looking forward to today for a long time. // After all, it's not every day you get to get out of math and spelling. //

Bill Kelleher
US Chamber
463-5533

I know it isn't easy to understand all the things we're talking about this morning. But there is one thing I'm sure you can understand. You're here because you are important -- because when you grow up, you might just run your own business, like the people here. Or maybe you'll even run for President -- and believe it or not, I was once ^{2nd grader} 7 years old, just like you are now. // So today I want to challenge all of you: keep working hard in school. Do your very best. // And I want to challenge

X

Bill Kelleher
US Chamber
463-5533

the Chamber of Commerce as well. Keep up your crusade for excellence in education. Help us make that classroom **a place where miracles happen.** ///

Keller
Just y/n
John Clendenin mentioned a few moments ago the whirlwind of change we've seen this past year. Last year, I spoke to you on May 1 -- May Day -- by tradition one of the great days of celebration in the socialist world. I said then that even the socialist world was coming to see that socialism wasn't just another economic system -- it was the death of economics.

That much was clear. What none of us could see on the eve of May Day '89 was how close we had come to the wholesale collapse of communism.

First in Poland, then across Eastern Europe -- one nation after another broke the stranglehold of the State, and embraced democracy. Here in our own hemisphere, in Panama and Nicaragua, the day of the dictator gave way to the triumph of democracy. //

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These transforming events brought freedom to tens of millions of people. And with that freedom, new challenges.

Digging out from under the wreckage of ruined economies. Reclaiming rights and freedoms long denied. Everywhere from Prague to Panama City, the time had come to make a start in the difficult work of democracy-building.

It's that challenge that I want to talk about today. And it's a challenge that can engage every one of you -- because you and the institutions you represent are **proof of the power of the**

private sector. // Democracy prospers when it rests on the firm foundation of the free market.

Think about that. What it means is that one of the chief aims of our public policy must be to involve the private sector -- in all its diversity -- in the business of building democracy.

That's not to say that there is no work for government to do. Government-to-government aid is essential -- especially in the first days of democracy, when the institutions of free government are most fragile. / That's why I continue to urge Congress to pass our emergency aid to Nicaragua and Panama -- and that's why we've already put together aid packages for Poland and Hungary. When democracy's at stake, America always extends a hand. //

But as I've said many times, government aid alone is not the answer. / It's more than a matter of finding enough funds. It's a matter of principle -- of what we mean when we talk about building democracy.

The simple truth is this: Democracy -- and the freedoms it enshrines -- can never be a gift of government.

Earlier this year, in the State of the Union, I talked about the cornerstones of free society -- the building blocks of democracy. All the elements that make America what it is: Competition. Opportunity. Stewardship. Private investment.

Those building blocks are what make America work. More than that -- they're what make democracy work.

And they're what the newly emerging democracies of this hemisphere and in Eastern Europe need to grow and prosper. Think back to what Lech Walesa said last November, when he spoke to the AFL-CIO about the needs of the new Poland. "Such is the fate of a Polish trade unionist," he said, that "he has to launch a publicity campaign for private entrepreneurship."

Lech Walesa told the Congress he hadn't come to ask for charity. He knew -- as we know -- that we can't create democracy by writing a check. We build democracy in other nations not by taking responsibility for their needs -- but by helping them take responsibility for themselves. We build democracy whenever we help individuals take their destiny in their own hands.

Democracy puts the focus not on government -- but on the freedom of the individual. Not on the State, but on society -- the private sector. Democracy thrives in direct proportion to the flowering of individual freedom and free enterprise.

And my Administration is doing all it can to promote private sector development. The Commerce Department -- under Bob Mosbacher's leadership -- has opened its Eastern Europe Business Information Center, and has just hosted, with the Chamber, a conference on doing business in Eastern Europe. Carla Hills and her USTR team have been negotiating with the emerging democracies to open the way for expanded trade. And at Agriculture, Clayton Yeutter has led our effort to provide food aid -- and free market expertise to spearhead agricultural reforms.

AFL-CIO

long

Cong Record
11/15/89
p. H8634

Will Winter
Commerce
377-4915

USTR

7
Czech trade
agreement
signed

Will Winter
Commerce
377-4915

Pete Alagon
USTR
4620

But today, I want to turn the spotlight on one of the best-kept secrets in town: an agency called OPIC -- the Overseas Private Investment Corporation.

OPIC's ^{programs have (JH)} been around since the days of the Marshall Plan. And here's a fact I know this crowd will appreciate: OPIC is one government agency that actually turns a profit. // Today, after years of being overlooked, OPIC is coming into its own -- as a key tool in our overall approach to help the world's emerging democracies sustain themselves.

We've got to be realistic. Economic growth won't come overnight. The emerging democracies of Eastern Europe have sustained four decades of economic decay. Here in our own hemisphere, years of dictatorship in Nicaragua and Panama have all but driven those economies into the ground -- and destroyed the basic commercial infrastructure that makes growth possible.

But with the emergence of democracy, fundamental changes are taking place. These nations are working round the clock to jump-start their stalled economies -- to create conditions for a functioning free market. And for democracy's sake -- we've got to do all we can to help this transition take place.

Let me tell you what OPIC's doing to strengthen the free market foundations of democracy in Panama. ^{Two Feb 24} ~~One~~ month after Operation Just Cause, OPIC led an investment mission of 27 American businesspeople to meet with their counterparts in Panama. The investment agreements that came out of that 7-day

X

MSC

Wall

\$40m - hotel project

6

could JH
mission should lead to the direct investment of more than \$70 million dollars in Panama, and 400 new jobs.

Here's the story of one American businessman who went on that mission. A small businessman -- a shrimp farmer from Coral Gables, Florida -- named Joe Thaggard. During the days of the old regime, he struggled to keep alive a small shrimp farm in Panama. Now with the return of democracy, Joe saw a risk worth taking -- and so did OPIC. In three months' time, he has more than doubled his workers -- and now has more than 100 Panamanians on payroll. / Joe Thaggard's making the most of a good business opportunity -- and he's helping provide the people who work for him in Panama, and their families, more than just a paycheck. He's providing them a chance to build a future. //

We're looking to create the same kind of opportunities for investment in Nicaragua, where an OPIC mission is planned for early June. / And of course, beyond our own hemisphere, there is a need for this kind of private investment in Eastern Europe.

// As we speak, OPIC's President, my good friend Fred Zeder, is leading an investment mission to Hungary and Poland -- playing matchmaker to 30⁴⁴ American corporations and a far larger number of Eastern Europe's aspiring entrepreneurs.

Most of you know about the \$150 million dollar deal between General Electric and Hungary's largest electric enterprise, Tungram -- what you may not know is OPIC's leading role in making that investment possible. {And that's just a fraction of the interest generated so far: already, OPIC has received

just sent mission Zeder speech in Japan

requests representing more than \$2 billion dollars worth of private sector investment in Hungary and Poland alone.}

The potential for growth -- and the dividends for democracy -- are both great. //

You may have heard about some of Japan's new joint ventures in Eastern Europe -- Suzuki's plan to build cars in Hungary, or Daihatsu's deal to do the same in Poland. // There's nothing **unfair** about these ventures -- just proof that one of our key competitors is engaged in a hard-nosed hunt for good opportunities in a new market.

Hand

I've said it before and I'll say it now: American business can out-think, out-work, and out-perform any nation in the world. But we can't beat the competition if we don't get in the game. // If American business wants to keep ahead of the competition, the time to act is now. //

Henry sp.

Government must act too -- to help energize the private sector. // Today, I'm announcing today the formation -- under OPIC's auspices -- of two growth funds. Magnets for the kind of investment capital that can create growth and responsible development in these new democracies I've been talking about, and around the world.

X

First, the ^{European} ~~Eastern Europe~~ Growth Fund. Privately managed - - but capitalized in part by OPIC, and backed by its political risk insurance. With a total capitalization of \$200 million dollars, this fund can channel American investment dollars into Eastern Europe's most promising economic ventures.

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Second, I want to announce the creation of the **Environmental Investment Fund** -- backed by the same OPIC guarantees. This \$100 million dollar fund will help finance enterprises in developing nations that fight pollution, or contribute to the sustainable use of natural resources. The United States and the nations of the world share a responsibility for the environmental health of the planet. // We've got to challenge ourselves to keep alive that concern and commitment we saw so clearly on **Earth Day -- every day.**

I know many of you are already involved in the economies of the countries I've been speaking about. John Clendenin mentioned your newly-created East European Trade and Technical Assistance Center -- and I also know the Chamber of Commerce just opened its newest international office in Budapest.

*1st Am Ch of Comm est
by US countries in Budapest*

You are making history -- helping millions of people realize their dream of democracy. It will be a tremendous struggle -- a struggle measured not in days or months, but years. But what I've seen on my visits to Poland and Hungary -- and what I've learned in my conversations with the new leaders of Nicaragua and Panama -- is that all the years of despotic rule **have not crushed the human spirit.**

These people are determined -- full of hope and dreams. And now -- they're free.

And if our American example teaches anything -- it teaches that freedom is the world's most powerful force. ///

It's been a privilege to speak to all of you today. Thank you -- and may God bless the United States of America.

#

1ST STORY of Level 1 printed in FULL format.

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MARCH 13, 1990, TUESDAY

LENGTH: 379 words

HEADLINE: JAPANESE CARMAKERS SLOW IN MOVING INTO E. EUROPE

DATeline: LONDON, MARCH 13

BODY:

CAUTIOUS JAPANESE CARMAKERS ARE OFF TO A LATE START IN THE RUSH BY WESTERN AUTOMAKERS TO ESTABLISH PRODUCTION Footholds IN EASTERN EUROPE. WESTERN CARMAKERS EXPECT THE EAST EUROPEAN DEMOCRATIZATION MOVEMENT TO SPUR DEMAND FOR AUTOS. CHEAP LABOR COSTS AND HEFTY GOVERNMENT INCENTIVES ARE OTHER LURES. VOKSWAGEN AG IS MOVING AGGRESSIVELY INTO EAST GERMANY. THE FIRM HAS AGREED TO INVEST 5 BILLION DEUTSCHE MARKS IN A PRODUCTION PLANT IN THE INTERESSENVERBAND FAHRZEUGBAU (IFA), THE EAST GERMAN STATE-MANAGED VEHICLE MANUFACTURERS' ASSOCIATION, AND TO JOINTLY MANUFACTURE 250,000 COMPACT "POLO" VEHICLES ANNUALLY. DAIMLER-BENZ AG HAS ALSO REACHED AN AGREEMENT WITH IFA TO JOINTLY PRODUCE COMMERCIAL VEHICLES. GENERAL MOTORS CORP. OF THE UNITED STATES, ACTING THROUGH WEST GERMAN MANUFACTURER ADAM OPEL AG, WILL PRODUCE 150,000 COMPACTS A YEAR IN THE EAST GERMAN CITY OF EISENACH. GM IS ALSO EXPECTED TO BUILD AUTO ENGINES AND ASSEMBLE CARS IN HUNGARY WITH THE HUNGARIAN RAILWAY CARRIAGE AND MACHINE WORKS. ITALY'S FIAT S.P.A., A FRONTRUNNER IN EASTERN EUROPE, HAS A TECHNOLOGICAL TRANSFER ACCORD WITH YOGOSLAVIA AND IS PLANNING TO PRODUCE COMPACT CARS IN POLAND. RECENTLY, IT ALSO DECIDED ON A PLAN TO JOINTLY MANUFACTURE 300,000 COMPACTS A YEAR IN THE SOVIET UNION, BEGINNING IN 1992. WHILE IT GOT OFF TO A LATE START, BRITAIN'S ROVER GROUP PLC IS WORKING OUT AN ACCORD IN BULGARIA TO JOINTLY MANUFACTURE PASSENGER VEHICLES. THE FRENCH CARMAKERS, ALSO SLOW OFF THE BLOCKS, HAVE JOINED THE RACE. RENAULT PLANS TO BUILD COMMERCIAL VEHICLES IN CZECHOSLOVAKIA, WHILE PEUGEOUT SA IS IN THE PROCESS OF SELECTING PRODUCTION SITES IN SEVERAL EAST EUROPEAN COUNTRIES. JAPANESE CARMAKERS LAG FAR BEHIND THE PACK. THE ONLY ACTION THUS FAR IS LIMITED TO PLANS BY SUZUKI MOTOR CO. AND DAIHATSU MOTOR CO. TO SET UP JOINT PRODUCTION PLANTS IN HUNGARY AND POLAND RESPECTIVELY. NOR DO JAPAN'S MAJOR CARMAKERS-- NISSAN MOTOR CO., TOYOTA MOTOR CO. AND HONDA MOTOR CO., WHICH HAVE JUST BEGUN CONSTRUCTING MANUFACTURING FACILITIES IN BRITAIN--HAVE PLANS TO PENETRATE EASTERN EUROPE. THEIR HESITANCE STEMS PRIMARILY FROM THE ECONOMIC SITUATION THERE. MAJOR AUTOMAKER EXECUTIVES SAID THEY COULD NOT FORMULATE PLANS FOR EASTERN EUROPE WITHOUT SIGNS OF IMPROVEMENTS IN ECONOMIC VITALITY.

DATE: APRIL 24, 1990

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YOUR SEARCH REQUEST IS:
JAPAN! W/10 INVEST! W/10 EASTERN EUROPE

NUMBER OF STORIES FOUND WITH YOUR REQUEST THROUGH:
LEVEL 1... 161

6TH STORY of Level 1 printed in FULL format.

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Japan Economic Journal

April 7, 1990

SECTION: DEAL OF THE CENTURY; Pg. 1

LENGTH: 1132 words

HEADLINE: Japanese companies refocus strategy on unified Germany

BYLINE: By Akihiro Tamiya, JAPAN ECONOMIC JOURNAL STAFF WRITER

BODY:

Victor Co. of Japan, a leading electronics manufacturer, has decided to move from Rotterdam to West Berlin its main European holding company, which controls videocassette recorder manufacture, according to company sources.

The projected move, JVC sources say, is designed to give the company a firm foothold in a reunited Germany.

For corporate Japan, JVC's decision also has far-reaching implications. It looms as a harbinger of change in Japanese business activity in Europe in the wake of the expected German reunification.

Journal interviews with senior Japanese executives reveal that many corporations are now actively considering moving their European office or manufacturing headquarters to Germany. (See box, Page 5.)

The main reason: To be located at what is expected to become the hub of a massive European market that will eventually include the nations of the European Community, the European Free Trade Association and Eastern Europe.

Not only are such moves set to significantly boost Japanese investment in West and East Germany the next few years, they also portend a slowing of Japanese investment in such nations as Britain and Spain.

"It's inevitable that Germany will become the center of industrial, financial and information-gathering activities in Europe," says Takanori Tanabe, director of investment research at Nomura Research Institute.

Adds a senior executive at a Japanese city bank, "In the long run, a reunited Germany will become Europe's financial powerhouse, backed by its industrial power and the strong mark."

Germany's potential

According to Tanabe, a reunited Germany would satisfy most conditions demanded by Japanese corporations for locating their European headquarters.

Further, Japanese executives express a strong affinity for German technology, arts and culture.

"Since my student days, I have always been partial to the Germans and I feel the need to establish close ties with top-notch German corporations to remain

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technologically competitive," says Yotaro Iida, chairman of Mitsubishi Heavy Industries Ltd. (See interview above.)

The Mitsubishi Group last month announced tie-ups with the Daimler-Benz Group.

Perhaps nowhere is Japan's soaring interest in Germany more apparent than in the Tokyo office of the Berlin Economic Development Corp.

There, Tsutomu Odani, the organizations' chief representative, has been deluged with inquiries since the collapse of the Berlin Wall last November.

First, real estate and construction firms sought investment advice. Today, all other industries appear interested, he says.

"They have found that this isolated city is suddenly turning into the center of Europe once again," Odani says.

Japanese corporate interest in Europe has been building the past two years in large part as a response to the EC's market integration in 1992.

But while hundreds of companies have established European subsidiaries, production plants and office headquarters, Britain has until now been the most popular investment site.

In the April-Sept. 1989 period, Japanese direct investment in West Germany was only \$ 681 million, compared with \$ 2.44 billion in Britain and \$ 13.125 billion in the U.S., according to the Finance Ministry.

Last year, Japan had a \$ 6.925 billion trade surplus with West Germany. Total trade was \$ 24.915 billion, compared with \$ 141.434 billion trade with the U.S.

Now, says Shinzo Kobori, deputy director of economic research at C.Itoh & Co., the dynamic changes taking place in Central and Eastern Europe will likely produce a long-term shift in Japanese assets, interest and trade from Britain to continental Europe, especially Germany.

"British writer (Bill Emmott) predicts the sun may set some day (on Japanese economic power). But the City (London's financial area) will likely sink much earlier," Kobori says.

Not all are as bullish on Japan's future in Germany.

Azusa Oshima, general manager of the Bank of Tokyo's USSR and East Europe department, notes that Frankfurt, West Germany's financial hub, suffers from problems with financial regulations. And the German language is less familiar to Japanese than English, he says.

However, Oshima adds, Germany can become a center of financial activities if it pursues a policy of "Germany within the European Community" on such issues as monetary union and if it deregulates its financial markets during the EC integration process.

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Meanwhile, Hiroshi Osawa, inward investment officer at the British Embassy in Tokyo, says that most Japanese manufacturers still appear uncertain about how to respond to Europe's political changes.

Osawa, who maintains contact with some 200 Japanese firms, acknowledges that Germany may become strong rival to the UK in attracting Japanese capital. He adds that many Japanese manufacturers are reassessing Germany's role, paying attention to the expanded market and cheap labor force in East Germany.

Other analysts say that Japanese manufacturers will likely find it more difficult to make large-scale direct investment in Germany than in other European countries because the German market is already extremely competitive.

Investments there will likely concentrate in such fields as electronics, machine tools and environmental equipment manufacturing, they add.

Japan in Eastern Europe

To the British Embassy's Osawa, Eastern Europe is not likely to soon become a major target of Japanese investment.

Although labor costs there are much lower than in the UK, the region lacks good engineers and it's difficult to procure parts and other supplies, he says.

Kao Corp.'s new project in East Germany may offer a test case of the region's potential, says Kazuaki Yuoka, deputy director of the Japan External Trade Organization's Europe division.

The Japanese cosmetic maker last May bought a 75% stake in Goldwell GmbH, a West German hair-care maker, and in February agreed with an East German state-run firm to conduct a joint sales project.

Kao's goal is to expand its business in East Germany without causing friction with West German firms. This type of strategic alliance between Japanese and West German firms is likely to be the wave of the future, Yuoka says.

"Most West German firms have some kind of historic or business links with East German state-run firms," he says. "It is advisable for Japanese firms to seek a good partner in West Germany first and to enter the East German market through the partner."

Japan in Germany

Direct Investment (April-Sept. 1989)

West Germany	\$ 681 million
East Germany	0
Trade (1989)	
West Germany	
Exports	\$ 15.92 billion
Imports	\$ 8.99 billion
East Germany	
Exports	\$ 95.1 million
Imports	\$ 82.6 million

Source: Finance Ministry

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GRAPHIC: Map, no caption; Graphs 1 through 3, Unified Germany size comparison

10TH STORY of Level 1 printed in FULL format.

Proprietary to the United Press International 1990

April 1, 1990, Sunday, BC cycle

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SECTION: Financial

LENGTH: 965 words

BYLINE: By MICHAEL DI CICCO

DATELINE: HONG KONG

KEYWORD: EUROASIA

BODY:

Reforms in Eastern Europe could put a temporary squeeze on economic growth in Southeast Asia as investors scramble to secure a toehold in the infant democracies, analysts say.

Market watchers say Beijing will be hardest hit as Western companies, drawn by cultural bonds and the allure of dramatic political and economic change, explore opportunities in Eastern Europe.

Investors in China had a cold shower following Beijing's harsh crackdown on mainland democracy advocates in June. Many companies abandoned projects and few have returned with the government's increasingly hard-line communist stance.

At least some of that money, analysts say, is headed to Eastern Europe.

"Virtually nobody has said anything about putting a joint venture in China in the past six months, while all kinds of companies are announcing joint ventures in Eastern Europe," said Graham Nutter, managing director of International Investments at Fidelity International. "That surely is an indication of what is going on."

Western analysts have urged their investors to tread carefully when exploring Eastern Europe's fledgling democracies but say many companies are eager to enter the untested market.

"The United States has a large number of entrepreneurs who are ethnic Poles, Czechs and Germans and who have kept in close contact with their roots," said Eugene Lawson vice chairman of the U.S. Export-Import Bank. "They really want to make a difference in Eastern Europe and are pushing investment."

The Ex-Im Bank is using its \$10.6 billion guarantee authority to offer trade credit insurance in Poland and Hungary and recently got the nod from President Bush to go into Czechoslovakia with a wide range of lending and insurance services.

"West European firms that would have set up factories in Asia to produce goods for Europe can now do it in their own backyard," said Ranjan Pal director of forecasting services at Business International. "The divergence of those funds will have an impact. It will slow the growth in Asia."

Proprietary to the United Press International, April 1, 1990

But Pal and other analysts say emerging East European economies also will generate a new appetite for products traditionally made in Southeast Asia.

'The East Bloc population is going to demand consumer goods -- electric fans, calculators, cheap clothes and toys,' Pal said. 'East European companies will buy those products where they are the cheapest. That means Asia.'

Dennis Yau, assistant director of the Hong Kong Trade Development Council, agreed.

'We want to diversify our markets so we don't depend as much on the West,' he said. 'Eastern Europe provides a promising opportunity for diversification.'

The quasi-government organization launched trade missions to Poland and Hungary in late March following a successful trip to the Soviet Union, where Yau said Hong Kong merchants garnered \$1.79 million in on-the-spot orders and \$24.74 million in orders under negotiation.

While Asian companies are eager to peddle their goods to consumers in Eastern Europe's new democracies, direct investment meets with less enthusiasm.

Despite Japanese Prime Minister Toshiki Kaifu's pledge of \$1.8 billion in economic aid to Poland and Hungary, few Japanese companies have followed with investment.

'We welcome economic reforms in Eastern Europe, but Japan's tie to those countries is weak geographically, psychologically and historically,' said a spokesman at one of Japan's major trading companies. 'We cannot but be discreet on investment.'

'Compared with Eastern Europe, East Asian markets are nearer and, I must say, more attractive.'

Mindful of U.S. investors' premature romance with Deng Xiaoping's opening China market in the 1970s, American officials are preaching prudence to companies eager to support the new East European democracies.

'American companies caught the China fever early on,' said John Kamm president of the American Chamber of Commerce in Hong Kong. 'We've been so connected to the process of reform a certain measure of healthy skepticism would be good right now.'

'Eastern Europe is going to encounter some serious problems -- more serious than what China went through,' Kamm said.

'In China there was always a certain segment of the economy not under central control, but that was not so in Eastern Europe. Places such as Romania and Poland are going to have huge problems with decentralization.'

Lawson said the U.S. Ex-Im Bank has about 40 percent of its loans and credit insurance in Asia and although the bank is backing limited ventures in Eastern Europe, it will not do so at the expense of its Pacific Rim interests.

Proprietary to the United Press International, April 1, 1990

'Most countries in Eastern Europe are struggling,' he said. 'They are fledging democracies in a transition state, a sort of never-never land limbo between a centralized, state-controlled economy and something approaching a quasi free market.

'They suffer from a lack of accounting principles and procedures that can be meshed with Western practices. The banking system is weak,' Lawson said.

'We are very active in Asia, and Eastern Europe is not going to change that.'

Market watchers say Eastern Europe could provide inexpensive vehicle for unrestricted access to European consumers after 1992, when the European Community drops national trade barriers.

But there is no guarantee any of the new democratic regimes will be admitted to the European Community.

'Even admitting East Germany into the EC is still a big question mark,' Nutter said. 'It's not automatic by any means.

'But still there are 300 million people in the Soviet Union and Eastern Europe, and setting up factories in the East Bloc would be a sure way to get into that market.'

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Electronics
March, 1990

SECTION: FEATURES; Cover; Trade; Pg. 50

LENGTH: 1155 words

HEADLINE: THE GOLD RUSH IS ON'

BYLINE: Reporting by Lawrence Curran, Jacqueline Damian, Peter Fletcher, and John Gosch

BODY:

IS EASTERN EUROPE BEcoming a boom town for Western business? The former U. S. Ambassador to Hungary thinks so.

R. Mark Palmer has just resigned his diplomatic post to run a new consortium of North American financiers investing in communications, commercial real estate, and tourism in Hungary. The Central European Development Corp.'s first deal: the \$ 10 million purchase of half interest in the General Banking and Trust Company, one of prewar Hungary's most eminent financial institutions.

"The gold rush is on in Hungary," Palmer told The New York Times. "If you stand in the lobby of the Forum Hotel, you are lucky not to get knocked down." Fax machines at that Budapest hotel are backed up for hours by businessmen making deals.

So far, Western European companies are the major players in Hungary and elsewhere in the Eastern bloc as well as in the Soviet Union. Michael J. Shade, president of Budapest's newly formed American Chamber of Commerce branch, estimates that West German and Austrian concerns outnumber U. S. companies there 10 to 1.

The reason? "Eastern Europe is too new for anyone [in the U. S.] to have any good intelligence on it," says Steven Crummey, senior vice president for worldwide sales and support at Lotus Development Corp., the Cambridge, Mass., software house. "Everything that's been happening in the last 90 days couldn't have been predicted, so it isn't realistic to expect anyone to have a game plan in place." Only recently have U. S. companies begun earnestly pursuing trade in the Soviet Union, where some European competitors have long been active.

Japanese companies have so far been cautious in these new markets, although Sony Corp. says it wants to expand in East Germany. Prime Minister Toshiki Kaifu has proposed a \$ 2 billion aid package to Eastern Europe, but the Japanese as yet have little presence in the region. Some Japanese businessmen question whether they should make massive investments there or concentrate instead on China and Southeast Asia.

WESTERN EUROPE

Generally, West German firms consider themselves particularly well positioned for the coming battle for East-bloc market share, geographically and otherwise.

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To begin with, they have a running start: for almost all East European countries, West Germany ranks as the largest trading partner in the West. Its electrical/electronics exports to the East totaled \$ 1.1 billion in 1988 (a drop in the bucket compared with the \$ 23 billion in such equipment that West Germany sold to Common Market countries that year).

Siemens AG has been keeping tabs on Eastern markets for many years and has in place a group of some 20 experts to coordinate Eastern trade and aid the firm's 15 divisions in negotiating contracts and selling goods.

The Munich-based electronics giant has signed a declaration of intent with the Soviet Union's Ministry of Posts and Telecommunications to cooperate in expanding that country's communications network. Negotiations could soon lead to an agreement to use Siemens' EWSD digital switches in large exchanges and for long-distance communications.

Siemens is also involved in a telecom venture with the big Yugoslav equipment maker Iskra, which is headquartered in Ljubljana. Called Iskratel and established last May, the new company will introduce Siemens' EWSD to the Yugoslav market and also sell the Iskra-developed SI2000, a switch for small and medium-size public exchanges and private branch exchanges. By the early 1990s, Iskratel hopes to be doing about \$ 100 million worth of business a year.

Stuttgart-based Standard Elektrik Lorenz AG, the West German subsidiary of France's Alcatel NV, is keeping a high profile in East Europe. Besides its Hungarian telecom deal (see p. 47), SEL has signed on to help modernize East Germany's telephone network with its System-12 digital switch. A 2,000-subscriber switch went into service in December.

Also involved is Holland's Philips International NV, which set up a components application and design-in center in Minsk last year in conjunction with Soviet partner Gorizont, a TV manufacturer in that city. With test and measuring equipment installed, the Minsk facility is now designing Philips components -- including bipolar and MOS circuits -- into audio and video equipment, primarily TV sets. Philips says it is looking into other ventures in the East.

So are British manufacturers. Some of the larger companies have already concluded deals, among them GEC Plessey Telecommunications Ltd. -- it has a joint venture to set up pay phones in the Moscow area. And for the past five years, the company has been negotiating with Bulgaria for the sale of its System X digital public central-office telecom switch. Some smaller firms are already involved in selling personal computers to the East.

THE U. S.

American electronics manufacturers have fewer deals to their credit. The biggest to date is US West's multi-million-dollar pact with Hungary to set up the Eastern bloc's first cellular-telephone service in Budapest. If the Denver-based Regional Bell Operating Company obtains an export license, it will sign on the dotted line with Magyar Posta, the government's telecommunications agency. US West is also negotiating to install a \$ 500 million, 6,000-mile fiber-optic line in the Soviet Union.

(c) 1990 McGraw-Hill, Inc., Electronics, March, 1990

Data General Corp. last December became the first major U. S. computer maker to forge an agreement with the Soviet Union [Electronics, January 1990, p. 17]. With one Russian and two Austrian partners, the Westboro, Mass., company will focus on computers for industrial automation.

To date, Data General has U. S. government approval to offer the Soviets the MV/2000, a small computer with a rating of just under 1 million instructions/s, through the joint venture. It has applied for an export license for the MV/7800, which runs at about 1.2 mips.

It took two years to complete the deal, and that time frame is not unusual for East-West pacts. Eastman Kodak Co. has been angling for that long to get several projects off the ground in Russia, including a deal to make and sell floppy disks through its Verbatim Corp. subsidiary.

The Rochester, N. Y., company is working under the auspices of the American Trade Consortium, a nonprofit New York-based group exploring trade possibilities with Moscow. However, "there's been no news since March of last year," says Kodak spokesman Paul Allen.

Lotus is looking eastward, too. About a year ago, it set in motion a small task force to explore business opportunities in the Soviet Union, where "the potential for personal computers is incredibly large." Crummey says. The company has developed a version of its ubiquitous 1-2-3 spreadsheet that runs in both English and Cyrillic. "We'd like to make something happen before the end of this year," Crummey says -- assuming that Lotus can find an appropriate Soviet partner.

Letter - Ag
Commerce - / Nov trip

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need handouts

Jay Burgess/Will Winter
East Elm office
Commerce
377-4915

For Ag Service
Gerry Schumacher
447-7115
245-4744
Jack Jenkins 382-6193
Kelly Schipp 447-4623

To Reggy
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Phone 457-7093
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AMPAD EFFICIENCY® 23-021 CARBONLESS

MESSAGE FROM THE PRESIDENT

Free enterprise. Without it, our nation could not enjoy the prosperity we have enjoyed for so long. Our free enterprise system is a treasure that provides all Americans with a wealth of opportunity and growth. But like any treasure, it must be carefully guarded from those who would rob it of its worth.

As the most effective voice for American business, the U.S. Chamber is a guardian of free enterprise. Our voice reflects the wisdom and experience of the millions of business owners who have created the most marvelous and powerful economic machine the world has ever seen.

Without our members, the Chamber could not possibly exert the influence we do

over the policies shaped in Washington. The participation and commitment of our members provides us with the strength and resources we rely on to advocate freedom, free enterprise and the interests of business. Our members, too, wield their own clout with legislators on Capitol Hill to enhance the efforts of our lobbyists.

Through the U.S. Chamber, American business keeps strong the free enterprise system that makes our country great. Indeed, American business is enterprise—and enterprise *is* America.

—Richard L. Leshner

Just a short walk from the White House, the historic Chamber building serves as a base for hundreds of U.S. business strategic planning sessions each year.



U.S. CHAMBER OF COMMERCE



In our more than 75 years of service, the U.S. Chamber of Commerce has earned a reputation as the most effective voice for business in the public policy arena.

Our voice is made strong by the U.S. Chamber Federation. Under this advocacy umbrella, we bring together for action thousands of companies, state and local chambers of commerce, American Chambers of Commerce Abroad, and trade and professional associations. Including all our business members and those of our chamber and association members, the Federation stands nearly five million strong.

By working together for legislation and policies that protect our nation's free enterprise system, we help create an environment in which businesses large and small can prosper. This economic growth, in turn, provides opportunity and a higher standard of living for all Americans.

A History of Consensus-Building

The Chamber was organized at the request of President William Howard Taft. Tired of the fragmentation he saw within the ranks of business, he called for American firms of every size and from every business sector to unite.

In 1912 the U.S. Chamber was formed, providing business with the solidarity it had lacked and the clout it needed. Today we continue to be recognized at home and abroad as the representative voice of American business—before Congress, the White House, the regulatory agencies, the courts, and in countries around the world.

HISTORY OF THE CHAMBER BUILDING

The U.S. Chamber headquarters building has symbolized the American system of free enterprise since its cornerstone was laid in 1922. Situated directly across Lafayette Park from the White House and less than 10 minutes from Capitol Hill, it occupies one of the most politically strategic pieces of real estate in the world.

The building was constructed on the site of Daniel Webster's home, financed by the membership through a capital fund-raising drive. American business has used the building ever since as a base of operations from which to coordinate its most successful lobbying efforts.

In 1983, the Board of Directors approved the launch of the Spirit of Enterprise Fund—the second capital fund-raising campaign in the history of the Chamber—to properly equip the Chamber for the future.

Through their generous contributions, Chamber members have made possible the renovation and expansion of many Chamber facilities and programs, and strengthened our ability to keep alive the American spirit of enterprise.

The U.S. Chamber's history of combining singular business perspectives into one collective voice is mirrored in our policy-making process. Structured enough to accommodate the diverse views of our Federation members, our process also is flexible, allowing us to reach agreement and act quickly on a broad range of issues important to business.

From Opinions to Policies

Our policy-making process begins with our members. Staff specialists in Washington and regional offices around the country talk to business people at the grass roots to discuss issues affecting their companies. And we learn even more about our members' concerns through the many letters, phone calls and survey responses we receive.

U.S. CHAMBER STANDING POLICY COMMITTEES AND COUNCILS

Economic Policy
Education, Employment and Training
Energy and Natural Resources
Environment
Food and Agriculture
Government and Regulatory Affairs
Health and Employee Benefits
International Policy
Labor Relations
Public Affairs
Taxation
National Chamber Alliance for Politics
Association
Chamber of Commerce
Construction Action Council
Council of Small Business
Services Industries Council

Our members' opinions direct the work of Chamber committees and councils, and our Board of Directors. These policy-making bodies—all consisting of member representatives from firms of every size, type and geographic area—reflect the makeup of our membership.

Issues brought before these groups are national in scope and pertinent to every company. So that the Chamber may continue to speak for all business and not just any one segment, single-industry issues are not considered in our policy-making process.

- **Committees and Councils.** Comprised of member representatives, our committees and councils are charged with examining the technical details of existing and upcoming issues, and measuring their impact on all business. Once this is done, these groups recommend policy positions to our Board of Directors and assist in implementing solutions.

In addition to our standing policy committees, the Chamber has special councils representing small businesses and the services industries that advise the Board directly on their constituents' concerns. We also have bilateral and multilateral councils working to improve the international climate for foreign trade and investment.

- **Board of Directors.** Our Board debates committee recommendations and adopts new policy positions by a required two-thirds vote. Interpretations of existing policy require a simple majority vote. With 63 member representatives, the Board includes nine principal officers, 50 directors and the Senior Council.



U.S. CHAMBER OFFICERS AND DIRECTORS

Duties

Officers, except the President, are elected annually by the Board of Directors. The President is appointed by the Chairman of the Board, with the Board's approval, and is subject to reappointment without restriction. Chamber officers include:

- **Chairman of the Board**—Presides at Board meetings and is a member *ex officio* of all committees, except the Nominating Committee. The Chairman has an important leadership responsibility as a spokesperson for and representative of the Chamber and its membership.
- **Vice Chairman of the Board**—Presides at Board meetings in the absence of the Chairman and assists or acts on behalf of the Chairman. The Vice Chairman is elected with the expectation that he or she will, at the end of the elected term, succeed the Chairman of the Board.
- **Chairman of the Executive Committee**—Presides at meetings of the Executive Committee and performs other duties the Chairman of the Board may request.
- **Regional Vice Chairmen**—Perform duties as assigned by the Chairman of the Board, such as representing the Chamber at business meetings in their respective geographical regions.
- **Treasurer**—Responsible for monies paid to or by the Chamber, and for maintaining accounts.
- **President**—Full-time chief operating officer in charge of administration and management of the Chamber. Responsibilities of

the President include staff and operational policies, as well as policy and program implementation. The President is responsible directly to the Board and is an *ex officio* member of all committees, except the Nominating Committee. The President also serves as full-time spokesperson for the Chamber.

Directors serve two-year terms and are charged with keeping Chamber policies and activities in step with the current environment for business. By studying national and international issues and trends, they are able to relate Chamber policies to new developments, and advise the Chamber on appropriate strategies to pursue. And through their participation in meetings and activities held across the country, Directors help implement and promote Chamber policies and objectives.

The **Executive Committee**—consisting of the Chairman of the Executive Committee, the President, the Chairman of the Board, the Vice Chairman of the Board and at least nine other Directors—is appointed annually by the Chairman of the Board, subject to the Board's approval. The Executive Committee has full authority to exercise the powers of the Board any time the Board is not in session.

The **Senior Council** is comprised of five former principal officers—including the Chairman of the Executive Committee—and serves as an advisory panel to the Chairman of the Board, particularly in matters involving policy and precedents.



In addition to planning lobbying strategies on key legislation, Chamber issue managers staff policy committees and coalitions, and provide lobbying advice and information to member firms.

Specializing in Business Issues

The Chamber is involved in approximately 100 economic and social issues important to American business and national economic growth. With the largest research and action staff of any business organization, we are able to track these issues and identify emerging ones better than anyone else.

In our major areas of concern—domestic, economic and international policy—we have close to 90 full-time issue experts advocating policies that preserve the free enterprise system upon which our nation was built.

- **Domestic Policy.** The Domestic Policy Division works to keep business free from laws and regulations that intrude on employer-employee relationships, and develops policies that encourage new job creation and competitiveness in the international marketplace.

Experts in this division specialize in the areas of Business-Government Policy, Labor Law, Resources Policy, Legal and Regulatory Affairs, and Small Business.

The **Business-Government Policy Department** covers issues ranging from health and pension benefits to human resources development.

Our **Labor Law Action Center**, which follows all legislation dealing with employer-employee relationships, develops programs for members on labor-management issues like plant closings and AIDS or drugs in the workplace.

Four separate sections make up the **Resources Policy Department**—Community Resources, Energy and Natural Resources, Environment, and Food and Agriculture—and handles issues like hazardous waste, community development, nuclear energy and food safety.

Our **Legal and Regulatory Affairs Department** focuses on issues that include antitrust policy, product liability reform and government procurement.

Finally, our **Small Business Center** works with other Chamber departments to coordinate all of our lobbying efforts on behalf of smaller firms.

- **Economic Policy.** By monitoring conditions and projecting trends in our economy, the Economic Policy Division helps influence fiscal and monetary policies to improve the climate for business and foster national economic growth.

This staff unit consists of our Economic Policy, Research, and Tax Policy centers.



Chamber Chief Economist and Vice President for Economic Policy Richard Rahn testifies on the dangers posed to the U.S. economy by increased taxes.

The **Economic Policy Center** recommends federal spending controls and monetary policy improvements, and deals with banking and finance issues.

Our **Tax Policy Center**, which analyzes the impact of tax proposals on business and the economy, works to prevent passage of tax laws that could harm economic growth and stifle job creation.

The **Research Center** forecasts the economy of the U.S. and other industrialized countries, and projects the economic impact of national policy changes.

- **International Policy.** The International Division shapes foreign trade policy, influences and works with government and business leaders abroad, and offers advice and assistance to members on exporting.

Included in this area are experts on trade and export policy, plus foreign country experts with ready knowledge on a specific nation—from its laws on trade to its people and culture.

This division operates **bilateral and multilateral business councils** to help foster U.S. economic relations with key countries in the international marketplace. It also works with our American Chambers of Commerce Abroad (AmChams) to improve the environment for American firms in foreign countries.

U.S. CHAMBER BILATERAL AND MULTILATERAL COUNCILS

ASEAN-U.S. Business Council
Brazil-U.S. Business Council
Canada-U.S. Relations Committee
Czechoslovak-U.S. Economic Council
E.C.-U.S. Conference on Agriculture
Hungarian-U.S. Business Council
India-U.S. Business Council
Korea-U.S. Business Council
Philippine-U.S. Business Committee
Polish-U.S. Economic Council
Romanian-U.S. Economic Council
Turkey-U.S. Business Council

LEGISLATIVE AND POLITICAL ACTION

Understanding the issues that affect business and forming effective policies to deal with them is important, and implementing these policies is essential. Through our legislative and political action programs, the Chamber helps enact pro-enterprise laws and regulations by developing comprehensive issue strategies, providing full-time lobbying coverage in both the House and Senate, and monitoring the voting records of members of Congress.

Influencing Issue Outcomes

Thanks to our success at involving a diverse membership in our policy process, the U.S. Chamber stands alone in the ability to influence members of Congress and other leaders in Washington. Policymakers listen to the Chamber better than to other organizations because they know we speak for all business, and not just for a narrow industry interest.



PHOTO: TERRY ASHE

Chamber Vice President of the International Division Bill Archey and Chamber House Liaison Dan Costello meet with Rep. Dan Rostenkowski (D-Ill.). Frequent visits like this ensure business views are well-known on Capitol Hill.

Chamber specialists meet with legislators and their staffs more than 20 times each day Congress is in session. And we testify more often than any other business group. Members, too, are an influential and essential part of our lobbying program through their participation in our congressional action network and issue strategy groups.

- **Congressional Action Network.** With today's members of Congress opting for careers rather than short-term service, constituents have more influence than ever before. "Professional" legislators seeking reelection recognize how critical it is to listen to the views of voters.

In response to this trend, the Chamber continues to expand our grass-roots network of members to influence Congress. Nearly 3,000 congressional action networks make up our member grass-roots lobbying program, which can generate thousands of letters and phone calls on a single issue.

From our Washington headquarters and regional offices, we help members set up their own networks to lobby on local, state and national issues of concern to business. We also provide these action groups with regular updates on national issues, advice on lobbying strategies, and legislative alerts in time to contact Congress before crucial votes are taken.

- **Coalitions.** The Chamber brings leadership, expertise and resources to nearly 80 issue strategy groups uniting businesses of all types. These coalitions succeed by consolidating the resources of many organizations and bringing together even diverse groups to present a united front before policymakers.





Coalitions are often the key to successful lobbying strategies. Here members of the Minimum Wage Coalition to Save Jobs gather in Washington to meet with members of Congress.

Because of our broad membership base and significant resources, policy-makers and other groups often look to the Chamber to take the lead in forming coalitions on issues ranging from capital gains tax rates to privatization of government services.

Endorsing a Pro-Business Congress

Through our political action program, we research the issue positions of candidates for Congress and provide non-financial assistance to those who qualify as “friends of

business.” In this way, we help elect members of Congress—both Republican and Democratic—who will vote for business growth and the principles of the free enterprise system. This helps us influence the policy-making process on Capitol Hill before legislators cast their first votes.

- **Endorsement Program.** Our regional offices conduct extensive research on congressional candidates and incumbents and their positions on business-related issues. After thorough interviews with members and deliberations by several Chamber committees and the Board of Directors, we endorse those pro-business incumbents and candidates who meet our guidelines.

Our members are encouraged to work to elect endorsed candidates through regional meet-the-candidate events and published endorsement reports and letters, which can be crucial to election outcomes. In recent election years, nearly 85 percent of Chamber-endorsed candidates have won congressional seats.

- **National Chamber Alliance for Politics (NCAP).** Through NCAP, our separately-funded political action committee, we provide in-kind assistance and counseling (never funding) for endorsed candidates by advising them on fund-raising techniques, campaign management and public image strategies. We also work with the political action committees of other business groups, and present Chamber views on legislation that affects election laws.

U.S. CHAMBER AFFILIATES

The national policy-making process is complex, and influencing it requires a comprehensive strategy that goes beyond representation in the legislative and regulatory arenas. To enhance our efforts before Congress and the Administration, the U.S. Chamber has three separately-funded affiliate organizations working to strengthen the free enterprise system.

Defending Business in the Courts



Because the courts often are involved in shaping policies that affect companies, we formed the National Chamber

Litigation Center (NCLC) to give business a voice in the judicial arena. This makes the Chamber the only organization that can represent business before every branch of government.

Through NCLC, the Chamber enters cases that are national in scope and affect how the business community as a whole operates. As the only public policy law firm advocating solely business interests, NCLC will represent firms in party litigation, intervene on behalf of business interests, and file “friend-of-the-court” briefs when precedent-setting issues are at stake. To date, NCLC has scored an impressive 60 percent win record.

Researching Business Issues



The National Chamber Foundation (NCF), our public policy research arm, anticipates trends and conducts studies on

emerging issues that affect the business community. NCF research findings are dis-

tributed widely among policy and opinion leaders to generate discussion on the issues and their effects on business. This gives business critical influence over national policies early in their debate stages.

By sponsoring research on topics like AIDS in the workplace, unemployment compensation overpayments, tax policy, international trade and business ethics, NCF also is able to suggest workable solutions to the problems facing business and the American economy.

Promoting Free Enterprise in Foreign Countries

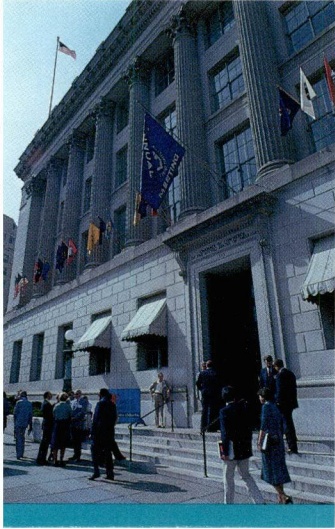


The principles underlying democracy and a free enterprise system provide support for and flourish in combination with one another. Recognizing this, the Center for International Private Enterprise (CIPE) was established as the business representative in the National Endowment for Democracy to encourage the growth abroad of private enterprise organizations and principles.

This entire initiative—proposed by a bipartisan group including the Chamber and the AFL-CIO—began in response to Ronald Reagan’s 1982 plea for America to help foster democratic development in foreign countries. Since it began, CIPE has been involved in more than 70 projects in countries around the world.



PROGRAMS FOR FEDERATION MEMBERS



Through the U.S. Chamber Federation, our clout extends far beyond Washington. In communities across the country, and in nations around the world, members of the Federation participate in programs and advocate policies that strengthen the free enterprise system. This broad membership base provides us with an unmatched source of strength and credibility.

In return, we offer all our members—from the largest to the very small—a myriad of programs and services to increase their effectiveness. An entire range of resources is dedicated to strengthening member organizations and extending the reach of the Federation. And to improve the quality of the American workforce, we sponsor several innovative education programs.

Outposts for Enterprise

The Chamber has four regional offices around the country to effectively serve our members and promote the principles of the free enterprise system. Regional office staff serve as a critical link between Chamber headquarters in Washington and members around the country.

- **Information and Consultation.** By holding seminars and fielding questions, regional offices help educate members on national issues concerning the business community. They also help strengthen the Federation by providing chambers, associations and businesses in their regions with strategic advice and information.

U.S. CHAMBER REGIONAL OFFICES

Eastern Region

711 Third Avenue, Suite 1702
New York, New York 10017-4046
(212) 370-1440

Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia

Southern Region

4835 LBJ Freeway, Suite 750
Dallas, Texas 75234
(214) 387-0404

Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia

Central Region

2000 Spring Road, Suite 600
Oak Brook, Illinois 60521
(312) 574-7918

Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

Western Region

500 Airport Boulevard, Suite 240
Burlingame, California 94010
(415) 348-4011

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

- **Legislative and Political Activities.** Regional offices play a critical role in maintaining our active and influential grass-roots member lobbying network by staying in close contact with Chamber members in their respective areas. These offices counsel members on establishing their own networks and teach them the most effective lobbying strategies. In addition, they frequently acquaint local business people with their candidates for Congress. This involvement by our members allows them to learn candidates' views on business-related issues, and increases the likelihood that a pro-business Congress will be elected.

Promoting Corporate Participation

As leaders in the business world, our corporate members often possess unique insights into the challenges facing business.



PHOTO: HEINZ-JOACHIM SCHLÜTER

Efforts like this Chamber-produced U.S.-German video-conference bring together business leaders from around the world to discuss key international trade issues.

We encourage these members to share their insights through several Chamber programs.

- **Office of Corporate Relations (OCR).** OCR monitors major public policy concerns of the corporate community and serves as a key liaison through which companies provide their views on national issues to the Chamber. In addition, OCR will counsel member companies interested in establishing or upgrading their legislative and political action programs.
- **National Account Program.** Also part of OCR is our National Account Program. Under the National Account Program, special Chamber representatives assist corporate members in making use of those Chamber programs and services that will best meet their companies' objectives.
- **Briefing Center.** Located at Chamber headquarters in Washington, the Briefing Center provides company, chamber and association members with insights on the policy decisions being made in Washington and how to influence them. The Briefing Center's programs are custom-designed to match the interests and meet the objectives of the participants.

From briefings, members obtain the information they need to increase their advocacy power in Washington and their business decision-making power at home. The Briefing Center also provides members with an opportunity to see firsthand the facilities and resources we use to communicate the business message from Chamber headquarters.



The Small Business Center coordinates all Chamber lobbying on behalf of small business, including this testimony on amending the Prompt Pay Act to relieve small firms.

Serving Small Business Members

Smaller firms make up more than 90 percent of Chamber members and provide more than 70 percent of our dues income. To recognize the critical role of small business in the work of the Chamber, we have special programs geared solely toward these members.

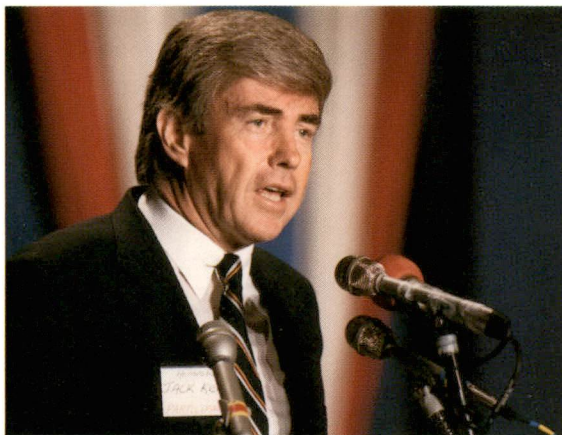
- **Small Business Center.** This is the “nerve center” through which the Chamber coordinates all our efforts to unite and strengthen the voice of small business. The Center testifies often before Congress and the regulatory agencies on behalf of small business, and oversees the preparation of testimony by other Chamber departments to ensure small business concerns are well represented. To produce a united effort on Capitol Hill, the Center also works regularly with other small business groups in Washington.
- **Small Business Council.** The Small Business Council reports to the Chamber Board and reviews pending policies to ensure they respond sufficiently to the concerns of small business owners.
- **Management Seminars and Self-Study Courses.** The U.S. Chamber, with Dun and Bradstreet Business Education Services, offers management seminars and quick skills self-study courses for growing firms on topics like “Managing Multiple Priorities” and “How to Find/Sell New Customers.”

Strengthening Chamber and Association Members

Our chamber of commerce and association members and our American Chambers of Commerce Abroad are critical to the scope and clout of the Chamber Federation. Through their involvement at the grass-roots

level, these members comprise the backbone of our lobbying activities. To enhance the efforts of these organization members, we offer a number of programs tailored to meet their needs.

- **Office of Chamber of Commerce Relations (OCCR).** OCCR helps our 2,700 state and local chamber members provide strong leadership in their communities. Management counseling is available to chamber members on everything from membership drives and setting appropriate dues levels to executive salary reviews.
- **Accreditation Program.** Part of OCCR, our Accreditation Program is a voluntary initiative undertaken by chambers. Through the accreditation process, chambers can analyze their strengths and weaknesses and learn what steps to take in upgrading and improving their own programs.
- **Small Business Programs Office.** Also part of OCCR, the Small Business Programs Office serves as a clearinghouse for organization members on federal programs and regulations that affect their small business members.
- **Association Department.** Our Association Department helps strengthen the 1,200 trade and professional organizations that belong to the Chamber by keeping them informed on business issues. And because so many of our trade and professional association members also are headquartered or have offices in Washington, we host regular "Association Insiders" breakfasts



Association leaders gather regularly at Chamber headquarters to hear speakers like Jack Kemp, Secretary of Housing and Urban Development, provide their views on public policy issues.

to acquaint association executives with members of Congress and other policymakers who speak at these meetings.

- **International Division.** Our International Division works with member American Chambers of Commerce Abroad (AmChams) to help efforts in their host nations that will provide a better trading environment for American firms. The division provides regular information on international issues to these AmChams and counsels them on management and lobbying techniques.

- ***Institutes for Organization Management.*** Our Institutes program is dedicated to furthering the professional development of organization executives, which helps increase the effectiveness of the organizations they serve. Held on a number of university campuses around the country, Institutes is the oldest continuing education program in America.
- ***Briefing Center.*** Briefings are arranged for chamber, association and AmCham members at our headquarters in Washington. The Briefing Center helps executives of these organizations better influence national issue outcomes by providing them with insights on policy decisions being made in Washington.



Members of the Houston Chamber of Commerce take advantage of the Chamber's Briefing Center service to learn more about federal legislation and Chamber resources.

Encouraging an Educated Workforce

The U.S. Chamber has a long-standing commitment to the ideals of education. We recognize that an educated workforce is crucial to America's competitive position in the world market.

Because today's students are tomorrow's employees and business leaders, we sponsor and promote programs to help provide workers with the skills and training they need to fill available jobs.

- ***U.S. Chamber ConSern: Loans for Education.*** More and more of today's students are finding the cost of an education increasingly harder to finance. A special new program, ConSern: Loans for Education, provides a unique private-sector solution to this growing problem.

Not only does this innovative program provide employees and their families with a source of low-interest education loans, it also contributes to the broader national goal of a quality workforce.

Through an exclusive agreement, we have made ConSern: Loans for Education available to U.S. Chamber members as an attractive employee benefit program. For a minimal cost, a sponsoring company can make ConSern loans available to employees *and* their families with few administrative responsibilities and no liability to the company.



PHOTO: DENNIS BRACK—BLACK STAR

Since the Chamber and University Support Services, Inc., joined forces to offer ConSern: Loans for Education to Chamber members, thousands of firms have made low-cost loans available to their employees.

CHAMBER CONSERN PROGRAM FEATURES

- Loans available from \$1,500 to \$25,000 per borrower per year, maximum of \$100,000 per borrower, for qualified applicants
- Loans may be used to pay costs for widest range of educational expenses, everything from tuition to computers
- Loans are made on the basis of applicant's good credit
- Low interest rate on loans
- Repayment terms extend to 15 years, with four-year principal deferral option (except on elementary and secondary school loans)
- No penalty for prepayment
- Simple, fast application process
- Entire administrative process handled exclusively by ConSern, including decisions on who is approved for or denied a loan
- Loans are privately insured—*participating companies bear no liability*
- A complete communications package is provided to educate employees on ConSern, including prepared brochures and application forms
- Toll-free telephone lines for employers and employees with questions about Chamber ConSern program

- **Business-Education Action Plan.** The Chamber launched the Plan to bring together business people, educators, and government and community leaders to improve the quality of education and, in turn, the quality of America's workforce.

The Chamber has written guides on the many ways businesses and business groups can get involved in this worthwhile effort—including donating time and money to upgrade school resources, or even going into classrooms to teach students about business.

- **“Enterprise Is . . . America.”** This program teaches students in more than 90 percent of America's secondary schools how the private enterprise system works. “Enterprise Is . . . America” covers key economic topics like competition, productivity, profits, world trade and investment in business.



Programs like “Enterprise Is . . . America” are examples of how the Chamber brings business and education leaders together to help today's students become tomorrow's skilled workers.

COMMUNICATIONS

At the foundation of all we do is communication—communication to, from and for U.S. Chamber members. Our program—including everything from broadcasting to media relations—is unique among business organizations and critical to the cause of free enterprise. Not only does it provide advice and information to business owners, it helps improve public attitudes toward business. And as public understanding grows, we can more easily convince Congress to act to improve the environment for business.

Publishing Information Resources

Through our regular and special publications, the Chamber provides the inside track on the people and events that affect business decisions.

- ***Nation's Business.*** *Nation's Business* is the largest circulation monthly business magazine. All members receive this publication, which offers advice on taxes, financing, franchising, marketing and other aspects of running a business. *Nation's Business* also examines national trends and policies, and how they affect the decisions our members make daily.

- ***The Business Advocate.*** Through *The Business Advocate*, our monthly advocacy tabloid for members, readers gain insight on business management, economic forecasting, and legislative and regulatory actions. In order to provide members with the information that affects them most, *TBA* comes out every month in two issues, one geared toward smaller firms, one toward large companies.
- ***Other Publications.*** From an analysis of state workers' compensation laws to an employer's handbook for preventing drug abuse, our special publications offer business people the technical knowledge and references they need. We also produce publications specifically for our organization members, including *Association Legal Checklist* and the award-winning *Raising and Managing Money: An Overview for Chambers of Commerce*.





The Chamber's BizNet facilities are capable of producing everything from daily live television programs to special videoconferences.

Broadcasting Business News and Views

We reach millions of Americans daily through programs produced at Chamber headquarters in our state-of-the-art multi-media center. BizNet, the Chamber's American Business Network, combines the following regularly scheduled programming with special videoconferencing.

- ***"It's Your Business."*** This award-winning public policy debate show, on the air for more than ten years, is one of the most successful syndicated public affairs shows on TV today.
- ***"Nation's Business Today."*** Featuring such segments as "Money Matters" and "CEO Close-Up," our two-hour business news show airs weekday mornings on ESPN, the nation's largest cable TV network. "Nation's Business Today" is also transmitted to 100 countries worldwide via the Worldnet satellite system of the United States Information Agency.
- ***"Ask Washington."*** This daily one-hour TV show allows viewers in nearly 40 million homes to call in and question guests on business-related topics.

- **Videoconferencing.** BizNet hosts videoconferences that link business leaders across the country and around the world to promote business-to-business dialogue on industry and trade.

Because our modern facility is the largest of its kind in downtown Washington, it is leased frequently for a wide variety of TV productions and video events. Many business groups have leased our BizNet studios to produce their own programs that help communicate the business message.

Reaching Out Through Media Campaigns

Through our sustained media outreach efforts, we help keep business issues in the headlines and on the minds of policymakers and the public.

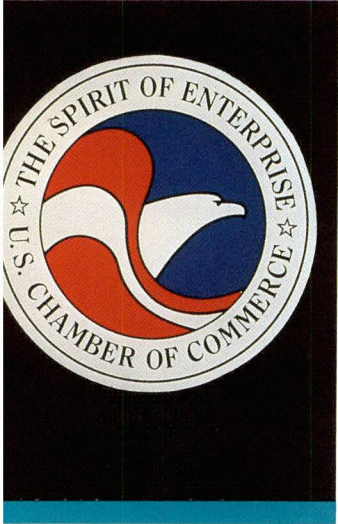
- **“Voice of Business.”** Each week this column by the Chamber President goes out to nearly 700 newspapers across the country. “Voice of Business” educates the public on how all Americans prosper through a strong free enterprise system and healthy business sector.

- **News Releases, Opinion Pieces, Editorials.** These are sent regularly to journalists to educate them on current legislation and how it would affect business.
- **Media Conferences.** Members of the press frequently attend Chamber news briefings and cover our events, while Chamber specialists and member volunteers travel the country to explain complex business issues to journalists. These efforts help increase public understanding of current issues and how they affect business.



Chamber President Richard Leshner, speaking to a full house at the National Press Club, presents business' agenda to members of the media.

THE VOICE FOR ENTERPRISE



Because of our comprehensive program and broad membership base, the U.S. Chamber represents American firms more effectively than any other business organization.

We have the strength and resources—including everything from our lobbying and political action to litigation and communication efforts—to influence policies that affect companies.

For members of the Chamber, this means a representative voice in every policy arena through membership in just one group. Before Congress and the Administration, before the courts and even overseas, the Chamber works to protect and promote the principles of the free enterprise system that help our nation prosper.

President George Bush and Chamber President Richard Lesher address a coalition rally of business leaders urging restraint in federal spending.



U.S. CHAMBER OFFICERS AND DIRECTORS 1989-1990



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Chairman of the Board
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Atlanta, Georgia

PRESIDENT

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U.S. Chamber of Commerce
Washington, D.C.

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Chairman and Chief Executive Officer
Arvin Industries
Columbus, Indiana

CHAIRMAN OF THE EXECUTIVE COMMITTEE

William S. Kanaga
Chairman, Advisory Board
Arthur Young
New York, New York

TREASURER

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Chairman, President and Chief Executive Officer
Marriott Corporation
Washington, D.C.

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Chairman and President
Ontario Corporation
Muncie, Indiana

Frank L. Morsani
President
Precision Enterprises, Incorporated
Tampa, Florida

Edward Donley
Chairman, Executive Committee
Air Products and Chemicals, Incorporated
Allentown, Pennsylvania

Oliver H. Delchamps, Jr.
Chairman
Delchamps Associates
Point Clear, Alabama

William S. Kanaga
Chairman, Advisory Board
Arthur Young
New York, New York

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President
Broadcast Division
Allbritton Communications
Washington, D.C.

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President and Chief Executive Officer
Shaklee Corporation
San Francisco, California

H. William Lurton
Chairman and Chief Executive Officer
Jostens, Incorporated
Minneapolis, Minnesota

Frances Shaine
Chairman
SPM Manufacturing Corporation
Holyoke, Massachusetts

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Chairman and Chief Executive Officer
Reynolds Metals Company
Richmond, Virginia

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Chairman and Chief Executive Officer
Meredith Corporation
Des Moines, Iowa

M. Anthony Burns
Chairman, President and Chief Executive Officer
Ryder System, Incorporated
Miami, Florida

Walton Chapman
President
Walton Chapman Builders Company
Santa Fe, New Mexico

Clyde C. Cole, CCE
President
Metropolitan Tulsa Chamber of Commerce
Tulsa, Oklahoma

Edwin I. Colodny
Chairman and President
USAir
Washington, D.C.

John B. Curcio
Chairman and Chief Executive Officer
Mack Trucks, Incorporated
Allentown, Pennsylvania

Bernard H. Falk
President
National Electrical Manufacturers Association
Washington, D.C.

Raymond F. Farley
President and Chief Executive Officer
S.C. Johnson & Son Incorporated
Racine, Wisconsin

Peter M. Flanagan
Managing Director
Dillon, Read and Company, Incorporated
New York, New York

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Chairman and Chief Executive Officer
Broadview Savings & Loan
Cleveland, Ohio

James A. D. Geier
Chairman and Chief Executive Officer
Cincinnati Milacron
Cincinnati, Ohio

Robert B. Gill
Vice Chairman
J.C. Penney Company, Incorporated
Dallas, Texas

Ivan W. Gorr
President
Cooper Tire and Rubber Company
Findlay, Ohio

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George Graboys
Chairman and Chief Executive Officer
Citizens Bank
Providence, Rhode Island

Gerald Greenwald
Vice Chairman
Chrysler Corporation
Detroit, Michigan

Charles M. Harper
Chairman and Chief Executive Officer
ConAgra, Incorporated
Omaha, Nebraska

Jess T. Hay
Chairman and Chief Executive Officer
Lomas Financial Group
Dallas, Texas

Dr. Earl H. Hess
President and Founder
Lancaster Laboratories, Incorporated
Lancaster, Pennsylvania

Jeanine S. Hettinga
President and Chief Executive Officer
Hettinga Equipment, Incorporated
Des Moines, Iowa

David S. Hollingsworth
Chairman and Chief Executive Officer
Hercules Incorporated
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3M
St. Paul, Minnesota

J.L. "Rocky" Johnson
Chairman and Chief Executive Officer
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Stamford, Connecticut

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Executive Vice President
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Real Estate Developer
SDL Property Company
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Forum Publishing Company
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Ellsworth McKee
President
McKee Baking Company
Collegedale, Tennessee

John J. Murphy
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Officer
Dresser Industries, Incorporated
Dallas, Texas

John D. Ong
Chairman and Chief Executive Officer
The BFGoodrich Company
Akron, Ohio

A. Barry Rand
President, U.S. Marketing Group
Xerox Corporation
Rochester, New York

John C. Rennie
President
Pacer Systems, Incorporated
BillERICA, Massachusetts

Burnell R. Roberts
Chairman and Chief Executive Officer
The Mead Corporation
Dayton, Ohio

Corbin Robertson, Jr.
President
Quintana Minerals Corporation
Houston, Texas

James E. Rogers, Jr.
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Public Service Indiana
Plainfield, Indiana

Herman J. Russell
Chairman and Chief Executive Officer
H.J. Russell & Company
Atlanta, Georgia

Robert A. Schoellhorn
Chairman and Chief Executive Officer
Abbott Laboratories
North Chicago, Illinois

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President and Chief Executive Officer
Consolidated Freightways, Incorporated
Menlo Park, California

C.J. Silas
Chairman and Chief Executive Officer
Phillips Petroleum Company
Bartlesville, Oklahoma

Jan Smith
President
Jan Smith and Company
Bradenton, Florida

James R. Stover
Chairman and Chief Executive Officer
Eaton Corporation
Cleveland, Ohio

Daniel P. Tully
President and Chief Operating Officer
Merrill Lynch & Company, Incorporated
New York, New York

Ted C. Wetterau
Chairman and Chief Executive Officer
Wetterau Incorporated
Hazelwood, Missouri

U.S. CHAMBER CONGRESSIONAL ISSUES 1990



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2. Access to Public Lands
3. Acid Rain
4. Age Discrimination in Benefit Plans
5. Age Discrimination in Employment
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11. Child Care
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13. Clean Air Act: Attainment Deadlines
14. Clean Air Act: Hazardous Air Pollutants-Air Toxics
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17. Congressional Elections: Taxpayer Financing and Political Action Committee Restrictions
18. Construction Labor: Anti-Double Breasting
19. Consumer Product Safety Commission Reauthorization
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22. Corporate Takeovers-Tender Offers
23. Data Improvement
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27. Educational Reform and Workplace Preparation
28. Energy Security and Preparedness
29. Enterprise Zones
30. Export Administration Act Reauthorization
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32. Export Promotion
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35. Financial Reform and Deregulation
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53. Long-Term Health Care
54. Mandated Employee Benefits: Family-Medical Leave
55. Mandated Employee Benefits: Health Care
56. Mass Transit Subsidies
57. Medical Professional Liability Reform
58. Minimum Wage
59. National Endowment for Democracy
60. National Labor Relations Act Amendments
61. National Security Council Expansion
62. Nuclear Licensing Reform-Plant Design Standardization
63. Nuclear Waste Disposal
64. Occupational Disease Compensation
65. Occupational Hazard Notification
66. Occupational Safety and Health Act Reform
67. Offshore Oil and Gas Leasing
68. Oil Import Fee
69. Paperwork Reduction
70. Pesticides: Federal Insecticide, Fungicide, and Rodenticide Act
71. Private Pensions: Joint Trusteeship
72. Private Pensions: Reversions of Overfunded Pension Plans
73. Privatization
74. Privatization of Services
75. Product Liability
76. Reciprocity in International Investment
77. Regulatory Reform
78. Resale Price Maintenance
79. Retiree Health Benefits
80. Security Guards' Union Affiliation
81. Service Contract Labor Standards Act: Repeal-Reform
82. Solid Waste Management
83. South Africa Sanctions
84. Tax: Capital Gains
85. Tax: Corporate Alternative Minimum Tax
86. Tax: Employee Stock Ownership Plans
87. Tax: Estate Freeze Rules Repeal
88. Tax: Foreign Taxation
89. Tax: Health and Other Employee Benefits
90. Tax: Increases
91. Tax: Research and Development
92. Tax: Savers and Investors
93. Tax: State Taxation of Interstate Commerce
94. Tax: Unrelated Business Income Taxation
95. Trade Enforcement Act
96. Unemployment Compensation: Benefits Extension
97. Unemployment Compensation: Financing
98. Unfair Nonprofit Competition with Small Business
99. U.S. Foreign Assistance Policy and Mixed Credit
100. Vocational Education Reauthorization
101. Volunteer Liability
102. Whistleblowers: Private Sector
103. White Collar Crime: Racketeer Influenced and Corrupt Organizations Act
104. White Collar Crime: Telemarketing Fraud
105. Workers' Compensation

OVERSEAS

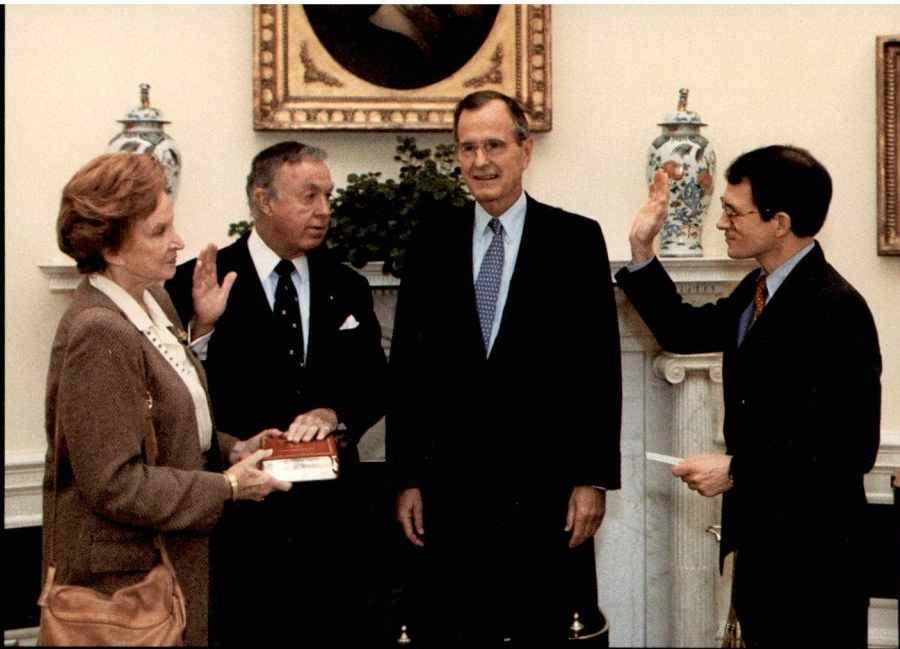
PRIVATE

INVESTMENT

CORPORATION

1989 REPORT





Fred M. Zeder is sworn in as president and chief executive officer of OPIC during a White House ceremony with President Bush. Martha Zeder holds the family Bible as Chase Untermeyer administers the oath.

This report discusses the Corporation's activities and operations during fiscal 1989. It is issued in compliance with OPIC's annual reporting requirements set forth in Section 240A of the Foreign Assistance Act of 1961, as amended, and combines the information traditionally contained in two separate OPIC

OVERSEAS

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CORPORATION

1989 REPORT

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This is my first annual report to you since I was sworn in as OPIC's president and chief executive officer. During my term of office, those dramatic and historic events that shook the world also have begun to reshape OPIC's future. Therefore, I will tell you not only about the year that was, but also report on how we are addressing current events and positioning OPIC for the dramatic decade of the '90s.

The most profound development of 1989 was the amazing speed and determination with which nations after nations moved away from communism and toward democracy. Promptly following President Bush's announcement of OPIC's new role in Eastern Europe, our personnel were in Poland and Hungary preparing to start operations there. In October, I signed bilateral agreements with both governments, and on November 6, I led a highly successful investment mission to Poland. I then returned to Warsaw with the November 29 Presidential Mission. An additional investment mission to Poland is scheduled for May of 1990, following an April mission to Hungary.

As important as our new Eastern European initiative is, we have not allowed it to overshadow or detract from our traditional business activities. Rather, the increased recognition, acceptance and demand for OPIC's products and services have created within our ranks a rededica-

tion and commitment to the programs we have been providing for nearly 20 years in developing countries around the world.

Last year, when I arrived at OPIC, I found a corporation with highly-motivated and talented people justly proud of a long record of constant growth and ever-increasing revenues. There appeared to be no immediate need for major changes in policy, purpose or personnel—just a little fine tuning here and there. I wish to express my gratitude to my predecessor, Craig A. Nalen, and his executive vice president, L. Ebersole Gaines, for their outstanding contributions to OPIC's previous successes.

Early in my tenure I was pleased to welcome aboard two new officers, James D. Berg, executive vice president, and Howard L. Hills, vice president and general counsel. Jim, Howard and I have worked together, at one time or another since 1975, during my two previous federal appointments. I am confident of their determination and ability to meet the challenges and opportunities that lie ahead. We also welcome Dennis Dolan, corporate secretary; James Hall, director of public affairs; and Scott Bush, manager of our missions program.

Despite extremely tight budget constraints in 1989, OPIC managed to meet and exceed all of its goals for the year. Gross revenue increased by 12.6 percent. Our Finance Department committed its Direct Investment Fund and Investment Guaranty Authorities of \$198 million to support 21 projects. In Insurance, we wrote \$1.5 billion in new coverage for 115 projects.

You will notice that this year's balance sheet includes a new entry. For the first time, we have established a "non-specific reserve," for insurance and loan guaranties. OPIC's loss experience, including delinquent portfolio accounts and paid insurance claims, remains well within acceptable limits. We have, however, elected to set aside this additional \$50-million reserve in keeping with the Bush Administration's emphasis on prudent financial management, and in light of our rapidly increasing business activities.

During the year, OPIC conducted six investment promotion missions, including an emergency relief project mission to Jamaica immediately after Hurricane Gilbert. Our April mission to three sub-Saharan African nations resulted in eight project proposals going forward within five months. This is record time considering the usual 12- to 24-month cycle required for investment to come to fruition. In sub-Saharan Africa, OPIC launched the Africa Growth Fund, an innovative \$30-million capital fund that we believe will produce strong earnings and demonstrate how successful equity investments can be made in a tough business environment.

Much of the progress we made during 1989, and the platform we have built for future growth, is based on our early recognition of the need to involve OPIC more deeply and directly in the Administration's policy-making process, while working more closely with the Office of Manage-

ment and Budget and Congress. We also determined to improve our relationship with representatives of organized labor—particularly in matters involving our shared interests regarding the protection of internationally-recognized worker rights. During the year, we made significant progress in all of these critical areas.

The 1990s will provide new opportunities for OPIC as an income-producing, self-funding government agency. Over the years, we have added almost \$1.3 billion to the international affairs account of the federal budget. We are determined to improve on this record. We will stretch our business strategy beyond reliance on the passive income from Treasury notes held in our capital fund. We are competently staffed, fully authorized and adequately financed to seek out, analyze and develop opportunities to increase OPIC's contribution to reducing our national deficit. Our efforts should be judged by the success of our projects and the return we earn on the investments we make.

In the past, government-to-government grants have too often proven ineffective and, regrettably, wasteful. OPIC's challenge in the '90s is to demonstrate that free people operating in a free market can and will bring peace and prosperity to developing nations around the world. The financial services and private capital sources that OPIC has brought to 110 countries are the keys to true and lasting economic recovery and sustained growth.

We live in exciting, fast-moving times. Because OPIC is so directly involved in the events of the day, I in-

tend, in the future, to augment this annual report with quarterly reports. This will help you track our progress and stay current with events at OPIC.

We can take great pride in our global mission to assist people striving for liberty and opportunity. I am particularly grateful to our customers, the people of OPIC, our board of directors, Congress and the Bush Administration for the support they all bring to our efforts.



Fred M. Zeder



FISCAL 1989 HIGHLIGHTS

Record net income of \$122.0 million.¹

Total investment of \$3.3 billion in the host developing nations.

More than \$2.2 billion in new U.S. exports and a positive U.S. net trade effect of \$1.6 billion.²

Support for 123 investment projects in 35 countries and areas of the developing world.

Insurance volume of \$1.5 billion.

Finance commitments of \$198 million—the Corporation's full authority.

Small-business participation in 30 percent of the year's projects.

Investment missions to Trinidad & Tobago, the Philippines, Costa Rica, Jamaica, Thailand, and the Southern African region.

Creation of 10,511 host-country jobs.³

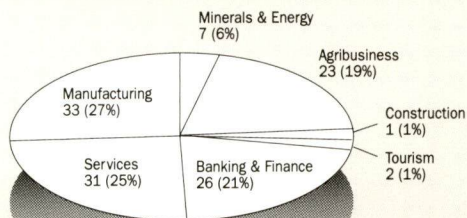
Creation of 18,730 man-years of U.S. employment.²

¹Before cumulative effect of change in accounting policy for new reserves.

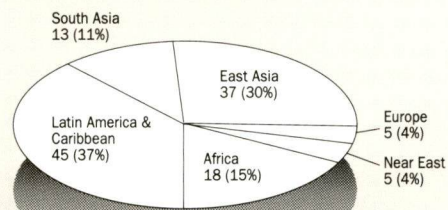
²Over the first five years of operation

³By the fifth year of project operations.

**FISCAL 1989
PROJECTS BY INDUSTRY**



**FISCAL 1989
PROJECTS BY REGION**



FINANCIAL POSITION

OPIC's gross revenues for fiscal 1989 reached a record \$152.4 million, as compared to \$135.3 million for the previous year. Net income, before the cumulative effect of a change in accounting policy for new reserves, stood at an all-time high of \$122.0 million.*

Insurance premiums contributed \$33.5 million to the year's revenues, while income from OPIC's finance portfolio accounted for a record \$16.9 million. In addition, interest from the Corporation's portfolio of investments in U.S. Treasury securities totaled \$101.7 million. Administrative expenses for the year were \$12.099 million, a 6.8 percent decline from the \$12.975 million recorded in fiscal 1988.

As of September 30, 1989, OPIC's cash and portfolio of U.S. Government securities stood at a record \$1.341 billion, an increase of 11.3 percent over the previous year's \$1.205 billion. Combined insurance and finance reserves rose to \$1.3 billion from \$1.2 billion. Unrestricted retained earnings were \$7.6 million.

At year end, funds available for claims payments exceeded \$1.4 billion, including the Corporation's \$100-million borrowing authority for claims settlements. OPIC believes these funds to be more than adequate when compared with its maximum potential liability for insurance and guaranty claims, which was \$3.4 billion at September 30, 1989.

* As of September 30, 1989, OPIC adopted the policy of recording a general (non-specific) reserve for insurance and investment guaranties. This policy is consistent with current practices in both the public and private sectors.

INSURANCE CLAIMS

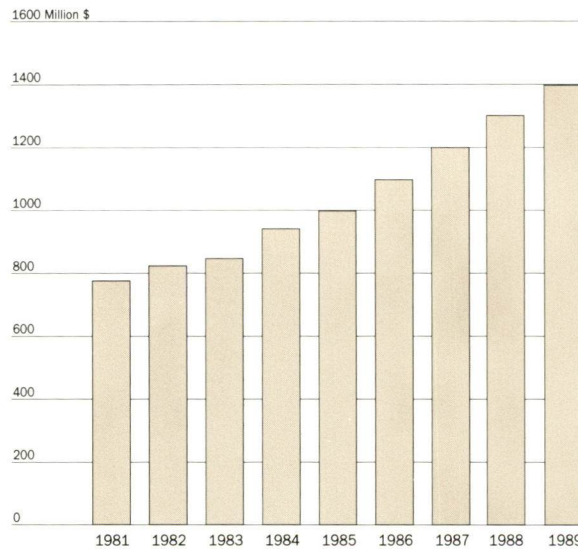
During fiscal 1989, OPIC settled one political violence claim, one expropriation claim, and three inconvertibility claims with cash payments of \$2.8 million. At September 30, pending political risk insurance claims totaled \$3.0 million. Under two indemnity agreements previously entered into, OPIC paid \$8,177 during the fiscal year.

Throughout fiscal 1989, foreign governments met scheduled obligations payable to, or guaranteed by, OPIC as a result of previous claims payments, with one exception. In fiscal 1990, OPIC expects to enter into a rescheduling agreement with that

government with respect to obligations of approximately \$4.1 million in unpaid principal and accrued interest.

Since the program's inception, OPIC and its predecessor agency have paid, guaranteed or provided indemnities for more than \$473.9 million to investors in settlement of 232 insurance claims. Only 22 insurance claims have been denied, of which seven were submitted to arbitration by the investors. Of the \$473.9 million in claims settlements to date, OPIC has recovered \$244.1 million through salvage efforts, and anticipates an additional \$38.9 million of principal recovery.

SUMMARY OF FUNDS AVAILABLE FOR CLAIMS PAYMENTS*



*Includes \$100-million borrowing authority

In fiscal 1989, OPIC insured 115 new projects in 35 countries of the developing world. More than 50 percent of these projects were located in the world's least-developed countries; more than 26 percent of the year's projects involved U.S. small-business investors.

The Third-World debt crisis continues to limit opportunities for entrepreneurs to borrow funds for worthy new ventures in developing countries. Despite the continued reluctance of many financial institutions to expand their exposure in developing countries, OPIC is pleased to have encouraged several U.S. banks in 1989 to use the Corporation's insurance to eliminate their sovereign risks and participate in new overseas projects.

Specifically, OPIC wrote insurance coverage for several U.S. banks which are providing financing through loans or leases for eight private-sector projects involving more than \$150 million in new investment in the host countries. Of special note is an OPIC insurance commitment of \$100 million to U.S. lenders for a major methanol project in Trinidad & Tobago. Under Section 936 of the IRS Code, this project will allow the sponsoring Puerto Rican-based U.S. companies to undertake tax-advantaged investment in the Caribbean Basin.

During 1989, the insurance department also continued efforts to make its products better known to U.S. investors by sponsoring a variety of informational seminars around the country. In addition, the department undertook several initiatives to adapt its insurance products to changing client requirements. Consequently, OPIC now offers a "small-business

package" of insurance coverages, which provides simplified coverage elections and discounted premium rates for combined coverages. For clients with large, multi-country exposures, new programs are available for cost-and-exposure management, including stop-losses, and increased risk retention and deductibles. These efforts will continue in the coming year.

COOPERATION WITH PRIVATE INSURERS

Exercising new statutory authority, the Corporation launched several initiatives in fiscal 1989 to encourage greater availability of political risk insurance and enhance the U.S. private political-risk insurance industry.

On May 16, OPIC's board of directors established an advisory group, consisting of representatives from the private political-risk industry and purchasers of such insurance, which held its first meeting on August 3.

Through the activities of the group, OPIC has made private insurers aware of its authority to encourage the development of associations, pools or consortia of U.S. private insurers. In general, the Corporation has revised its procedures and standard insurance contracts to encourage eligible investors to consider private insurance as an alternative or adjunct to OPIC insurance. Investors who apply for OPIC insurance are sent information about the U.S. private political-risk market, and must indicate that they have considered private coverage before OPIC will issue a contract. In recognition that investors may have private-sector coverage as well as OPIC insurance, OPIC's standard insurance contracts have been amended to coordinate compensation provisions to the insured's benefit.

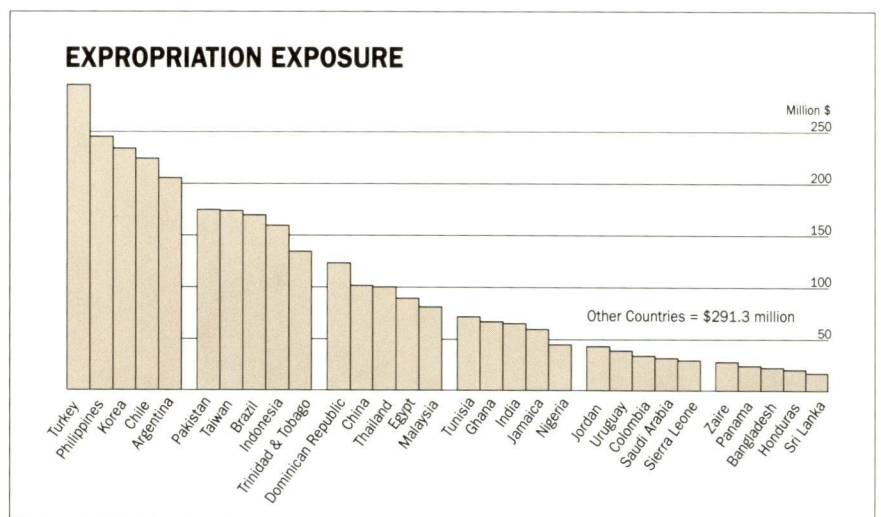
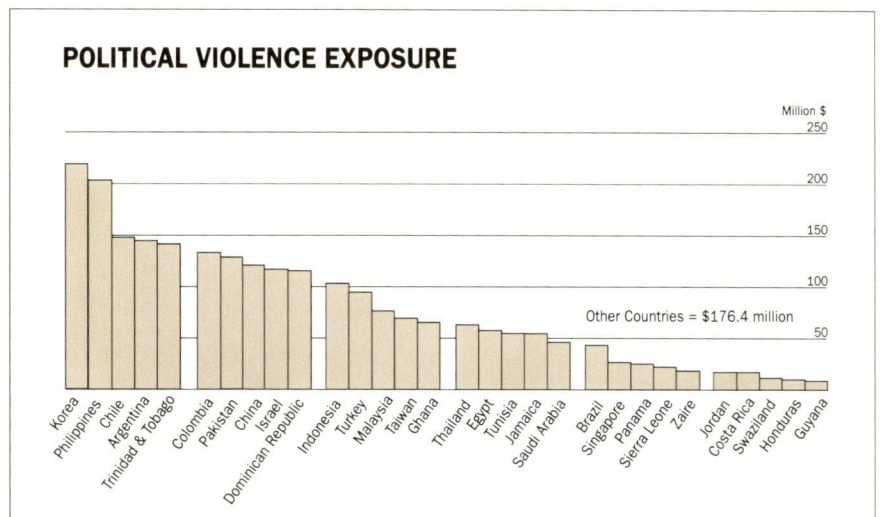
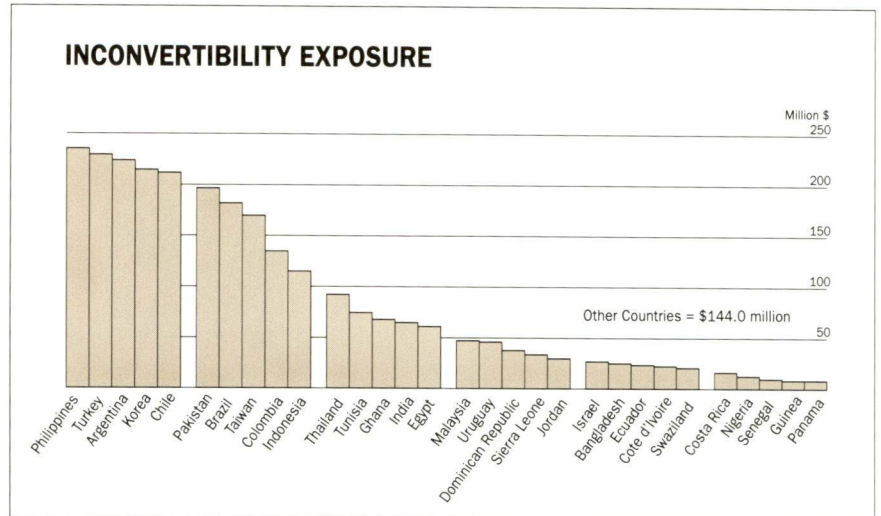
OPIC has also instituted a contingent coverage program, which allows an eligible investor to purchase primary coverage from a private insurer while maintaining contingent coverage with OPIC. This allows an investment to remain covered if the private insurer does not renew coverage. To encourage use of this program, OPIC has reduced its premiums for contingent coverage by 60 percent, from .25 percent to .10 percent.

OPIC made offers to investors with 17 projects in 13 countries to extend their OPIC coverage beyond the statutory maximum term of 20 years that would otherwise apply, provided those investors could arrange private coverage for 50 percent of the insurance issued. Only one offer was accepted, for a Bolivian mining project involving a \$375,000 investment. Most investors were content to see their coverage expire, having realized a substantial return on their original investment and having grown comfortable with the host-country's investment climate. In one case, the investor was unable to obtain coverage from private-sector insurers for a particular country. In another, the investor could only obtain coverage from a non-U.S. insurer.

Information as to the nature and dollar value of political risk insurance provided by private insurers in conjunction with the Corporation is unavailable because OPIC insureds are not required to notify OPIC if other insurance has been obtained. Nevertheless, apart from coinsurance and contingent coverage, OPIC is aware of situations in which investors may

be using OPIC and private insurance in conjunction, without necessarily notifying either insurer. Private insurers may participate with OPIC in covering the risks that OPIC may insure against, on a pro-rata basis or with one as primary insurer and the other covering losses in excess of the primary insurer's limit. Some private insurers issue global coverage, but with country exceptions. OPIC may provide coverage for projects in those excluded countries, while the private-sector coverage protects the insured's investments elsewhere, including countries where OPIC insurance may be unavailable based on underwriting or statutory considerations. Investors may also obtain private insurance to cover additional investments in projects or countries where OPIC insurance is no longer available.

In fiscal 1989, there were no insurance claims for which OPIC shared liability with private insurers. Thus, there was no occasion for actual cooperation in recovery efforts or claims management. However, OPIC has revised its standard contracts to anticipate such cooperation with respect to new coverage. In several cases where OPIC was aware that an investor was obtaining both OPIC and private coverage, OPIC consulted with the private insurer involved and provided assurances of cooperation in recovery and claims management. Written agreements among insurers on this subject are not customary or necessary, but OPIC has been willing to enter into such agreements upon request to formalize the basis of its cooperation with private insurers in claims management and recoveries.



Fiscal 1989 proved exceptionally productive for OPIC's finance department, which assisted 21 projects in 13 developing countries and areas. Nearly three-fourths of the year's projects were located in the world's poorest developing nations, as measured by per-capita GNP levels.

OPIC's financing programs provide support for a broad range of U.S. investors, from major corporations to small-business enterprises. Reflecting this, 10 of the year's projects were assisted through OPIC loan guaranties, which are used for large and capital-intensive undertakings, while 11 projects were supported with direct loans, which are reserved for projects sponsored by small and medium-sized companies. In all, funding for the year's 21 projects fully utilized the Corporation's 1989 authorities—\$175 million for loan guaranties and \$23 million for direct loans.

In 1989, OPIC strengthened its ability to support smaller U.S. companies with the introduction of two Congressionally-authorized programs. One program gives OPIC the statutory authority to provide equity financing to American businesses sponsoring projects in sub-Saharan Africa or the Caribbean Basin. Two of the year's direct loans, one in each region, could be convertible to equity under this new authority.

Another newly authorized program allows OPIC to allocate a portion of a direct loan for use in the United States to develop or adapt technologies or products for use in specific projects in developing countries. A loan commitment to an aquaculture project in Haiti, with an "R&D" component in Florida, marks OPIC's first funding under this program.

OPIC's continued success in tailoring financial assistance to meet the

specific needs of a developing country was particularly evident in the year's two Jamaican project commitments. For example, a \$3-million loan to help reconstruct and expand several Jamaican poultry farms stemmed directly from a special OPIC "rehabilitation" mission to expedite the recovery of Jamaica's private-sector economy in the wake of Hurricane Gilbert's destruction. And, in response to the Jamaican government's decision to sell its state-owned hotels to experienced private-sector operators, OPIC was able to provide a \$10-million loan guaranty to finance the sale and refurbishing of a major resort property near Montego Bay.

Finally, the Corporation's on-going efforts to increase U.S. investor interest in sub-Saharan Africa yielded two notable financings in 1989. One, a \$3.4-million loan guaranty, will help an Oregon firm carry out a long-term contract with the World Health Organization to spray aeriaily for "river blindness" disease in 11 West African nations. The second, a \$1-million loan for a brick and tile manufacturing plant in Botswana, stemmed directly from OPIC's investment mission to the Southern Africa region in the spring of 1989.

Fiscal 1989 also marked the inauguration of the Africa Growth Fund, an innovative equity capital fund developed by OPIC over a two-year period. This privately owned and managed fund is designed to facilitate U.S. corporate participation in the creation and capitalization of productive new enterprises throughout sub-Saharan Africa.

As of September 30, 1989, the finance portfolio, including authorized commitments not yet disbursed, amounted to \$930.7 million. At the close of the fiscal year, OPIC's total finance portfolio in dollar terms was

distributed 52 percent in Latin America and the Caribbean, 16 percent in Africa, 16 percent in East Asia, 9 percent in Europe, 5 percent in the Near East and 2 percent in South Asia.

Since OPIC commenced operations in 1971, it has issued commitments to finance \$1.59 billion for 238 projects in 58 developing countries.

FINANCE PROJECTS

ALUMINUM PARTNERS OF JAMAICA

Jamaica

An OPIC loan guaranty of \$22.2 million will permit the rehabilitation and reactivation of a bauxite mine and alumina refinery in Jamaica. The refurbished facilities should reduce previous production costs and provide for full-capacity output of one million metric tons annually. The project also will generate 900 jobs, making it one of Jamaica's largest employers.

AROAIMA BAUXITE COMPANY LTD.

Guyana

A \$14-million OPIC loan guaranty will establish a bauxite mine and refinery in the remote Aroaima region of Guyana. The project, which consists of mining raw bauxite ore and then processing it into alumina, includes the construction of related housing, roads and community facilities as well. During the first five years of operations, the project will create 300 permanent jobs and \$156 million in new exports for Guyana.

ATATURK AIRPORT TERMINAL*Turkey*

A \$40-million loan guaranty will help build a new international terminal at Istanbul's Ataturk Airport, and convert the existing facility into a new domestic terminal. In all, the expansion will more than double the airport's aircraft, passenger and cargo handling capacities. Financial structuring of the project, which brings majority U.S. ownership to a venture normally undertaken by a state-owned enterprise, was established under a Turkish government policy encouraging privatization.

CREVETTE S.A.*Haiti*

An OPIC direct loan of \$2.75 million (of which \$100,000 was committed from fiscal 1989 authority) will be used to develop, build and operate a modern shrimp farm in Haiti. The farm is expected to yield more than one million pounds of shrimp annually, generating some \$3.3 million in foreign exchange earnings each year. This project also entails an "R & D" component for the United States, with OPIC providing funds to a Florida company that will develop and adapt hatchery technology for subsequent transfer to Haiti.

DAYSTAR INTERNATIONAL*Argentina*

A \$4-million loan, OPIC's first to a U.S. small-business project in Argentina, will help establish a factory to produce grape juice concentrate for export. Benefits to Argentina's economy include additional foreign exchange earnings and the introduction of new U.S. food processing technology. Once the plant is fully operational, Argentina will possess one of the most technologically advanced juice processing plants in the world.

DE CICCIO FLORAL CORP.*Guatemala*

A \$760,000 loan from OPIC will be used to purchase land, construct and expand greenhouses, and procure the plant stock and equipment needed to expand a Guatemalan farm producing horticultural products for export. The expansion is expected to generate employment for an additional 145 local workers by its fifth year of operation.

EVERGREEN INTERNATIONAL AVIATION, INC.*Regional West Africa*

A \$3.4-million loan guaranty will help this company carry out a long-term World Health Organization (WHO) contract to provide aerial spraying to control "river blindness" disease in 11 West African nations. WHO's satisfaction with Evergreen's performance on a previous contract also supported by OPIC helped secure the present contract. Control of this disease will enable the population to re-inhabit and cultivate fertile river-bottom lands.

GAZI POWER*Turkey*

An OPIC loan guaranty of \$700,000 will help build four 350-megawatt, coal-fired power generating units in southeast Turkey. Initial U.S. procurement consists of \$162 million worth of turbines and related items, with U.S. technical services during construction exceeding \$44 million. By diversifying Turkey's fuel sources, the project will alleviate potential shortfalls in domestically-produced power and reduce reliance on imported oil.

GREEN MINING, INC.*Guyana*

An OPIC loan of \$3.7 million (of which \$2.3 million was committed from fiscal 1989 authority) will support the expansion of a bauxite mining services operation in Guyana. Over the first five years of operations, the project will help generate an estimated \$103 million in new bauxite exports. More than \$8 million worth of U.S. mining equipment and spare parts will be purchased by the project.

HAITIAN TROPICAL MANAGEMENT, S.A.*Haiti*

A \$425,000 OPIC loan will allow an established mango plantation to improve productivity through an expanded irrigation system and renovation of packing and storage facilities. The project will create permanent employment for seven administrative personnel and 22 field workers, seasonal employment for 95 others during harvest periods, and will further develop Haiti's agricultural export capabilities.

INDUSTRIAS ALFA, S.A.*Honduras*

OPIC's \$1-million loan guaranty will provide working capital to expand a Honduran refrigerator/freezer manufacturing and assembly operation that is affiliated with Admiral International. The facility, which imports materials from the United States to manufacture its product line, has firmly established this U.S. brand name in the Central American marketplace. The expansion will create approximately 150 new jobs to double the company's Honduran workforce.

JAMAICA BROILERS GROUP LTD.

Jamaica

Through a direct loan of \$3 million, OPIC will assist in the reconstruction and expansion of several Jamaican poultry farms destroyed by Hurricane Gilbert in 1988. The project stems from a special OPIC initiative to mobilize private-sector resources in rebuilding Jamaica's storm-damaged economy. In addition to safeguarding the existing jobs of 1,400 local workers, the project will create 80 new jobs.

LIMON FRUIT COMPANY

Costa Rica

A \$35-million loan guaranty will support the expansion of an integrated fresh and processed fruit company in Costa Rica. The project calls for establishing nine new banana farms, expanding six existing farms, building and operating a banana puree production plant as well as facilities for winter melon packing and storage, and upgrading a marshalling yard at the port of Limon. Some 2,600 full-time and 180 part-time jobs will be created by the project.

LOBATSE CLAY WORKS (PTY), LTD.

Botswana

OPIC's \$1-million direct loan will help this start-up firm manufacture high-quality, heavy-clay brick and tile products to market within Botswana's emerging economy. The enterprise will create 110 new jobs, diversify the local economy, and displace imports of similar clay products from South Africa. The joint venture also plans eventually to sell equity shares to local citizens, thereby promoting the goals of Botswana's new capital markets initiative.

MANTRAC CO.

Egypt

A \$6.5-million loan will help this Egyptian distributor of Caterpillar equipment to increase its inventory, expand two service/repair facilities, and develop a new service branch. This will allow Mantrac to better service its U.S.-made products and compete more effectively with its Japanese and European counterparts.

MUEBLES WELLINGTON HALL, S.A.

Honduras

An OPIC loan of \$1.3 million will assist in the acquisition, expansion and modernization of a 7.2-acre mill and lumber facility for manufacturing furniture. The project, which will provide approximately 180 jobs for Honduran workers, will also support the long-term growth of its North Carolina owner by enabling it to expand its facilities, product line and U.S. employment levels.

N & B JEWELRY

Dominican Republic

OPIC financing, in the form of a \$2-million direct loan and a \$3.7-million loan guaranty, will help expand a gold jewelry manufacturing operation in the Dominican Republic's San Pedro de Macoris Free Trade Zone. The expansion will help the manufacturer to effectively integrate its jewelry production process and to maintain an increased inventory of gold. More than 200 local jobs will be created.

PETROQUIMICA AUSTRAL, S.A.

Argentina

A \$25-million loan guaranty will help finance the construction and operation of a methanol plant in Tierra del Fuego. The project, which uses the region's abundant supply of natural gas to produce a higher-priced export

product, will create approximately 250 construction-phase jobs and 100 permanent jobs for local workers. Procurement of U.S. goods and services will be in excess of \$40 million.

P.T. CABOT CHEMICAL

Indonesia

A \$20-million OPIC loan guaranty will support the construction and operation of Indonesia's first carbon-black plant. The project, which will serve the country's tire and rubber industry, represents an important step toward developing Indonesia's petrochemicals sector. In addition to generating substantial foreign exchange savings, the plant will serve as a local supply source to meet the growing domestic demand for high-quality carbon black.

TIERRA MAYA, S.A.

Guatemala

An OPIC loan of \$1.5 million will support the expansion of a winter melon growing-and-packing operation in western Guatemala. Over the first five years of operations, the expansion is projected to create more than 60 jobs and approximately \$12 million in new foreign exchange revenues for Guatemala. The project will also introduce new irrigation techniques for melon cultivation.

WYNDHAM ROSE HALL HOTEL

Jamaica

A \$10-million loan guaranty will assist in privatizing and refurbishing a 500-unit resort hotel near Montego Bay. The project is expected to generate significant foreign exchange earnings for the country, and to create as many as 200 new full-time jobs. More than \$6 million worth of U.S. furnishings, fixtures and equipment will be purchased for the project.

Economic conditions in both the industrialized and developing worlds strongly influence U.S. private investment flows to the developing countries. According to the International Finance Corporation, economic growth in the industrialized world continued at a respectable 4.2 percent annual rate in 1988, and the combined gross domestic product of the developing nations grew by 5.1 percent, compared to 4.5 percent in 1987. Foreign direct investment in the developing world increased from \$13 billion in 1987 to more than \$17 billion in 1988. However, due to continuing heavy external debt service requirements, net capital flows to the developing world remained low in comparison to previous levels.

According to data prepared by the Department of Commerce, U.S. direct investment in the developing world increased by only 9 percent in 1988, compared to 18 percent in 1987. As in previous years, most of the increase in investment was to Latin America followed by East Asia.

OPIC ACTIVITY IN FY 1989

OPIC assisted 123 investment projects in 35 developing countries or areas during fiscal 1989. While this project count represents a decline from the 167 projects assisted in fiscal 1988, the \$3.3 billion of investment involved in these projects is 10 percent higher than in the previous year. This increase resulted from a surge in investment from third countries which, for the first time since 1980, surpassed the amount of investment from the United States (see Figure 1). This suggests increasing instances of Third World co-investment by U.S. companies and investors from other industrialized countries, a trend consistent with the globalization of the world economy. Likewise, participation of multilateral lending institutions in OPIC-assisted projects increased to almost \$200 million from \$56 million the year before.

As shown in Figure 2, 56 percent of the 123 projects assisted in 1989 are located in the world's least-developed

countries (defined by Congress as having per-capita incomes of \$984 or less in terms of 1986 dollars). Forty-two percent were located in middle-income countries (per-capita incomes of \$984 to \$2,600),* and two percent were located in the high-income countries.** (See Figure 2).

With respect to regional distribution, the largest number (45) and proportion (37%) of the year's projects were located in Latin America and the Caribbean, as was the case last year. Nearly half of these investments were in South America, primarily for leasing, energy and mining projects in Brazil, Argentina, Bolivia, Colombia

* As of December, 1988, OPIC programs were restricted in countries with per-capita incomes exceeding \$2,600. Of the 52 projects assisted by OPIC in middle-income countries during fiscal 1989, 23 projects—located in Gabon, Korea and Taiwan—were in countries in the over-\$2,600 category. These projects were either already approved or in process when the restriction went into effect.
 ** The two projects located in high-income countries are in Trinidad & Tobago. Under OPIC's 1988 legislation, projects located in countries eligible for the Caribbean Basin Initiative are exempted from restrictions that would otherwise apply to OPIC programs in high-income countries.

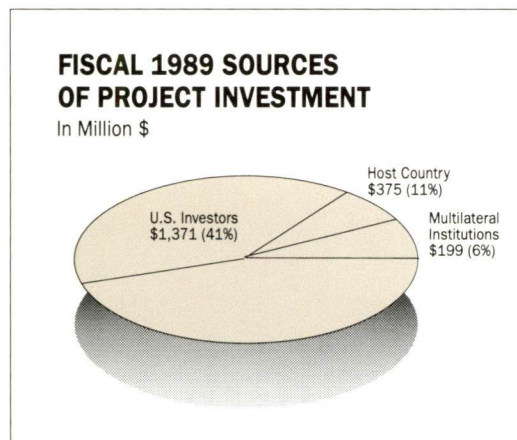


FIGURE 1

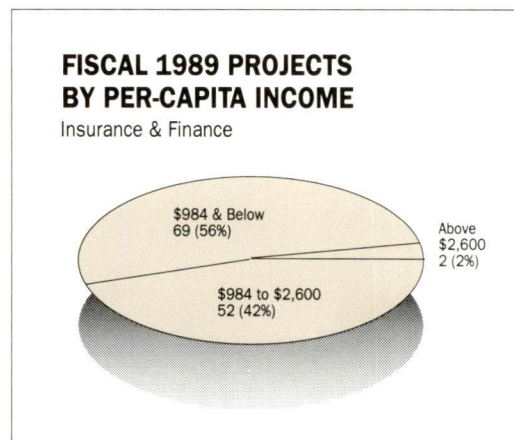


FIGURE 2

and Guyana. The remainder were located in the Caribbean Basin, with a notably large concentration in Jamaica, where the government has embarked upon a privatization initiative.

As in previous years, the second largest concentration of projects was in the East Asia region, where OPIC assisted 37 projects (30%). Six projects were assisted in China, all of which were completed or in process before June 1989, when OPIC programs in China were suspended, following the events of Tiananmen Square. Indonesia, Malaysia, the

Philippines, Korea, Taiwan and Thailand also benefited from OPIC-insured investments in this region.

OPIC also continued to increase its activity in sub-Saharan Africa, assisting a record 18 projects (15%) during fiscal 1989. Of the remaining projects, 13 were located in South Asia (11%); five in the Near East (4%); and another five (4%) in Europe—all in Turkey.

The industrial sectors represented by OPIC-assisted projects in fiscal 1989 were led by manufacturing (27%) and services (25%), followed

by banking & finance (21%), agribusiness (19%), minerals & energy (6%), construction (1%) and tourism (1%).

DEVELOPMENT IMPACTS

The 123 investment projects supported by OPIC in fiscal 1989 will generate significant, beneficial economic and social impacts for the developing host countries.

Notably, the net foreign exchange benefits from the year's projects are projected to total \$455 million per year, the largest amount since fiscal 1985. Other favorable impacts include initial expenditures of more than \$1 billion for local procurement of goods and services, employment of more than 10,500 local workers by the fifth year of project operations, and generation of \$117 million in annual host-government revenues (see Table 1).

U.S. ECONOMIC EFFECTS

In the aggregate, as well as on an individual project basis, the U.S. economic impacts of the 123 projects assisted by OPIC in fiscal 1989 are also quite favorable (see Table 2).

In addition to the \$1.4 billion of U.S. investment in the projects, initial exports of U.S. machinery, equipment and supplies are valued at \$739 million, while operational procurement from U.S. sources will generate another \$1.5 billion during the first five years of project operations. The U.S. exports generated by these projects will also result in the creation of an estimated 18,730 person-years of U.S. employment. In all, 37 projects, or 30 percent of the year's total, involved significant participation by U.S. small business and cooperatives.

ESTIMATED DEVELOPMENTAL IMPACT OF FISCAL 1989 PROJECTS

Annual foreign exchange effects for host country*	Amount/Number (millions of \$ or number of workers)
Foreign exchange benefits	
Imports replaced	\$ 625
Exports generated	\$ 886
<i>Total A</i>	\$ 1,511
Foreign exchange costs	
Project imports	\$ 513
Capital outflows	\$ 543
<i>Total B</i>	\$ 1,056
Net foreign exchange benefit (A less B)	\$ 455
Net annual taxes, revenues and duties paid to the host country*	\$ 117
Initial local expenditures	\$ 1,025
Local employment generated**	
Technical and management	2,333
Skilled and unskilled labor	8,178
<i>Total</i>	10,511

* Average annual amount over a five-year forecast period.

** Number of workers in fifth year of operation.

TABLE 1

*While in Peru City - 1m. announced
Commitments to invest over
\$70m. ~~with~~
of int.
400-50
permanent jobs*

ESTIMATED U.S. ECONOMIC BENEFITS OF PROJECTS ASSISTED BY OPIC IN FISCAL 1989

Total project investment	\$ 3,318 million
U.S. investment in projects	\$ 1,371 million
U.S. percent of total	41 percent
Total direct U.S. project exports	\$ 2,232 million
Initial procurement from U.S.	\$ 739 million
Operational procurement (5 years)	\$ 1,493 million
Estimated U.S. employment generated	18,730 person-years

TABLE 2

Net U.S. exports displaced, and net U.S. imports resulting from the 123 projects, will amount to \$14 million and \$575 million, respectively. Thus, the net direct U.S. trade effect of these 1989 projects will amount to a positive \$1.6 billion contribution toward the U.S. balance of trade and, when all financial flows are considered, a net positive \$1.7 billion contribution to the U.S. balance of payments.

Over the years, OPIC has assisted many projects having very favorable trade and employment effects on the U.S. economy and, following Congressional directives, has consistently rejected all projects having potentially significant adverse impacts on U.S. jobs or the U.S. economy. Ten such projects were rejected by OPIC during fiscal 1989; many more were discouraged prior to formal application.

ENVIRONMENTAL IMPACTS*

In fiscal 1989, OPIC reviewed the potential environmental impacts of approximately 170 projects, and carried out environmental assessments for 61 projects in the agriculture, manufacturing, food processing, construction, tourism, oil and natural resource sectors. In conducting its assessments, OPIC requested and received technical assistance from the Environmental Protection Agency, the Agency for International Development and the International Finance Corporation. In addition, several previously approved projects were monitored to ensure their conformity with investor's representations of environmental impacts.

Occasionally, OPIC receives proposals for projects posing significant environmental or safety hazards. In nearly all of these cases, the agency finds that investors are willing to make changes which bring the projects into conformance with OPIC's statutory criteria regarding environmental impacts; otherwise, the pro-

jects are rejected. In fiscal 1989, OPIC formally rejected one project on environmental grounds; several projects that were likely to be rejected were discouraged prior to the formal application process. During fiscal 1989, the Corporation approved one environmentally-sensitive project requiring host-government notification. The project, involving potentially hazardous chemicals, was approved only after OPIC had undertaken detailed assessments to ensure that all necessary safeguards would be observed.

WORKER RIGHTS REVIEWS

Under Section 231 of the Foreign Assistance Act, OPIC is prohibited from operating its programs in any country not found to be taking steps to adopt and implement "internationally recognized worker rights," as defined in the Trade Act of 1974. By agreement with Congress, OPIC abides by the President's annual determinations with respect to eligibility for the Generalized System of Preferences (GSP) on worker rights grounds. This covers the vast majority of OPIC-eligible countries. Since 1987, OPIC has suspended its programs in five GSP countries—Central African Republic,

*OPIC's environmental policies and procedures stem, in large part, from language in the OPIC Reauthorization Act of 1985. Under the 1985 environmental provisions, OPIC is: 1) prohibited from assisting any project posing an unreasonable or major environmental or safety hazard; 2) required to notify host governments of environmentally sensitive projects that it proposes to assist; and 3) directed to ensure that all of its projects are consistent with the provisions of the Foreign Assistance Act pertaining to the protection of tropical forests and biological diversity.

Chile, Nicaragua, Paraguay and Romania—on worker rights grounds.

With respect to non-GSP countries, OPIC has agreed to issue an annual report on worker rights determinations for any country whose policies in this area are formally challenged at OPIC's annual public hearings. In addition, under the Omnibus Trade and Competitiveness Act of 1988, OPIC is required to report annually on the reasons for any worker rights determination it makes with respect to the People's Republic of China.

At its public hearing on November 16, 1988, OPIC heard testimony concerning allegations of worker rights violations in two non-GSP countries and areas, the Republic of Korea and Taiwan. Following extensive and detailed reviews of worker rights conditions in these countries and areas, as well as China, OPIC found that although worker rights problems existed in all three countries and areas, as of March 1989, sufficient steps were being taken in each case to justify the continuation of OPIC programs under the criteria specified in OPIC's legislation.

Following the events of Tiananmen Square in the spring of 1989, OPIC programs in China were suspended by the Bush Administration on foreign policy grounds. OPIC is continuing to monitor the worker rights situation in China as well as in other non-GSP countries.

SPECIAL OPIC INITIATIVES

During fiscal 1989, OPIC pursued a number of initiatives to facilitate U.S. private investment into regions and sectors where the potential for significant developmental impact was great, but in which U.S. investors had traditionally found it difficult to operate. Three major efforts in this area are discussed below.

■ *African Export Processing Zones.* In cooperation with the Agency for International Development (A.I.D.), OPIC is continuing its effort to establish privately owned or operated export processing zones in Cameroon and Togo. Export processing zones, or EPZs, are areas specifically designated by host governments to provide tax incentives and other benefits to export manufacturers. These zones have contributed substantially to the economic success of many countries in Southeast Asia and, more recently, in the Caribbean. After conducting preliminary research, OPIC concluded that establishing privately operated zones of this kind in sub-Saharan Africa might be an effective way to encourage additional manufacturing investment, both foreign and indigenous. Following a more-detailed study of Togo and Cameroon, OPIC and A.I.D. concluded that there was excellent potential for zones in both countries, and pre-feasibility studies are now under way.

As a result of this effort, substantial progress already has been made in creating attractive investment environments in both countries. For example, Togo passed a special EPZ law in September of 1989 that is fully comparable to some of the most attractive legal regimes worldwide. Pre-

liminary analysis of a site in the capital city of Lome was also conducted, and a market survey is currently under way to gauge the interest of prospective tenants from North America, Asia and Europe.

In Cameroon, a preliminary analysis of a site in the port of Douala was conducted, and extensive technical assistance was provided to the Government of Cameroon in drafting its new EPZ law, which is expected to be passed by its legislature in 1990. Of particular note is the Cameroonian private sector's strong interest in the proposed EPZ. In an unprecedented development, the Government formally involved the private sector in its deliberations on the new law, which should greatly contribute to the project's success.

Should the market surveys indicate that EPZs are commercially viable for either or both of these countries, a business prospectus will be developed to interest private zone developers. Once a qualified private developer capable of undertaking the project is identified, OPIC can underwrite a portion of the costs of conducting the technical, architectural and engineering work.

■ *Environmental Investment Fund.* During the past few years, "sustainable development" has become a key component of U.S. international development policy. Both the development and environmental communities have come to realize that natural resources cannot be aggressively exploited for short-term economic

gain without unacceptable long-term consequences, nor can they be totally protected from human exploitation. In other words, economic development and environmental management are both essential and compatible objectives.

Traditionally, the private sector has not been deeply involved in sustainable development because developing countries and funding agencies have not created economic incentives, or reduced disincentives, so as to encourage private investors to take a long-term interest in natural resources and environmental management. Yet the untapped resources of private capital, management, technology and entrepreneurship must be tapped if such development is to occur.

To facilitate private investment in projects that can develop natural resources in a sustainable manner, yet protect the environment from industrial pollution, OPIC's Finance and Development departments are seeking to develop an Environmental Investment Fund, with support from A.I.D., potential investors, and other interested agencies, foundations and corporations. This fund, which would be privately owned and managed, would raise equity capital for private investment in developing-country projects involving such sectors as sustainable agriculture, forest management/reforestation, "ecotourism" and pollution prevention. The fund would seek to provide investors with a market return to demonstrate that productive investment is compatible with sound environmental management. OPIC is currently in the process of

canvassing potential management and investment-banking agents for the fund.

■ *Renewable and Alternative Energy.*

During fiscal 1989, OPIC continued its efforts to assist U.S. companies to compete in the growing international markets for renewable and alternative energy technologies. With support from the Department of Energy (DOE), under the auspices of the Congressionally established Committee for Renewable Energy Commerce and Trade, OPIC distributed to potential investors a detailed business plan for a private energy-investment bank that would develop and arrange financing for American companies undertaking renewable energy projects in developing countries.

As a direct result of this effort, International Energy Finance, Ltd. (IEF) was incorporated and is now actively developing such projects while expanding its capitalization. With support from DOE and the Resources Development Foundation, OPIC assisted IEF in conducting pre-feasibility studies for biomass cogeneration projects in Jamaica and Costa Rica. One of these projects is expected to come to fruition in fiscal 1990. OPIC is looking forward to expanding its activities in the renewable energy sector during the coming fiscal year.

ASSOCIATED U.S. EFFECTS OF FISCAL 1989 PROJECTS

In each fiscal year since 1986, OPIC has collected and analyzed, both geographically and sectorally, the projected U.S. employment and associated economic effects of the projects it has assisted.

The trends indicated for fiscal 1989 are generally consistent with those observed during the previous three fiscal years. Of the 123 projects assisted in fiscal 1989, 55 projects (44.7%), are expected to have positive effects on U.S. employment, defined as equal to at least 10 person-years during their first five years of opera-

tion. (In fact, these projects will each support an average of 339 person-years of employment during this five-year period. The apparent increase over the fiscal 1988 average of 176 person-years of employment partly reflects the exceptionally positive U.S. employment effects of one project). Sixty-eight (55.3%) of the fiscal 1989 projects will have neutral effects on U.S. employment, defined as resulting in a net gain or loss of no more than 10 person-years during their first five years of operation. As in previous years, *no fiscal 1989 project is projected to have a negative impact on U.S. employment*, defined as resulting in a net

loss of more than 10 person-years of U.S. employment during the first five years of operation.

As shown in Exhibit 1, among the projects with positive effects on U.S. employment, those investments involving the manufacturing, services and agribusiness sectors account for the first, second and third largest proportions of projects, respectively. Projects involving the agribusiness sector, closely followed by the manufacturing, minerals & energy, and services sectors, account for the largest proportion of U.S. exports generated. Agribusiness sector projects account

U.S. EMPLOYMENT AND ASSOCIATED EFFECTS OF OPIC-ASSISTED PROJECTS, FY 1989 (Projections)

Industry Sector	No. of Projects	U.S. Exports ¹	Final Destination of Proj. Output ²			Effect on U.S. Production ¹	Effect on U.S. Employment ¹			Effect on U.S. Trade Balance ¹
			Host Country	U.S.	3rd Country		Initial ⁵	Operating ⁵	Total ⁵	
A. Projects with Positive Effects on Employment³										
Agribusiness	11	\$ 603 ⁴	\$ 296	\$ 81	\$ 153	\$ 600	586	7,574	8,160	\$ 527
Manufacturing ⁶	22	559	108	111	186	548	1,172	1,831	3,003	243
Services	19	506	640	0	0	506	4,016	506	4,522	506
Min. & Ener.	3	548	0	59	197	548	581	2,364	2,945	358
<i>Positive Total</i> ⁷	55	\$ 2,217	\$ 1,045	\$ 252	\$ 536	\$ 2,203	6,354	12,275	18,629	\$ 1,634
B. Projects with Negative Effects on Employment										
<i>Negative Total</i>	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0	\$ 0
C. Projects with Neutral Effects on Employment⁸										
Agribusiness	12	\$ 5	\$ 20	\$ 1	\$ 32	\$ 5	33	13	46	\$ -2
Electronics	3	1	0	0	0	1	8	0	8	1
Manufacturing	8	2	6	7	2	2	4	7	11	2
Services	41	7	0	0	0	7	26	5	31	7
Min. & Ener.	4	1	0	0	0	1	5	0	5	1
<i>Neutral Total</i> ⁷	68	\$ 15	\$ 26	\$ 8	\$ 34	\$ 15	75	25	101	\$ 9
Net FY Total⁷	123	\$ 2,232	\$ 1,071	\$ 260	\$ 570	\$ 2,218	6,430	12,300	18,730	\$ 1,643

¹ Total effect during first five years of project operation.

² Average annual effect during first five years of project operation.

³ Projects with a U.S. employment effect of plus two or more persons (plus 10 person-years or more during the first five years of project operation).

⁴ All dollar figures are in millions.

⁵ Person-years of employment.

⁶ Electronics sector data has been aggregated with the Manufacturing sector data to protect business confidential information.

⁷ Totals may differ slightly from the sum of individual sectors, due to rounding.

⁸ Projects with a U.S. employment effect of between plus and minus two persons (plus 10 and minus 10 person-years of employment during the first five years).

for the largest proportion of U.S. employment generated.

The vast majority of the output of these fiscal 1989 projects will be marketed in the host developing country. However, the data indicate that projects exporting their output to the United States are just as likely to have positive effects on U.S. employment as those marketing their output to third countries or in the host country. This observation is consistent with trends observed in the fiscal 1986-1988 data. A likely explanation is that projects which export to the United States involve strong ties between the U.S. parent and its foreign subsidiary or affiliate. These ties often result in significant U.S. exports to the project, as well as imports from it.

Exhibit 2 shows a breakout of the projected final destinations of the output of those fiscal 1989 projects that are expected to export their products to third countries, *i.e.*, countries other than the United States and the host country, during the first five years of project operation. Among projects having positive effects on U.S. employment, minerals & energy projects account for the largest proportion of exports to third countries, followed by manufacturing and agribusiness. For projects having neutral effects on U.S. employment, the agribusiness sector accounts for the vast majority of exports to third countries. Projects with positive effects will export the vast majority of their output to Western Europe and Japan. By facilitating exports to OECD countries, OPIC is helping U.S. companies to compete not only in the markets of the developing world, but in the industrialized countries as well.

Exhibit 3 shows the location of projects assisted by OPIC in fiscal 1989 correlated with the sectors of

activity involved. The data indicate that nearly half the projects with positive effects on U.S. employment were in Latin America and the Caribbean, and more than two-thirds involved either the manufacturing or services

sector. For projects with neutral effects, the majority were in East Asia and Latin America and involved the services sector.

BREAKOUT OF FINAL THIRD COUNTRY DESTINATION OF THE OUTPUT OF OPIC-ASSISTED PROJECTS, FY 1989 (Projections)

A. Projects with Positive Effects on Employment¹

Third Country	Project Output ²
AGRIBUSINESS	
Asia Regional	\$ 6,000,000
Canada	148,250
East Asia Regional	1,000,000
Europe (West)	2,760,000
Europe Regional	34,500,000
Germany (West)	1,864,000
Iraq	16,304,925
Japan	74,886,000
Near East Regional	1,000,000
Saudi Arabia	5,354,050
Singapore	9,680,000
<i>Total for Sector</i>	\$153,497,225
MANUFACTURING³	
Africa Regional	\$ 1,850,000
Asia Regional	14,567,900
East Asia Regional	3,600,000
El Salvador	295,498
Europe (West)	46,414,000
Europe Regional	1,200,000
France	5,200,000
Germany (West)	11,960,000
Guatemala	295,498
Indonesia	3,600,000
Iraq	36,000
Italy	7,800,000
Japan	15,064,000
Kuwait	27,000
Mexico	341,850
Near East Regional	4,500,000
Saudi Arabia	72,000
Sudan	18,000
United Kingdom	68,900,000
Yemen Arab Republic	27,000
<i>Total for Sector</i>	\$185,768,746
MINERALS AND ENERGY	
Norway	\$ 75,650,000
World Market	112,400,000
United Kingdom	9,000,000
<i>Total for Sector</i>	\$197,050,000
Total for Effects	\$536,315,971

B. Projects with Neutral Effects on Employment⁴

Third Country	Project Output ²
AGRIBUSINESS	
East Asia Regional	\$ 10,700,000
Mexico	210,000
Near East Regional	2,113,000
South Africa	19,414,931
<i>Total for Sector</i>	\$ 32,437,931
MANUFACTURING	
Asia Regional	\$ 1,560,000
Australia	40,000
New Zealand	40,000
<i>Total for Sector</i>	\$ 1,640,000
Total for Effects	\$ 34,077,931
FY 1989 Total	\$570,393,902

¹ Projects with a U.S. employment effect of plus two or more persons (plus 10 person-years or more during the first five years of project operation).

² Average annual effect during first five years of project operation.

³ Electronics data has been aggregated with manufacturing to protect business confidential information.

⁴ Projects with a U.S. effect of between plus and minus two persons (plus 10 and minus 10 person-years of employment during the first five years).

U.S. EMPLOYMENT EFFECTS AND HOST-COUNTRY LOCATION OF OPIC-ASSISTED PROJECTS, FY 1989

A. Projects with Positive Effects on Employment¹

Country/Region	Agribusiness	Electronics	Manufacturing	Services	Minerals & Energy	Total
Turkey			1	2		3
EUROPE (Subtotal)			1	2		3
Egypt			1	2		3
Jordan	1					1
NEAR EAST (Subtotal)	1		1	2		4
India				1		1
Pakistan	1			1		2
SOUTH ASIA (Subtotal)	1			2		3
China			4			4
Indonesia			1			1
Korea	1		4			5
Philippines	1	1				2
Taiwan	1		1			2
Thailand	1					1
EAST ASIA (Subtotal)	4	1	10			15
Argentina			1	1		2
Brazil				7		7
Costa Rica	1		1	1		3
Dominican Republic			1	1		2
Guatemala	1					1
Guyana				1	1	2
Haiti	1		1			2
Honduras			2			2
Jamaica	2	1		1	1	5
Trinidad & Tobago			1			1
LATIN AMERICA (Subtotal)	5	1	7	12	2	27
Africa Regional				1		1
Botswana			1			1
Ghana					1	1
AFRICA (Subtotal)			1	1	1	3
<i>Total (Positive Effects)</i>	11	2	20	19	3	55

B. Projects with Negative Effects on Employment²

<i>Total (Negative Effects)</i>	0	0	0	0	0	0
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¹ Projects with a U.S. employment effect of plus two or more persons (plus 10 or more person-years of employment during the first five years).

² Projects with a U.S. employment effect of minus two or more persons (minus 10 or more person-years of employment during the first five years).

C. Projects with Neutral Effects on Employment¹

Country/Region	Agribusiness	Electronics	Manufacturing	Services	Minerals & Energy	Total
Turkey		1		1		2
EUROPE (Subtotal)		1		1		2
Jordan				1		1
NEAR EAST (Subtotal)				1		1
India	1	1	1	1		4
Pakistan				4		4
Sri Lanka			1	1		2
SOUTH ASIA (Subtotal)	1	1	2	6		10
China	2					2
Indonesia	1		1	1		3
Korea	1		4	3		8
Malaysia				1		1
Philippines	1			2		3
Taiwan				3		3
Thailand			1	1		2
EAST ASIA (Subtotal)	5		6	11		22
Argentina	1					1
Bolivia				1	1	2
Brazil				3		3
Colombia				2		2
Costa Rica				1		1
Dominican Republic		1		2		3
Guatemala	1					1
Jamaica				4		4
Trinidad & Tobago				1		1
LATIN AMERICA (Subtotal)	2	1		14	1	18
Benin				1		1
Botswana					1	1
Cote d'Ivoire				1		1
Gabon				5		5
Liberia	1					1
Malawi	1					1
Mozambique					2	2
Nigeria				1		1
Swaziland	2					2
AFRICA (Subtotal)	4			8	3	15
<i>Total (Neutral Effects)</i>	12	3	8	41	4	68
FY Total Projects	23	5	28	60	7	123

¹Projects with a U.S. employment effect of between plus two and minus two persons (plus 10 and minus 10 person-years of employment during the first five years).

OPIC INSURED INVESTORS FY 1989

INVESTOR	COUNTRY	PROJECT	INVESTMENT INSURED BY OPIC
Abbott Laboratories	China	Pharmaceuticals	\$2,000,000
Abbott Laboratories	Turkey	Pharmaceuticals	5,400,000
American Cyanamid Company	Korea	Specialty Chemicals	5,500,000
American Cyanamid Company	Korea	Pharmaceuticals	3,600,000
American Express Bank, Ltd.	Pakistan	Banking	25,000,000
American President Lines Ltd.	Pakistan	Marine Cargo Handling	2,117,373
Bank of America, NT & SA	Argentina	Gas Station Renovations	8,700,000
Cabot Corporation	Korea	Carbon Black	6,000,000
Cargill, Inc.	Korea	Soybean Processing	21,525,000
Cargill, Inc.	Korea	Feed Mill	2,000,000
Cargill, Inc.	India	Hybrid Seeds	359,000
Cargill, Inc.	Indonesia	Poultry Feed	1,341,700
Cargill, Inc.	Pakistan	Kinno Orange Concentrate	6,355,000
Cargill, Inc.	Taiwan	Meat Processing Plant	12,066,666
Cargill, Inc.	Philippines	Copra Crushing Plant	5,999,400
Cargill, Ltd.	Thailand	Poultry	13,115,000
Cargill U.K. Ltd.	Malawi	Hybrid Seeds	800,000
Carrette, Kathryn et al.	Belize	Hotel	1,055,000
Champion Spark Plug Co.	Korea	Automotive Products	1,200,000
Chase Manhattan Bank, N.A.	Pakistan	Banking	27,500,000
Citibank, N.A.	Nigeria	Banking	2,308,631
Citibank, N.A.	Cote d'Ivoire	Banking	1,690,000
Citibank, N.A.	Bolivia	Banking	340,000
Citibank, N.A.	Jamaica	Banking	60,326
Citibank, N.A.	Jamaica	Banking	11,546
Citibank, N.A.	Jamaica	Hotel	5,000,000
Citibank, N.A.	Korea	Banking	34,900,000
Citibank, N.A.	Philippines	Banking	6,332,369
Citibank, N.A.	Sri Lanka	Banking	454,000
Citibank, N.A.	Taiwan	Banking	29,000,000
Citibank, N.A.	Thailand	Banking	14,000,000
Citibank, N.A.	Gabon	Banking	2,330,000
Citibank Overseas Investment Corp.	Dominican Republic	Banking	157,000
Citibank Overseas Investment Corp.	Trinidad & Tobago	Banking	3,600,000

INVESTOR	COUNTRY	PROJECT	INVESTMENT INSURED BY OPIC
Citibank Overseas Investment Corp.	Costa Rica	Banking	\$ 118,750
Citicorp	Taiwan	Banking	3,101,630
Citicorp et al.	Trinidad & Tobago	Methanol Plant	80,000,000
Citicorp Leasing International, Inc.	Brazil	Air Taxi Service	52,315,975
Citicorp Leasing International, Inc.	Brazil	Computer Equipment	1,703,762
Citicorp Scrimgeour Vickers	Philippines	Securities Brokerage	1,000,000
Cliffs Drilling Company*	Bolivia	Oil & Gas Drilling	500,000
Coca Cola Export Corporation	Jamaica	Soft Drinks	2,000,000
Coca Cola Export Corporation	Swaziland	Soft Drinks	17,750,000
Comet Rice Inc.	Jordan	Rice Milling	1,211,000
Conair Corporation	Costa Rica	Small Appliances	5,500,000
Continental Bank	Brazil	Air Taxi Service	3,268,250
Eaton, Carol E. et al.	Haiti	Hand-Tufted Rugs/Needlepoint	50,000
E.I.L. Export International Inc.*	Turkey	Electrical Equipment	132,710
Edlow Resources Limited*	Mozambique	Titanium Oxide Exploration	2,103,300
Edlow Resources Limited*	Mozambique	Titanium Oxide Exploration	815,817
Enron Energy Resources, Inc.	Argentina	Methanol Plant	50,000,000
E.R. Squibb & Sons, Inc.	Korea	Health Care Products	5,000,000
Ferro Corporation	Taiwan	Porcelain Enamel Frit	1,842,222
First National Bank of Boston	Brazil	Air Taxi Service	1,333,333
Frontier Exploration, Inc.*	Colombia	Seismic Exploration Services	2,060,500
Fuller International, Inc.*	Pakistan	Cement Plant	600,000
Gelzer Systems Company*	India	Robotic Systems	327,150
General Electric Company	Korea	Fluorescent Lamps	2,215,000
Green Mining, Inc.*	Guyana	Bauxite Mining Services	5,000,000
Harbert/Jones Companies*	Egypt	Sewer Rehabilitation	15,000,000
Hershey International Ltd.	Philippines	Cocoa Powder	720,000
H.J. Heinz Company	China	Baby Food Plant	5,843,250
Indio Global Corporation	Indonesia	Wood Mouldings	2,580,000
Instrument Transformers	Jamaica	Instrument Transformers	620,000
International Advisory Group	Jamaica	Resort	155,000

*Project involves the export of goods and/or services insured under the Contractors & Exporters Program.

INVESTOR	COUNTRY	PROJECT	INVESTMENT INSURED BY OPIC
J.I. Case	Zambia	Irrigated Agriculture	\$ 850,000
John Hancock International Holdings	Malaysia	Insurance Company	22,320,000
Kalahari Investments Ltd.	Botswana	Gold Mining	3,320,000
Keene Industries, Inc.	Liberia	Rubber Plantation	1,000,000
Keeta Company, Ltd.	Sri Lanka	Apparel	1,111,111
Kern Steel Fabrication Inc.	Indonesia	Geothermal Drilling Equipment	65,000
Louis Berger, International*	Benin	Road Construction Management	555,556
Maxim Integrated Products	Philippines	Integrated Circuits	314,000
McConway & Torley Corp.*	India	Railway Couplers	688,878
McMartin Incorporated*	Jordan	Radio Stations	51,034
Millicom International Holdings Ltd	Costa Rica	Cellular Telephone System	1,872,000
N & B Jewelry Corporation	Dominican Republic	Jewelry	4,050,000
Nip, Raymond Lee	Thailand	Zinc Carbonate	48,000
Pan American Life Insurance	Dominican Republic	Office Building	2,250,000
Pioneer Group (The)	Ghana	Gold Mining	14,000,000
Prime Technology	Dominican Republic	Electronic Components	1,000,000
Raychem Corporation	China	Telecommunications	1,100,000
Raychem Corporation	Korea	Telecommunications Cables	1,000,000
R.E. Chapin Manufacturing	China	Spraying Equipment	2,100,000
Reynolds International, Inc.	Guyana	Bauxite Mining	2,000,000
Schering Overseas Ltd.	Korea	Pharmaceuticals	4,000,000
Security Pacific Finance Ltd.	Turkey	Tunnelling Machine	2,017,681
Servac, Inc. et al.	Egypt	Veterinary Vaccines	1,095,200
Stirling Technology, Inc.	India	Water Pump Engines	31,246
Testi USA	China	Motorcycles	5,000,000
Transcontinental Capital Corp.*	Dominican Republic	Electric Generating Barge	25,055,555

*Project involves the export of goods and/or services insured under the Contractors & Exporters Program.

Price Waterhouse



December 20, 1989

To the Board of Directors
Overseas Private Investment Corporation:

We have audited the accompanying balance sheet of Overseas Private Investment Corporation (OPIC) as of September 30, 1989, and the related statements of income, capital and retained earnings, and of cash flows for the year then ended. These financial statements are the responsibility of OPIC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of OPIC for the year ended September 30, 1988, were audited by other independent accountants whose report dated December 9, 1988, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of OPIC at September 30, 1989, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, OPIC changed its accounting policy with respect to providing reserves for losses on political risk insurance and investment guarantees as of September 30, 1989.

Price Waterhouse

BALANCE SHEET

OVERSEAS PRIVATE INVESTMENT CORPORATION

AT SEPTEMBER 30 (*\$ in thousands*)

1989

1988

ASSETS

Cash and investments:

Cash	\$ 666	\$ 4,510
U.S. Treasury securities at amortized cost plus accrued interest (Note 5)	1,340,533	1,200,925
	<u>1,341,199</u>	<u>1,205,435</u>

Direct Investment Fund loans outstanding less allowance for uncollectible loans of \$16,357 in FY 1989 and \$8,243 in FY 1988 (Note 6)	36,915	39,168
Accrued interest and fees	4,812	4,289
Accounts receivable	5,183	3,271
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of \$2,007 in FY 1989 and \$1,618 in FY 1988	1,729	1,869
Assets acquired in claims settlements less allowance for doubtful recoveries of \$19,314 in FY 1989 and \$12,164 in FY 1988 (Note 7)	57,361	68,177
Total assets	<u><u>\$1,447,199</u></u>	<u><u>\$1,322,209</u></u>

LIABILITIES, CAPITAL AND RETAINED EARNINGS

Liabilities:

Reserve for political risk insurance (Notes 2 and 3)	\$ 34,000	\$ 0
Reserve for investment guaranties (Notes 2 and 3)	16,000	0
Accounts payable and accrued expenses	4,501	3,697
Liabilities related to claims settlements	0	34
Unearned premiums	19,478	19,294
	<u>73,979</u>	<u>23,025</u>

Contingent liabilities (Notes 9, 10 and 13)

Capital and retained earnings:

Contributed capital	50,000	50,000
Retained earnings:		
Restricted:		
Insurance (Notes 8 and 9)	905,611	884,891
Guaranty (Notes 8 and 10)	410,006	358,806
Unrestricted	7,603	5,487
	<u>1,373,220</u>	<u>1,299,184</u>
Total liabilities, capital and retained earnings	<u><u>\$1,447,199</u></u>	<u><u>\$1,322,209</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF INCOME

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOR THE YEARS ENDED SEPTEMBER 30 (*\$ in thousands*)

	1989	1988
REVENUES		
Political risk insurance premiums	\$ 33,528	\$ 30,732
Investment guaranty fees	12,628	12,335
Direct investment interest	4,303	3,596
Interest on U.S. Treasury securities	101,713	88,274
Other interest and income	203	367
	<u>152,375</u>	<u>135,304</u>
EXPENSES		
Salaries and benefits	7,592	7,215
Provision for (Notes 2 and 3):		
Political risk insurance	6,280	33
Investment guaranties	3,800	4,000
Provision for uncollectible DIF loans (Note 6)	8,160	6,000
Contractual services	1,165	1,947
Rent, communications and utilities (Note 11)	2,149	2,211
Depreciation and amortization	404	514
Other general and administrative expenses	789	1,088
	<u>30,339</u>	<u>23,008</u>
Income before cumulative effect of change in accounting policy	\$122,036	\$112,296
Cumulative effect on prior years (to September 30, 1988) of recording a provision for political risk insurance and investment guaranties (Note 3)	48,000	0
	<u>\$ 74,036</u>	<u>\$112,296</u>
NET INCOME		
Pro forma amounts assuming the new reserve policy is applied retroactively (Note 3):		
NET INCOME	<u>\$122,036</u>	<u>\$110,296</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CAPITAL & RETAINED EARNINGS

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOR THE 2 YEARS ENDED SEPTEMBER 30, 1989 (\$ in thousands)	CONTRIBUTED CAPITAL	RETAINED EARNINGS			TOTAL
		Restricted			
		Insurance (Notes 8 and 9)	Guaranty (Notes 8 and 10)	Unrestricted	
BALANCE SEPTEMBER 30, 1987	\$50,000	\$849,924	\$282,806	\$ 4,158	\$1,186,888
Net income	0	0	0	112,296	112,296
Transfers from unrestricted retained earnings	0	34,967	76,000	(110,967)	0
BALANCE SEPTEMBER 30, 1988	50,000	884,891	358,806	5,487	1,299,184
Net income	0	0	0	74,036	74,036
Transfers from unrestricted retained earnings	0	20,720	51,200	(71,920)	0
BALANCE SEPTEMBER 30, 1989	\$50,000	\$905,611	\$410,006	\$ 7,603	\$1,373,220

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

OVERSEAS PRIVATE INVESTMENT CORPORATION INCREASE (DECREASE) IN CASH

FOR THE YEARS ENDED SEPTEMBER 30 (*\$ in thousands*)

	1989	1988 (Reclassified)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 74,036	\$ 112,296
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect on prior years of new reserve policy	48,000	0
Provision for:		
Political risk insurance	6,200	0
Investment guaranties	3,800	4,000
Provision for uncollectible DIF loans	8,160	6,000
Premiums earned	(33,528)	(30,732)
Amortization of discounts on U.S. securities	(34,489)	(19,898)
Depreciation and amortization	404	514
Premiums received	33,712	32,616
Increase in accounts payable	804	536
Decrease in liabilities related to claims settlements	(34)	0
(Increase) decrease in accrued interest and fees	(4,290)	387
(Increase) decrease in accounts receivable	(1,912)	607
Assets acquired in claims settlements	(4,675)	(15,009)
Recoveries on assets acquired in claims settlements	6,274	18,578
	<u>102,462</u>	<u>109,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of U.S. securities	843,440	481,850
Purchase of U.S. securities	(944,793)	(582,394)
Repayment of DIF loans	6,319	5,083
Disbursement of DIF loans	(11,009)	(11,253)
Acquisition of furniture and equipment	(263)	(258)
	<u>(106,306)</u>	<u>(106,972)</u>
CASH USED IN INVESTING ACTIVITIES		
	<u>(106,306)</u>	<u>(106,972)</u>
NET (DECREASE) INCREASE IN CASH	\$ (3,844)	\$ 2,923
CASH AT BEGINNING OF YEAR	<u>4,510</u>	<u>1,587</u>
CASH AT END OF YEAR	<u>\$ 666</u>	<u>\$ 4,510</u>

The accompanying notes are an integral part of the financial statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION

September 30, 1989 and 1988

NOTE 1: STATEMENT OF CORPORATE PURPOSE

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government agency created under the Foreign Assistance Act of 1961 (FAA), as amended, to facilitate U.S. private investment in friendly developing countries, primarily by offering political risk insurance, investment guaranties, and direct loans.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition: Revenue from political risk insurance premiums is recognized on a pro-rata basis over the contract coverage period. Interest on loans is accrued based on the principal amount outstanding. Guaranty fees are amortized over the applicable loan period. Revenue from both loan interest payments and guaranty fees which are more than 90 days past due is recognized only when cash is received. Accretion of discount on investment securities is amortized into income under a method approximating the effective yield method.

Reserves for Political Risk Insurance and Investment Guaranties: The reserves for political risk insurance and investment guaranties provide for losses inherent in those operations. These reserves are general reserves, available to absorb losses related to the total insurance and guaranties outstanding which are off-balance sheet commitments. The reserves are increased by provisions charged to expense and decreased for claims settlements.

The provisions for political risk insurance and investment guaranties are based on management's evaluation of the adequacy of the related reserves.

This evaluation encompasses consideration of past loss experience and other factors, including changes in the composition and volume of the insurance and guaranties outstanding, and worldwide economic and political conditions.

Allowance for Uncollectible Loans: The allowance for uncollectible loan amounts is based on management's periodic evaluations of the loan portfolio. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, loan portfolio composition, and prior loan loss experience.

Fund Balance with the U.S. Treasury: Substantially all of OPIC's receipts and disbursements are processed by the U.S. Treasury, which, in effect, maintains OPIC's bank accounts. For the purposes of the Statement of Cash Flows, OPIC's funds in the U.S. Treasury are considered cash.

Investment in U.S. Treasury Securities: By statute, investments in U.S. Treasury securities are limited to funds derived from fees and other revenues. Investments are carried at face value less unamortized discount and are generally held to maturity. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

Valuation of Assets Acquired in Claims Settlements: Assets acquired in claims settlements are valued at the lower of management's estimate of the net realizable value of recovery or the cost of acquisition.

OPIC acquires foreign currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert foreign currency into U.S. dollars. The U.S. dollar equivalent is recorded until utilized by OPIC or other agencies of the United States Government or until exchanged for U.S. dollars by the foreign government. Material fluctua-

tions in the U.S. dollar equivalent are included in the statement of income over the period such funds are held.

Depreciation and Amortization: Depreciation and amortization of fixed assets and leasehold improvements are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 10 years.

Acquisition Costs: Costs of acquiring new insurance or finance business are expensed in the year incurred as such costs are not considered material.

Reclassification: Certain amounts in the 1988 financial statements have been reclassified to conform with the fiscal year 1989 presentation.

NOTE 3: CHANGE IN ACCOUNTING POLICY

As of September 30, 1989, OPIC adopted the policy of recording a general (non-specific) reserve for losses on political risk insurance and investment guaranties to better reflect probable, yet unspecified losses on its insurance and guaranty portfolios. Prior to 1989, OPIC only recorded liabilities and losses when specific insured or guaranteed events occurred.

Management believes the new accounting policy is preferable because it provides for more timely recognition of insurance and guaranty losses; recognizes the impact of worldwide economic and political conditions; and is more consistent with accounting policies followed by similar public and private sector entities. The cumulative effect on prior years of the accounting change has been recorded in the 1989 Statement of Income. Pro forma amounts shown in the Statement of Income reflect retroactive application of the new accounting policy.

NOTE 4: INTRAGOVERNMENTAL FINANCIAL ACTIVITIES

OPIC, as a U.S. Government Agency, is subject to financial decisions and management controls of the Office of Management and Budget (OMB). As a result of this relationship, OPIC's operations may not be conducted nor its financial position reported as they would if OPIC were an unrelated entity. Furthermore, in accordance with international agreements relating to its programs, as well as internal U.S. Government operating procedures, foreign currency acquired by OPIC can be used for U.S. Government expenses. This facility constitutes an additional means by which OPIC can recover U.S. dollars with respect to its insurance and finance programs which would otherwise be unavailable.

NOTE 5: INVESTMENT IN U.S. TREASURY SECURITIES

The face value of the U.S. Treasury securities was \$1.357 billion at September 30, 1989 and \$1.221 billion at September 30, 1988. The unamortized discount on securities held totaled \$30 million at September 30, 1989 and \$29.7 million at September 30, 1988. Accrued interest totaled \$13.4 million at September 30, 1989 and \$9.6 million at September 30, 1988.

The market value including accrued interest of U.S. Treasury securities held at September 30, 1989, according to published quotations, aggregated approximately \$1.335 billion.

NOTE 6: DIRECT INVESTMENT FUND (DIF)

OPIC is authorized, by the FAA, as amended, to make private sector loans to projects in developing countries on terms and conditions established by OPIC from funds either appropriated

or accumulated through operations. The aggregate amount of such loans in any year cannot exceed the amount established in advance by Congressional appropriation acts. For fiscal years 1989 and 1988, the relevant appropriation acts allowed new loan obligations of up to \$23.0 million, and OPIC's Board authorized corporate transfers to the DIF of \$20.0 million and \$15.4 million respectively.

The cumulative status of the DIF is as follows:

As of September 30	1989 (in millions)	1988 (in millions)
<i>Sources of DIF Funds:</i>		
Original government transfers	\$ 40.0	\$ 40.0
Cumulative corporate transfers	136.0	116.1
Total funds made available for DIF	<u>\$176.0</u>	<u>\$156.1</u>
<i>Uses of DIF Funds:</i>		
DIF outstanding loans receivable	53.3	47.4
Undisbursed commitments	37.1	30.3
Cumulative charge-offs	14.0	13.7
Unused authority	71.6	64.7
Total funds made available for DIF	<u>\$176.0</u>	<u>\$156.1</u>

Interest income is not accrued on direct loans which have payments that are more than 90 days past due. Loans with payments more than 90 days past due totaled \$20.5 million at September 30, 1989 and \$13.1 million at September 30, 1988. If interest income had been accrued on those loans, it would have approximated \$2.4 million during fiscal year 1989 and \$1.6 million during fiscal year 1988. Interest collected on delinquent loans and recorded as income when received amounted to \$0.3 million and \$0.6 million in fiscal years 1989 and 1988, respectively.

Changes in the allowance for uncollectible loans during fiscal years 1989 and 1988 were as follows:

	1989 (in thousands)	1988 (in thousands)
Beginning balance	\$ 8,243	\$6,225
Charge-offs	(270)	(4,004)
Recoveries	224	22
Provision	8,160	6,000
Ending balance	<u>\$16,357</u>	<u>\$8,243</u>

NOTE 7: ASSETS ACQUIRED IN CLAIMS SETTLEMENTS

Claim related assets may result from payments on claims under either the investment guaranty program or the insurance program. Under the guaranty program when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of subrogated assets, generally host country notes, that may be acquired as a result of a claim settlement.

Claim related assets for insurance and guaranties are summarized below:

As of September 30	1989 (in thousands)	1988 (in thousands)
Claim related assets	\$76,675	\$80,341
Less: Allowance for doubtful recoveries	(19,314)	(12,164)
Net assets acquired in claims settlements	<u>\$57,361</u>	<u>\$68,177</u>

NOTE 8: STATUTORY RESERVES AND FULL FAITH AND CREDIT

Section 235(c) of the FAA established a fund with separate accounts known as the Insurance Reserve and the Guaranty Reserve for the respective discharge of liabilities arising from investment insurance or from guaranties issued under Section 234(b) of the FAA and similar predecessor guaranty authority. These reserves are reflected on the balance sheet as restricted retained earnings for each program: Insurance and Guaranty.

These amounts may be increased by transfers from unrestricted retained earnings or by Congressional appropriations. A total of \$71.92 million in 1989 and \$110.97 million in 1988 was transferred from unrestricted retained earnings. At September 30, 1989 and 1988, unrestricted retained earnings available for Insurance or Guaranties were \$7.6 million and \$5.5 million, respectively.

Should funds at any time not be sufficient to discharge obligations arising under investment insurance or guaranties, and if OPIC exceeds its \$100-million borrowing authority authorized by Congress, Congress would have to appropriate funds to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA.

All approved claims arising from investment insurance issued by OPIC, all guaranties issued by OPIC in connection with the settlement of such claims, and all guaranties referred to in the first paragraph above constitute obligations on which the full faith and credit of the United States of America is pledged for full payment and performance.

NOTE 9: INSURANCE PROGRAM

OPIC's restricted retained earnings for Insurance at September 30, 1989 and 1988 totaled \$905.6 million and \$884.9 million, respectively. Charges against these retained earnings could arise from contingent liabilities under (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and (C) guaranties issued in settlement of

claims arising under insurance contracts. These three categories of contingent liabilities are discussed in more detail below.

(A) *Political Risk Investment Insurance:* OPIC issues insurance under limits fixed by the legislative authorization in the FAA and prior authorities. The utilization of these authorized amounts (excluding obligations under guaranties issued in settlement of claims) is as follows:

As of September 30, 1989 (in millions)	Total	Unused Authority	Outstanding
<i>Legislative authorization:</i>			
Prior	\$ 305	-	\$ 305
FAA	7,500	\$3,216	4,284
Available authority	<u>\$7,805</u>	<u>\$3,216</u>	<u>\$4,589</u>

OPIC, as did its predecessors, insures investments against three different risks: inconvertibility of currency, expropriation, and political violence. Under some contracts issued by OPIC's predecessors, an investor could make successive claims under more than one coverage with respect to the same investment, thereby collecting aggregate compensation exceeding any single coverage amount. Under most contracts issued by OPIC, however, although investors may insure projects for all three coverages, claim payments may not exceed the single highest coverage amount. Management has incorporated this factor in the amounts shown as outstanding above.

The outstanding amount is of little use in realistically evaluating the maximum exposure to insurance claims, however, because it includes insurance for which OPIC is committed but not currently at risk. Management believes that a more accurate representation of potential exposure to future claims arising from existing in-

surance contracts can be obtained by assuming that the coverage under which the claim would be brought would be the coverage with the highest amount of current insurance in force. Based on this assumption, management believes the maximum potential exposure of OPIC to claims at September 30, 1989 is \$3.0 billion. Insurance policies remain in force for up to 20 years.

(B) *Pending Claims:* At September 30, 1989, the total amount of compensation formally requested in contract claims for which no determination of specific liability has yet been made was approximately \$3.0 million under expropriation coverage.

In addition to requiring formal applications for claimed compensation, OPIC's contracts require investors to notify OPIC promptly of host government action which the investor has reason to believe is or may become an expropriatory action. Compliance with this notice provision sometimes results in the filing of notice of events that do not mature into expropriatory actions.

The highly speculative nature of these notices, both as to the likelihood that the event referred to will constitute expropriatory action and the amount, if any, of compensation that may become due, leads OPIC to follow a policy of not recording a specific liability related to such notices in its financial statements. Any claims that might arise from these situations are, of course, entirely encompassed in management's estimate that maximum potential exposure under existing investment insurance contracts is \$3.0 billion (Note 9A).

(C) *Claims Settlement Guaranties:* In connection with two claims settlements in 1978 and 1984, OPIC entered into indemnity agreements with insureds under which OPIC could be liable for up to \$12.6 million. These amounts represent contingent liabilities.

NOTE 10: INVESTMENT GUARANTY PROGRAM

(A) *Restricted Retained Earnings:* To promote overseas investments, OPIC guarantees certain U.S. investments in less developed countries. This guaranty service is provided for under current authorizations of Section 234(b) of the FAA as well as under prior authorizations to OPIC's predecessors and includes guaranties of debt, equity, and participation in DIF loans. Section 235 of the FAA requires OPIC to have, at the time OPIC commits itself to issue any guaranty under Section 234(b), a Guaranty Reserve equal to at least 25 percent of guaranties then issued and outstanding or committed under 234(b) and prior authorities. This guaranty reserve is reflected on the balance sheet under Restricted Retained Earnings. At September 30, 1989 and 1988, the restricted retained earnings for Guaranties totaled \$410.0 million and \$358.8 million, respectively. At September 30, 1989, this amount exceeded the minimum required reserve by \$200 million.

(B) *Investment Guaranty Authority and Cumulative Status:* Guaranties may be issued only to the extent or in such cumulative annual amounts as provided in advance by Congressional appropriation acts. For fiscal year 1988, the appropriation act allowed new guaranty obligations of \$200 million, while in fiscal year 1989, the appropriation act permitted new guaranty obligations of \$175 million.

The following schedule reflects the cumulative status of the guaranty authority, commitments and outstanding balances:

As of September 30	1989 (in millions)	1988 (in millions)
<i>Legislative authorization:</i>		
Prior	\$ 5.9	\$ 5.9
FAA	1,500.0	1,000.0
	<u>1,505.9</u>	<u>1,005.9</u>
Less uncommitted authority	(665.6)	(273.1)
Total outstanding commitments	840.3	732.8
Less undisbursed commitments	(454.4)	(367.1)
Guaranties outstanding (at risk)	<u>\$ 385.9</u>	<u>\$ 365.7</u>

Guaranties range in term from one to 15 years.

NOTE 11: RENT

OPIC leases office space under an operating lease. Rental expenses for 1989 and 1988 were approximately \$1.756 million and \$1.564 million, respectively. Minimum future rental expenses under a 15-year lease (11 years remaining) will be approximately \$1.9 million annually, with additional adjustments tied to the consumer price index.

NOTE 12: PENSIONS

OPIC's employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withholds 7 percent of employees' gross earnings. Their contributions are then matched by OPIC, and the sum is transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits. For FERS, OPIC withholds 0.94 percent of employees' gross earnings; in 1989, OPIC contributed 12.86 percent. This sum is transferred to the FERS fund from which this employee group will receive retirement benefits. An additional 6.06 percent of the FERS employees' gross earnings are withheld

and sent to the Social Security System from which the FERS employee group will receive social security benefits.

Both employee groups may elect to participate in the Thrift Savings Plan (TSP). Based on employee elections, 0 to 5 percent of gross CSRS earnings are withheld and 0 to 10 percent of gross FERS earnings are withheld. FERS employees receive an automatic 1 percent contribution from OPIC. FERS employee elections are matched up to a total of 5 percent.

Although OPIC funds a portion of employee pension benefits under the CSRS, the FERS and the TSP and makes necessary payroll withholdings, it does not disclose the assets of the CSRS, FERS or the TSP nor does it disclose actuarial data with respect to accumulated plan benefits or any unfunded pension liability. Reporting of such amounts is the responsibility of the U.S. Office of Personnel Management and the Federal Retirement Thrift Investment Board. Data regarding the CSRS' and FERS' actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability are not allocated to individual departments and agencies.

NOTE 13: OTHER CONTINGENCIES

OPIC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. Management believes that the resolution of these matters will not have a material adverse impact on the Corporation.

NOTE 14: STATUTORY COVENANTS

As part of OPIC's enabling legislation, Congress has stipulated both operating and financial requirements with which OPIC must comply. In management's opinion, OPIC is in compliance with all such requirements.

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Director, Corporate Information
Resources

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Morgan Stanley & Company, Inc.

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Carlos Salman Realty, Inc.

Henry F. Schickling
President,
International Union of Tool, Die and Mold Makers

THE WHITE HOUSE
WASHINGTON



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NUMBER OF PAGES INCLUDING COVER 3

DATE 4/20/90

TO Don Dooley

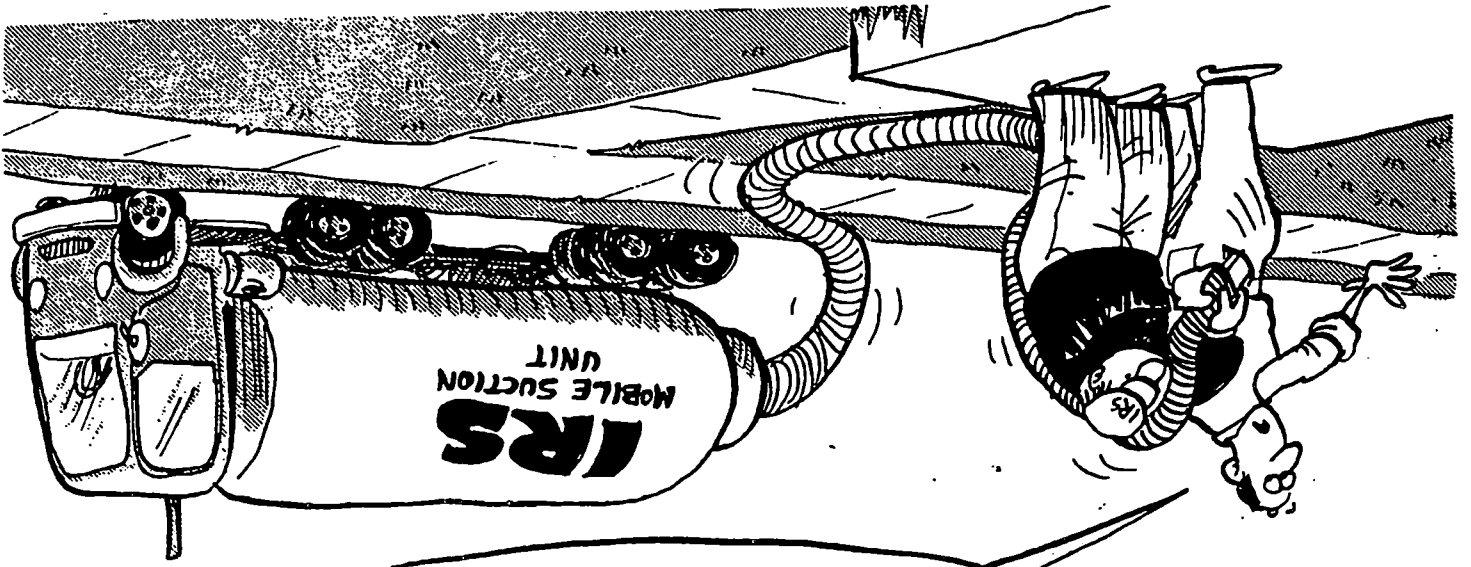
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OFFICE NUMBER 414/273-3000

COMMENTS _____

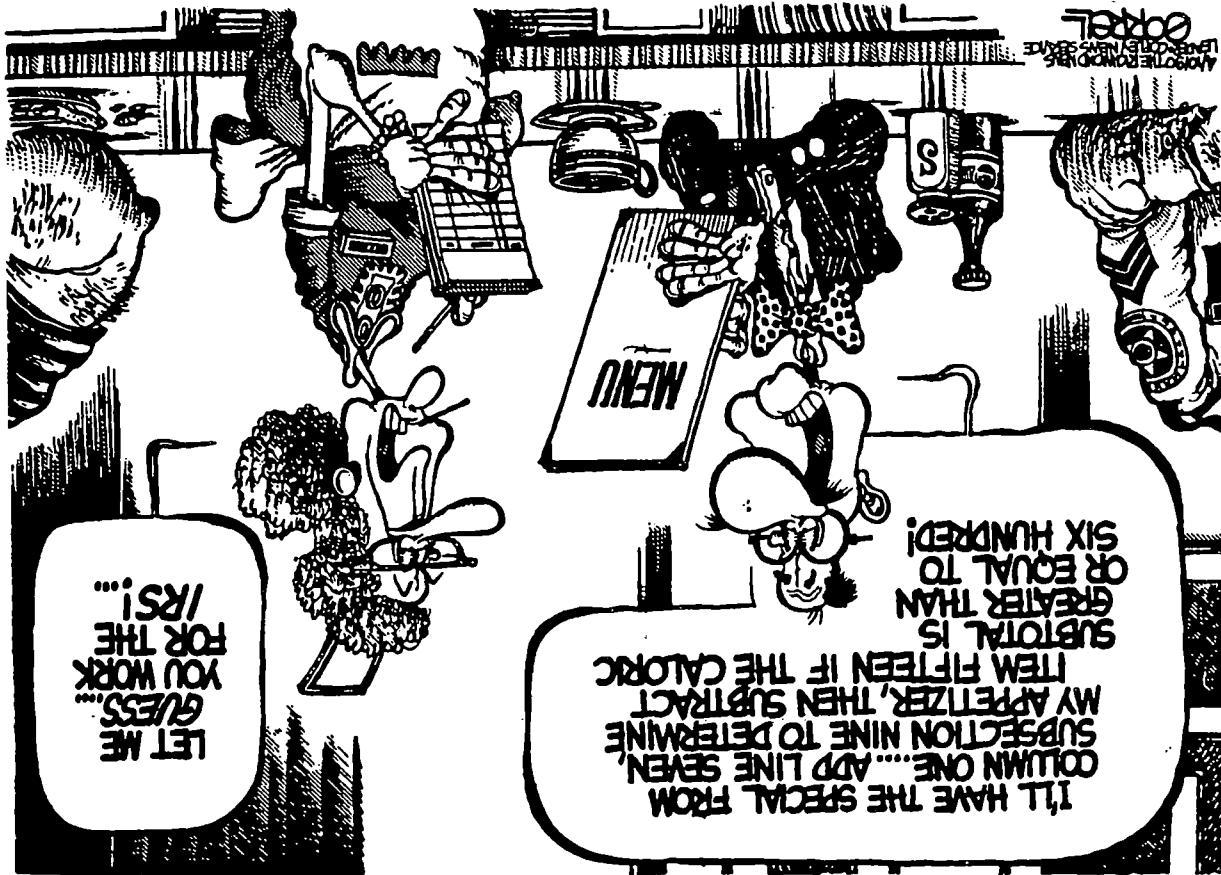
FROM P Dooley

OFFICE NUMBER 456-7750



IT'S GOOD TO SEE YOU PEOPLE ARE FINALLY SIMPLIFYING THE SYSTEM.

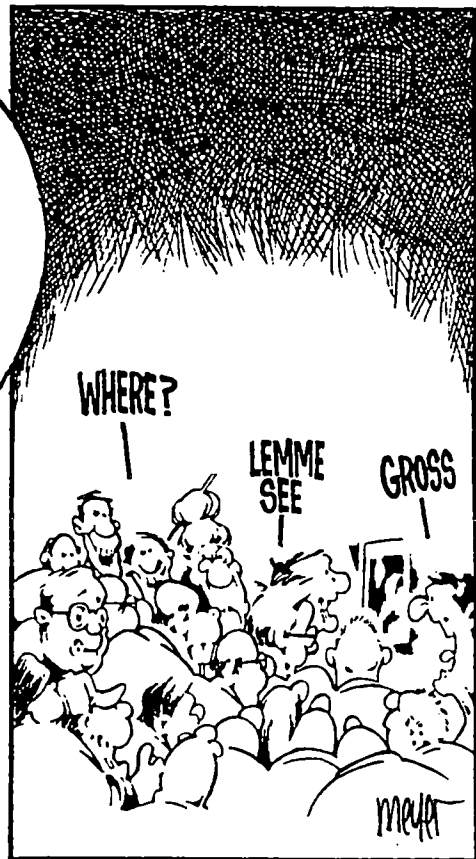
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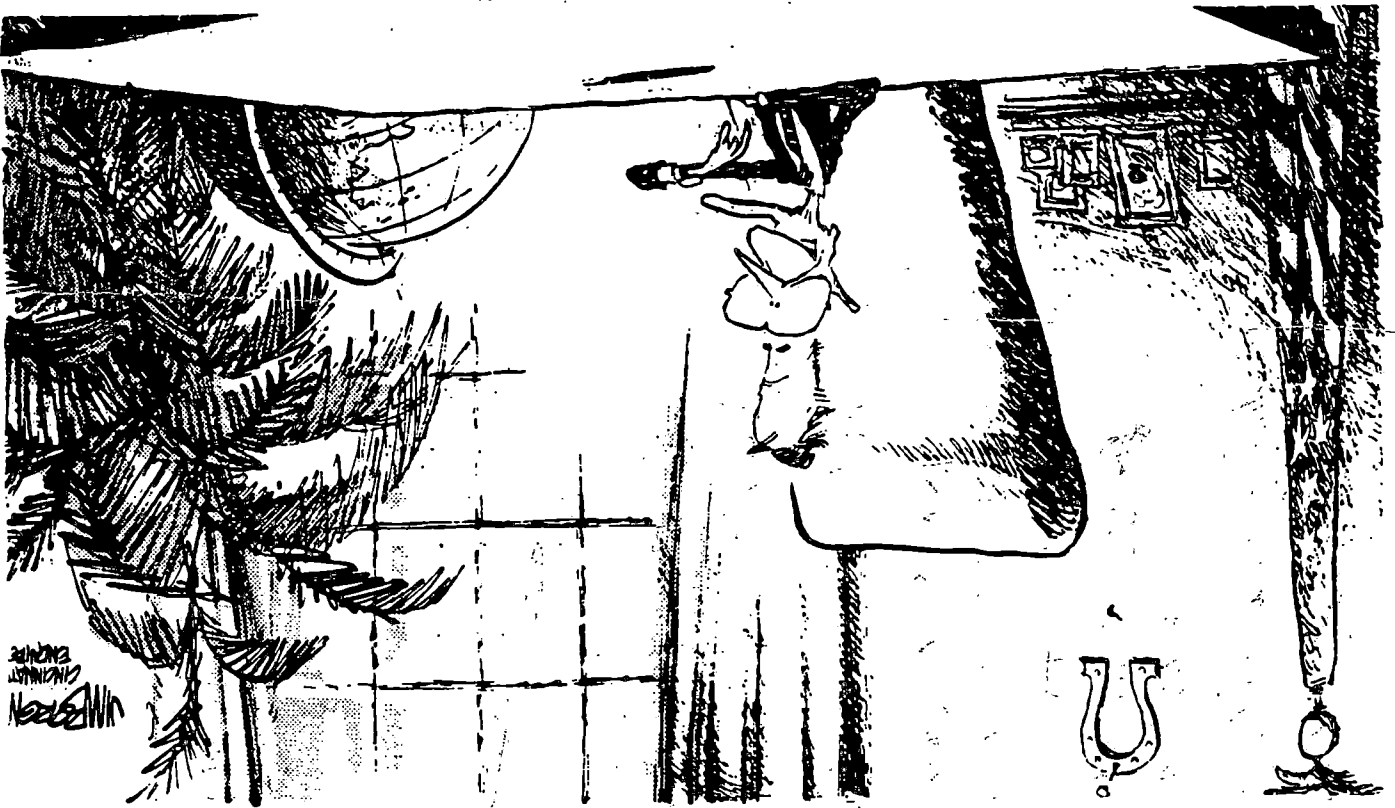
I'LL HAVE THE SPECIAL FROM COLUMN ONE.... ADD LINE SEVEN, SUBSECTION NINE TO DETERMINE MY APPETIZER, THEN SUBTRACT ITEM FIFTEEN IF THE CALORIC SUBTOTAL IS GREATER THAN OR EQUAL TO SIX HUNDRED!

LET ME GUESS... YOU WORK FOR THE IRS!

AND THE ROUNDERS
LARRY WRIGHT



"COMMUNISM IS DEAD, THE WALL IS DOWN, APARTHEID IS FALLING, MANDELA IS FREE, THE SANDINISTAS ARE OUSTED, GERMANY IS REUNITING, THE COLD WAR IS OVER, I'VE RETURNED ALL MY CALLS, AND, HECK, IT'S NOT EVEN LUNCHTIME."



W. B. MASON
DRAWING
RENDERING

Dick Breault
463-5417

Trade missions
463-5455 VP Int

Bill Archey
East Eur Trade + Tech
Assistance Ctr. - 2-da
Workshop last week

Wally Workman
463-5491

4:11 PM

Leshner } visit EE
Rahn }

~~Bill Archey~~

David Burton - tax, Hung
Don Kroes -

April 1975 - Pres. Leshner

James K. Baker
CEO - Arvin Industries
Columbus, IN.

History - Taft
1912

Federation of bus. org.

180,000 companies

2800 Chambers

1400 trade + prof assoc

CEO Am Ch of Comm Overseas
most recent in Hungary
last Dec.

Local councils - early 70s, Hung, Czech
Poland, Rum, Bulg

US section / Polish section - business
leaders

U.S. Chamber of Commerce
1615 H. St. NW
Washington, DC 20062

FACSIMILE COVER SHEET

DATE: 4/25/90 NO. OF PAGES: 12
(including cover sheet)

TO: JEFF VOGT

Jeff:

This will basically be the final draft. We doubt that any substantive changes will be made in Clendenin's speech at Constitution Hall.

Dick

FAX NO.: 456-6218

FROM: Dick Breault (463-5417)

FAX NO.: 463-5836

P.S. we hope the President will refer to the 2nd graders. We'll have over 100 seated in front of the stage.

Dick

ORIGINATOR: _____

REMARKS BY JOHN L. CLENDENIN
U.S. CHAMBER OF COMMERCE
1990 ANNUAL MEETING

Morning
GOOD ~~EVENING~~. I APPRECIATE THE OPPORTUNITY TO BE WITH YOU
TODAY. ON BEHALF OF THE U.S. CHAMBER, I WANT TO THANK THE
TALENTED U.S. MARINE CORPS BAND FOR AN EXCELLENT
PERFORMANCE. LET'S GIVE THEM ANOTHER WELL-DESERVED ROUND OF
APPLAUSE.

WITHOUT A DOUBT, SERVING AS YOUR CHAIRMAN DURING THE PAST
YEAR HAS BEEN ONE OF THE HIGHLIGHTS OF MY CAREER, AND I WANT
TO THANK YOU FOR HONORING ~~ANN AND~~ ME WITH THE OPPORTUNITY TO
REPRESENT YOU. ~~WE~~ I HAVE TRAVELED AS YOUR REPRESENTATIVE ALL
ACROSS THE UNITED STATES, AS WELL AS TO ASIA AND EUROPE,
VISITING CHAMBERS OF COMMERCE AND OTHER BUSINESS AND CIVIC
GROUPS.

THIS EXPERIENCE HAS GIVEN ME A GREATER UNDERSTANDING OF THE
BUSINESS LEADERS AND DECISION MAKERS OF COMMUNITIES
THROUGHOUT OUR NATION AND WHAT MAKES THEM TICK . . .
PEOPLE OF CHARACTER, INTEGRITY AND COMMITMENT . . . A

COMMITMENT TO MAKING THEIR COMMUNITIES, THEIR STATES, AND THIS NATION BETTER PLACES TO LIVE AND WORK.

IN MY ROLE AS CHAIRMAN, I HAVE TRIED TO REPRESENT THE COMMON INTERESTS AND CONCERNS OF THE BUSINESS PEOPLE OF AMERICA . . . A BELIEF IN ENHANCING OUR ECONOMIC COMPETITIVENESS, A BELIEF IN QUALITY EDUCATION, AND A BELIEF IN CREATING AND SUSTAINING THE KIND OF ECONOMIC ENVIRONMENT IN WHICH AMERICAN BUSINESS CAN CONTINUE TO GROW AND PROSPER.

I AM PROUD TO SAY THAT WE ARE STILL THE WORLD'S LARGEST ECONOMY, AND WE CONTINUE TO ENJOY THE LONGEST ECONOMIC EXPANSION IN OUR HISTORY, 89 MONTHS AND COUNTING. UNEMPLOYMENT AND INTEREST RATES REMAIN LOW, WHILE CAPITAL INVESTMENT IS RISING.

BUT IN 1989, AMERICANS FINALLY REALIZED WE COULD NO LONGER TAKE OUR ECONOMIC POSITION FOR GRANTED, AND WE BEGAN TO RE-FOCUS OUR ENERGIES IN A MORE POSITIVE AND PROGRESSIVE WAY. INNOVATION, FORESIGHT AND INGENUITY ARE MAKING A STRONG COMEBACK AS THE DOMINANT VALUES OF AMERICAN BUSINESS. AND THE REALITY HAS HIT US . . . WE HAVE BEGUN TO THINK GLOBALLY, HELPING US TO REGAIN OUR POSITION AS THE WORLD'S LARGEST EXPORTER.

BUT TODAY, IN MY OUTGOING REMARKS AS CHAIRMAN, I WANT TO TALK NOT ABOUT THE PAST, BUT ABOUT THE FUTURE. WE HAVE ALL HEARD THE PHRASES "GLOBAL MARKETPLACE" AND "INTERNATIONAL ECONOMY" OVER AND OVER AGAIN, IN THE PAPERS, ON THE TALK SHOWS, AND IN SPEECHES LIKE THIS ONE. AND A MOMENT AGO, I MENTIONED OUR STATUS AS THE WORLD'S LEADING EXPORTER. BUT WE CANNOT OVERLOOK AN IMPORTANT POINT: "GLOBAL MARKET" MEANS MUCH MORE THAN SIMPLY FREE AND FAIR TRADE, ALTHOUGH THAT ISSUE MUST REMAIN HIGH ON OUR AGENDA.

I SUBMIT TO YOU TODAY THAT THE INTERNATIONALIZATION OF OUR ECONOMY IS A CONCEPT AND A REALITY SO IMPORTANT AND SO ALL-ENCOMPASSING THAT IT MAY VERY WELL REPRESENT NOT JUST THE CHALLENGE OF THE 1990'S. IN ALL LIKELIHOOD, IT COULD BE THE NUMBER ONE CHALLENGE FACING OUR COUNTRY IN THE 21st CENTURY.

THE DRAMATIC EVENTS THAT HAVE UNFOLDED IN THE PAST YEAR . . . TIANNENMEN SQUARE . . . THE CONTAGIOUS SPREAD OF DEMOCRACY IN EASTERN EUROPE AND THE FALL OF THE BERLIN WALL . . . MAY BE THE MOST SIGNIFICANT OF OUR LIFETIMES. OUR FRIENDS ACROSS THE GLOBE HAVE SPOKEN FORCEFULLY ON BEHALF OF FREEDOM AND LIBERTY FOR ALL THE WORLD TO HEAR. CLEARLY, PRIVATE ENTERPRISE AND THE FREE MARKET ARE OBJECTIVES THEY ASPIRE TO . . . BUT THEY ALSO EXPRESSED THEIR DESIRE - IN

NO UNCERTAIN TERMS - FOR REPRESENTATIVE GOVERNMENT AND HUMAN RIGHTS . . . INDIVIDUAL LIBERTY AND JUSTICE.

STOP TO CONSIDER THE ROLE AMERICAN BUSINESS HAS ALREADY PLAYED IN THIS REMARKABLE SERIES OF EVENTS. THESE EVENTS ARE, IN LARGE MEASURE, THE RESULTS OF THE COMMUNICATIONS REVOLUTION IN WHICH WE LIVE. TWO CENTURIES AGO, PAUL REVERE CARRIED AN IMPORTANT MESSAGE ON HORSEBACK. AND JUST LAST YEAR, AN EQUALLY IMPORTANT MESSAGE TRAVELED BETWEEN SOME COURAGEOUS CHINESE STUDENTS AND THE WORLD VIA FAX MACHINE. FREEDOM AND LIBERTY ARE STILL THE MESSAGE, ONLY THE MESSENGERS HAVE CHANGED.

TELEVISION . . . THE VEHICLE WHICH ARTICULATED THE POWERFUL MESSAGE OF THE CHINESE STUDENTS TO THE WORLD . . . BECAME MORE THAN AN OBSERVER, IT WAS A CATALYST FOR ACTION, COMMUNICATING THE HOPES AND DREAMS OF MILLIONS OF CITIZENS OF EASTERN EUROPE. OUR SATELLITES CIRCLING THE GLOBE TRANSMITTED MORE THAN PICTURES, THEY BEAMED LIGHT INTO THE DARKNESS.

WITH THE END OF THE COLD WAR . . . WITH THE EUROPEAN ECONOMIC COMMUNITY PREPARING FOR 1992 . . . WITH PRIVATE ENTERPRISE MUSHROOMING ACROSS THE GLOBE . . . NOW IS THE

who is he

TIME FOR AMERICAN BUSINESS TO ASSERT ITS ROLE AS WORLD LEADER. BUT THIS LEADERSHIP MUST BE MORE THAN WORDS. DONALD MCGANNON ONCE SAID: "LEADERSHIP IS ACTION, NOT POSITION." MY FRIENDS, THE POLITICAL EVENTS OF THE PAST YEAR SIGNAL OUR CALL TO ACTION.

PRESIDENT BUSH HAS SET THE TONE FOR THE '90's. HE HAS BROUGHT A RENEWED SENSE OF COMMUNITY TO THE WHITE HOUSE AND TO THIS NATION. AND IT IS OUR RESPONSIBILITY - THE RESPONSIBILITY OF AMERICAN BUSINESS - TO CARRY THIS SENSE OF COMMUNITY ONE STEP FURTHER . . . TO THE WORLD COMMUNITY. THE GLOBAL MARKET REPRESENTS MORE THAN SIMPLY SELLING GOODS AND SERVICES . . . IT REPRESENTS A MARKETPLACE OF IDEAS . . . IDEAS SO POWERFUL THEY HAVE ALREADY CHANGED THE COURSE OF HISTORY.

AMERICAN BUSINESS IS IN AN UNPARALLELED POSITION TO INFLUENCE THE FUTURE DIRECTION OF THE WORLD COMMUNITY. OUR TECHNOLOGICAL ADVANCES . . . COMPUTERS, FIBER OPTICS, TRANSPORTATION . . . CAN POSITIVELY INFLUENCE THE SUCCESS OR FAILURE OF THIS NEW INTERNATIONAL ECONOMIC AND POLITICAL ORDER AROUND THE GLOBE. IMPLEMENTING A PRO-ACTIVE AND RESPONSIBLE APPROACH TO THE ENVIRONMENT . . . DEVISING EFFECTIVE APPROACHES TO CREATE NEW JOBS AND INVESTMENT THROUGHOUT THE WORLD . . . THESE ARE NOT SIMPLY

RESPONSIBILITIES, THEY ARE UNMATCHED OPPORTUNITIES TO PROVE TO THE WORLD THAT THE INDELIBLE VALUES OF AMERICA REALLY WORK.

ALONG THESE LINES, THE U.S. CHAMBER OF COMMERCE DESERVES CREDIT FOR RECOGNIZING THE DRAMATIC CHANGES TAKING PLACE, AND ACTING AGGRESSIVELY TO MAKE A DIFFERENCE. THROUGH THE NEWLY-CREATED EAST EUROPEAN TRADE AND TECHNICAL ASSISTANCE CENTER, WE ARE ADVISING THE GOVERNMENTS OF THE EASTERN NATIONS ON HOW TO ADOPT FREE MARKETS. AND WE ARE HELPING U.S. FIRMS IDENTIFY AND CONNECT WITH INVESTMENT OPPORTUNITIES OPENING UP IN THAT PART OF THE WORLD EACH AND EVERY DAY. THESE ACTIONS REPRESENT LEADERSHIP BY EXAMPLE, DOING PRECISELY THE KIND OF JOB THE U.S. CHAMBER EXISTS TO DO.

I BELIEVE IT IS THE IDEALISM OF AMERICA . . . AND AMERICAN BUSINESS . . . THAT SETS US APART. IT IS IMPOSSIBLE TO MEASURE THE IMPACT THIS POWER OF IDEAS . . . IDEAS OF FREEDOM AND FAIRNESS . . . HAVE ALREADY HAD ON PEOPLE THROUGHOUT THE WORLD. YET WE CAN DO MORE THAN INSPIRE, WE CAN BE ACTIVE PARTICIPANTS IN SETTING THE WORLD AGENDA. IT IS NO TIME TO SIT BACK. AS THE LEADERS OF AMERICAN BUSINESS, WE ARE ALSO THE LEADERS OF WORLD BUSINESS AND THE WORLD COMMUNITY. IN THE GLOBAL VILLAGE . . . THE WORLD

COMMUNITY . . . A KINDER, GENTLER AMERICA MEANS A KINDER,
GENTLER WORLD.

IN MY VIEW, ONE OF THE KEYS TO INFLUENCING THE WORLD AGENDA
WILL BE EDUCATION. AS YOUR CHAIRMAN, I HAVE MADE BUSINESS
SUPPORT FOR QUALITY EDUCATION ONE OF THE U.S. CHAMBER'S
HIGHEST PRIORITIES . . . FROM KINDERGARTEN TO GRADUATE
SCHOOL.

THE CONVENTIONAL WISDOM THAT OUR ECONOMIC COMPETITIVENESS IS
DRIVEN BY QUALITY EDUCATION IS A PRINCIPLE THAT IS ALREADY
ACCEPTED BY THIS AUDIENCE. THERE IS NO REASON TO PREACH TO
THE CONVERTED TODAY. CLEARLY, THE ECONOMIC COMPETITION OF
THE NEXT CENTURY IS ALREADY BEING WAGED TODAY IN CLASSROOMS
AND LABORATORIES ACROSS AMERICA, IN THE PACIFIC RIM, AND IN
THE NATIONS OF EUROPE.

IN MY TRAVELS AROUND THE COUNTRY, I HAVE WITNESSED
FIRST-HAND HOW AMERICAN BUSINESS IS RISING TO MEET THIS
CHALLENGE, AND I AM ENCOURAGED. I HAVE SEEN A GENUINE
INTEREST IN IMPROVING EDUCATION ON THE PART OF BUSINESS. I
AM CONVINCED THAT IN EVERY PART OF THIS NATION BUSINESS
LEADERS ARE PAYING MORE THAN LIP SERVICE TO EDUCATION . . .
CHAMBERS OF COMMERCE AND COMPANIES ARE ACTIVELY WORKING WITH

LOCAL SCHOOLS TO MOTIVATE YOUNG PEOPLE TO LEARN AND SUCCEED. IN MANY CASES, THEY ARE OFFERING ESSENTIAL FINANCIAL SUPPORT, BUT THEY ARE ALSO VOLUNTEERING THEIR TIME, KNOWLEDGE AND INSIGHT TO MAKE A DIFFERENCE IN THE LIVES OF AMERICA'S YOUNG PEOPLE. THERE IS SIMPLY NO WAY TO QUANTIFY THE SENSE OF EMPOWERMENT THAT A SUCCESSFUL BUSINESSMAN OR WOMAN CAN INSTILL IN THE HEARTS AND MINDS OF BRIGHT STUDENTS.

TO UNDERSTAND THE IMPORTANCE OF EDUCATION TO THE FUTURE OF OUR NATION, SIMPLY LOOK AT IT THROUGH THE EYES OF A CHILD. REFERRING TO A GROUP OF TODDLERS, CHARLES KETTERING ONCE SAID: "THEIR INTEREST IS IN THE FUTURE BECAUSE THEY ARE GOING TO SPEND THE REST OF THEIR LIVES THERE." FOR THAT REASON ALONE, OUR INTEREST MUST ALSO BE IN THE FUTURE, AND OUR LEADERSHIP MUST BE FOCUSED ON EDUCATION. *discret*

THE U.S. CHAMBER HAS ESTABLISHED THE CENTER FOR WORKFORCE PREPARATION AND QUALITY EDUCATION TO SUPPORT THIS NATIONAL CAMPAIGN. I URGE ALL OF YOU, IF YOU HAVEN'T ALREADY, TO BECOME PART OF THIS NETWORK AND BECOME MORE INVOLVED IN EDUCATION.

NEVERTHELESS, DESPITE ALL OUR MONETARY AND PERSONAL EFFORTS TO ENHANCE AMERICAN EDUCATION, THE PACE OF TECHNOLOGY CONTINUES TO FAR OUTSTRIP THE PACE OF EDUCATIONAL IMPROVEMENTS. THE GAP BETWEEN THE TWO IS FRIGHTENING. OUR NATION IS ESPECIALLY DEFICIENT IN MATH AND SCIENCE. AN ASTONISHING STATISTIC: FIFTY PERCENT OF ALL PUBLIC SCHOOL STUDENTS IN JAPAN PERFORM BETTER THAN THE TOP FIVE PERCENT OF AMERICAN STUDENTS. A MAJORITY OF DOCTORAL DEGREES IN MATH AND SCIENCE GRANTED BY AMERICAN UNIVERSITIES GOES TO FOREIGN STUDENTS. IN CHEMISTRY AND PHYSICS, OUR STUDENTS RANK NEAR THE BOTTOM AMONG THE BEST STUDENTS FROM 13 COUNTRIES.

EDUCATION IS TRULY AT THE CENTER OF TODAY'S TECHNOLOGIES . . . TECHNOLOGIES THAT MAKE POSSIBLE WHAT WE CALL THE GLOBAL VILLAGE. ADVANCES IN COMPUTERS, IN MANUFACTURING, IN TELECOMMUNICATIONS, IN MEDICINE, IN AGRICULTURE - ALL OF THESE DEPEND ON THE QUALITY OF EDUCATION AND ITS PROGRESS.

AMERICANS HAVE GROWN ACCUSTOMED TO BEING NUMBER ONE . . . THE WORLD'S TOP ECONOMY . . . THE LEADER OF THE FREE WORLD. IT JUST SEEMS LIKE A NATURAL STATE OF AFFAIRS, WHAT WE COMMONLY REFER TO AS A "GIVEN."

UNFORTUNATELY, IT'S NO LONGER THAT SIMPLE. TO SAY THAT THE NEW WORLD ECONOMIC AND POLITICAL FRAMEWORK IS BUILT ON INFORMATION AND COMMUNICATIONS IS A HUGE UNDERSTATEMENT . . . KIND OF LIKE SAYING PRESIDENT BUSH DISLIKES BROCCOLI. IT SHOULD NOT BE LOST ON ANY OF US THAT THERE IS MORE THAN A VERBAL SIMILARITY BETWEEN THE TERMS "GLOBAL COMMUNITY" AND "GLOBAL COMMUNICATION," AND I SUGGEST THAT WE KEEP THAT CONNECTION AT THE FOREFRONT OF OUR STRATEGY FOR THE '90'S.

EARLIER IN MY REMARKS, I TALKED ABOUT THE PIVOTAL ROLE THAT COMMUNICATIONS HAD PLAYED IN THE EARTH-SHATTERING INTERNATIONAL DEVELOPMENTS OF THE PAST YEAR. SINCE 1776, THE MESSAGE OF FREEDOM AND DEMOCRACY HAS BEEN VIRTUALLY UNCHANGED, ONLY THE MESSENGERS HAVE CHANGED. TODAY, WE CAN ONLY IMAGINE WHAT KINDS OF TECHNOLOGIES WILL CARRY THE MESSAGE THIRTY YEARS FROM NOW, IN 2020, OR FIFTY YEARS FROM NOW, IN 2040, OR ONE HUNDRED YEARS FROM NOW, IN 2090.

EDUCATION WILL DICTATE THE DEVELOPMENT OF TECHNOLOGY . . . TECHNOLOGY WILL IN TURN DICTATE THE DEVELOPMENT OF THE WORLD, AND IF THE AMERICAN VALUES OF INDIVIDUAL LIBERTY AND FREEDOM OF ENTERPRISE ARE TO PERSEVERE AND MAINTAIN THEIR REMARKABLE DURABILITY, IT IS INCUMBENT UPON ALL OF US TO ENSURE THAT OUR TECHNOLOGY KEEPS PACE - AND EVEN STAYS AHEAD - OF THE WORLD COMMUNITY.

THE BOTTOM LINE IS THIS: I BELIEVE THAT TECHNOLOGY WILL BE THE DRIVING FORCE BEHIND THE FUTURE OF AMERICAN VALUES AND THE AMERICAN WAY. AND IT IS UP TO AMERICAN BUSINESS TO CONTINUE TO CARRY THE TORCH OF LEADERSHIP, NOT JUST WITHIN THE BORDERS OF OUR COUNTRY, BUT AROUND THE WORLD.

I AM CONFIDENT THAT THE PEOPLE IN THIS ROOM, AND THE THOUSANDS YOU REPRESENT, ARE READY, WILLING AND ABLE TO CARRY THE TORCH. THANK YOU YOU FOR LETTING ME SPEAK TO YOU TODAY, AND THANK YOU FOR ALLOWING ME TO SERVE AS YOUR CHAIRMAN.



**OVERSEAS
PRIVATE
INVESTMENT
CORPORATION**

**INSURANCE
BROKERS
HANDBOOK**

OPIC

Overseas Private
Investment
Corporation

Washington, D.C. 20527



For further information about OPIC, its programs and services, write or phone:
Information Officer
Overseas Private Investment Corporation
1615 M Street, N.W.
Washington, D.C. 20527
Tel: (202) 457-7010*

*Individuals residing outside of the Washington, D.C. metropolitan area may phone toll-free: 800-424-6742.

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Inquiries regarding OPIC's program for insurance brokers should be addressed to:

Vice President for Insurance
Overseas Private Investment Corporation
1615 M Street, N.W.
Washington, D.C. 20527
Telephone: (202) 457-7040

**OVERSEAS
PRIVATE
INVESTMENT
CORPORATION**

**INSURANCE
BROKERS
HANDBOOK**



CONTRACTORS/EXPORTERS COVERAGE

(semi-annual rates)

Coverage	Current	Standby
Bid Bond	\$0.25	\$0.125
Performance and Other Guaranties	\$0.30	\$0.125
Inconvertibility	\$0.15	\$0.125
Confiscation	\$0.30	\$0.125
Political Violence (assets)*	\$0.30	\$0.125
Disputes	\$0.40	\$0.125

INSTITUTIONAL LOANS

Coverage	Current	Unused Commitment
Inconvertibility	\$0.25	\$0.20
Expropriation	\$0.30	\$0.20
Political Violence*	\$0.60	\$0.20
Inconvertibility and Expropriation (combined)	\$0.50	\$0.30
Inconvertibility, Expropriation and Political Violence* (combined)	\$0.90	\$0.50

*Civil Strife can be deleted from coverage; the current premium will typically be reduced by \$0.10.

† Civil strife can be deleted from coverage; the current premium will typically be reduced by \$0.15.

**For further information on rates, please refer to OPIC's "Energy Industry" brochure.

RATES

Under OPIC's rating schedule, base rates have been established for different industry groups as shown below. These rates can typically be varied by up to one-third depending on the risk profile of the project. All rates, except those for contractors/exporters cover, are annual rates per \$100 of coverage. Contractors/exporters rates are semiannual rates.

MANUFACTURING/SERVICES PROJECTS

Coverage	Current	Standby
Inconvertibility	\$0.30	\$0.25
Expropriation	\$0.60	\$0.25
Political Violence*		
Business Income	\$0.45	\$0.25
Assets	\$0.60	\$0.25

NATURAL RESOURCE PROJECTS

(other than oil and gas)

Coverage	Current	Standby
Inconvertibility	\$0.30	\$0.25
Expropriation	\$0.90	\$0.25
Political Violence*		
Business Income	\$0.45	\$0.25
Assets	\$0.60	\$0.25

OIL AND GAS PROJECTS**

Coverage	Exploration	Development/ Production
Inconvertibility	\$0.30	\$0.30
Expropriation	\$0.40	\$1.50
Political Violence (assets)†	\$0.75	\$0.60
Interference with Operations ("IWO")	\$0.40	\$0.40

INTRODUCTION

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. government agency whose purpose is to promote economic growth in developing countries by encouraging U.S. private investment in those nations.

OPIC provides U.S. investors with two principal services: (1) the insurance of investments against certain political risks and (2) the financing of such enterprises through direct loans or loan guaranties. All of OPIC's insurance and guaranty obligations are backed by OPIC's substantial financial reserves as well as the full faith and credit of the United States Government.

This booklet discusses procedures through which insurance brokers and agents can participate with OPIC in meeting the political risk insurance requirements of U.S. investors doing business overseas. OPIC believes that brokers can play an important role in helping U.S. investors in developing countries manage political risks, thereby encouraging such investment and promoting growth in developing countries.

OPIC especially welcomes the expertise of brokers in arranging joint underwriting of investments between OPIC and private insurers. OPIC in principle is interested in joint underwriting for any project, although such arrangements are particularly appropriate and useful if either OPIC or a private insurer acting alone is unable to meet an investor's insurance needs. Brokers are encouraged to bring joint underwriting proposals to OPIC, and, for projects already presented to OPIC, to assist in locating additional capacity in the private insurance market.

Brokers are encouraged to call OPIC's Insurance Department with any questions or inquiries regarding OPIC's insurance offerings or broker arrangements.

Inquiries should be addressed to:

Vice President for Insurance
Overseas Private Investment Corporation
1615 M Street, N.W.
Washington, D.C. 20527
(202) 457-7040

OPIC POLITICAL RISK INSURANCE OFFERINGS

The risks that OPIC's statute authorizes it to insure against are:

- Inability to convert into dollars local currency received by the investor as profits, earnings or return of the original investment.
- Loss of investment due to expropriation, nationalization, or confiscation by action of a foreign government.
- Loss due to political violence—war, revolution, insurrection, civil strife, and, for oil and gas projects, interference with operations.

For a detailed description of OPIC's insurance program, please consult OPIC's *Insurance Handbook*, available on request from OPIC.

OPIC also offers special insurance programs to meet the specific needs of investors involved overseas in providing goods and services under contract, in energy exploration and development, and in leasing. Non-insurance services of interest to investors abroad include direct loans and loan guaranties, information kits on investment in specific countries and areas, and investor-matching services. Brochures describing each of these programs are available from OPIC.

ELIGIBLE BROKERS

OPIC will accept business from any broker or agent licensed by any state or territory of the United States to place property or casualty insurance.

A broker will only be eligible for a commission if the investor designates that broker as broker-of-record for the project on the OPIC Request for Registration for the project. No commissions will be paid to brokers designated after receipt of a Request for Registration, except under the "Cooperative Coverage Program" (see page 6).

Investors making frequent use of OPIC's program for contractors and exporters may designate a "standing broker-of-record," which assures that the designated broker will be eligible for commissions on all future contractors/exporters business done between OPIC and that investor.

PROCEDURES FOR MAINTENANCE OF INSURANCE

ANNUAL BILLING AND ELECTION OF COVERAGE

Eight weeks before a contract anniversary date, OPIC sends an Election of Political Risk Insurance Coverage Form to the investor (or the investor's authorized representative if so provided for in the insurance contract). The investor elects appropriate coverage levels for the next year and returns this form with the premium for the next contract period prior to the anniversary date.

Coverage is suspended during any period following a due date when no premium has been paid. If the premium is not received within 60 days after the start of the contract period, OPIC has the right to terminate the insurance contract.

Conditions relating to election of coverage, payment of fees and default by the investor are set forth in the insurance contract.

CONTRACT AMENDMENTS

Any change in the form or structure of the investment, the project, the foreign enterprise, the securities, etc., should be brought to the attention of OPIC as soon as possible, and prior to the change, so that appropriate amendments can be made and the coverage not be jeopardized.

If an insurance contract is assigned to another eligible investor with OPIC's consent, the original broker-of-record will continue to receive the renewal commission until the contract expires or is terminated.

tration; if the investor fails to respond, OPIC may cancel the registration.

FORMAL APPLICATION

The Formal Application (OPIC Form 52, or Form 81 for contractors/exporters cover, or Form 77 for oil and gas cover) is the key document on which OPIC bases its decision of whether to issue insurance on a particular risk and on what terms.

OPIC will promptly acknowledge receipt of the Formal Application and will indicate the name of the Insurance Officer to whom the case is assigned. An Insurance Officer typically will be able to quote rates and note any special conditions shortly after receipt of all required information.

For contractors/exporters coverage, OPIC requires a copy of the underlying agreements between the investor and the owner. Similarly, for hydrocarbon projects and for certain mining projects in which the U.S. investor has a contractual relationship with the host government, e.g., a production-sharing or concession agreement, OPIC requires copies of these agreements as part of the Formal Application.

The Formal Application *must* be signed by the *investor*.

FOREIGN GOVERNMENT APPROVALS (“FGAs”)

Most of OPIC’s bilateral agreements with the governments of countries in which OPIC operates require that the foreign government approve OPIC insurance for each specific project. Such approvals are referred to as Foreign Government Approvals, or FGAs.

In most cases the investor is responsible for obtaining the FGA. Procedures for obtaining the FGA are spelled out in the OPIC registration letter. U.S. Embassies will often assist the investor; the investor’s representative in the host country can generally direct questions to the appropriate Embassy official. Once OPIC has received a copy of the FGA from the host country through the U.S. Embassy, it will notify the investor.

Insurance coverage cannot be put in force until OPIC receives an acceptable FGA covering the total amount of the investment.

CONTRACT ISSUANCE

Once a contract is drafted, four copies are sent to the investor for review and signature.

The investor typically must complete this review within three weeks and must sign the contracts and return them to OPIC with the premium payment for the first contract period. OPIC will execute the contracts only after it has received this first annual premium payment. After the contract has been signed by OPIC, one copy is returned to the investor and a copy will be sent to the broker-of-record.

COMMISSIONS

NEW BUSINESS PROGRAM

OPIC will pay commissions to properly designated brokers-of-record for insurance issued for:

- investments sponsored by a “small business,” as defined by OPIC, or
- investments involving OPIC’s contractors & exporters program, or
- newly-insured investments involving joint underwriting with private insurers.

OPIC’s definition of a “small business” is adjusted annually to reflect changes in the U.S. economy. In 1988, small businesses were defined as industrial companies with annual sales of less than \$130 million and non-industrial companies with stockholders’ equity of less than \$47 million.

Even if brokers are ineligible for commissions on specific projects, they may continue to serve as brokers-of-record or authorized representatives (see “Procedures for Issuing Insurance,” page 7).

OPIC has restricted payment of commissions to the indicated classes of business to further its legislative mandates to show preference to U.S. small business investors and to promote political risk insurance underwriting by private insurers, as well as to provide particular assistance to U.S. exporters and contractors competing in international markets. OPIC will pay commissions to brokers-of-record for eligible investments according to the following schedules:

PROJECTS NOT INVOLVING CONTRACTORS/EXPORTERS COVERAGE

Premium	Commission
First Year*	
\$0 -100,000	10%
\$100,000-250,000	8%
\$250,000 and up	6%
Renewals (flat rate)	5%

CONTRACTORS/EXPORTERS COVERAGE

Premium	Commission
First Year* (flat rate)	12%
Renewals (flat rate)	10%

*Subject to a guaranteed minimum first-year commission of \$500 or one half of the first year’s premium, whichever is less.

Initial commissions will be paid within 30 days of contract execution by OPIC. For renewal premiums, commissions will be paid to brokers within 30 days of receipt of the annual premium by OPIC.

COOPERATIVE COVERAGE PROGRAM

Many OPIC policyholders have incomplete OPIC coverage on their investments. The reasons for this vary; perhaps at some time the insured or the project was ineligible for full coverage, or the insured may have neglected to insure a tranche of investment promptly.

OPIC will pay commissions to U.S.-licensed brokers who arrange for private underwriters to fill such gaps (exclusive of the typical 10% self-insurance requirement) in an OPIC-insured's political risk coverage on a particular project.

Three criteria must be met:

1) The broker must arrange additional coverage of the same risk (inconvertibility, expropriation, or political violence) OPIC has already partially covered, and

2) The private coverage must be written for a portion of the investment uninsured by OPIC, and that portion must be at least 10% of the value of the investment insured by OPIC, and

3) A joint underwriting agreement must be put in place.

Commissions are payable without regard to the size of the insured. OPIC will pay commissions to brokers equal to 5% of the annual premium OPIC earns from its contracts covering the jointly underwritten risks on that particular project. The broker becomes eligible to receive commissions on the date when the private coverage and the joint underwriting agreement are both in place. OPIC will endeavor to pay the commission within 30 days of that date.

OTHER ELIGIBILITY GUIDELINES

INVESTORS

Eligible investors or contractors are U.S. citizens, U.S. corporations, partnerships and other entities which are more than 50% beneficially owned by U.S. citizens, or foreign entities at least 95% owned by U.S. citizens or eligible U.S. entities.

COUNTRIES

OPIC insurance is available in over 100 developing countries with which the United States has agreements governing operation of OPIC programs. Because the availability of OPIC insurance varies from country to country and is subject to change, brokers should contact OPIC's Insurance Department to determine the availability of cover for a specific country.

PROJECTS

OPIC is prohibited from underwriting insurance for certain types of investments or projects, including those involving military sales or equipment, casinos, liquor, or real estate speculation. The project must not have significant adverse U.S. employment or balance-of-payments effects. All projects must benefit host country development. Project procurement should originate primarily in the United States or developing countries.

PERFORMANCE REQUIREMENTS

By statute, and consistent with overall U.S. government policy, OPIC cannot insure projects having performance requirements that would substantially reduce the potential U.S. trade benefits of the investment. Performance requirements are host-government stipulations placed on investments so they will perform in such a way as to extract economic advantages that might not have occurred based on ordinary business considerations. Of particular concern are "trade-related" performance requirements covering local content, maximum import and minimum export levels.

PROCEDURES FOR ISSUING INSURANCE

The steps involved in the OPIC insurance process are presented below.

Unless otherwise instructed by the investor, OPIC treats the broker as an initial intermediary only. OPIC then deals directly with the client and sends copies of all correspondence to the broker.

An investor may appoint a broker-of-record as its authorized representative, in which case most communications between OPIC and the investor will be through the broker. The designation of a broker-of-record as an authorized representative has no bearing on the payment of commissions.

PROJECT REGISTRATION

Each project for which an investor may seek insurance must be registered with OPIC prior to the applicant's making an irrevocable commitment to make the investment. A request for registration can be made by letter or, preferably, on a Request for Registration (OPIC Form 50). This form *must* be signed by the investor. Registration procedures are outlined in detail in OPIC's Insurance Handbook.

If an inquiry is received from a broker, OPIC will send the Request for Registration to the investor through the broker unless otherwise directed. If an inquiry is received from an investor, OPIC will continue to deal directly with an investor unless the investor gives other instructions.

Commissions will only be paid to brokers designated as the broker-of-record on the registration form or registration correspondence.

Once a project is registered, OPIC will notify the investor and the broker by sending the registration notice to the investor with a copy to the broker.

REGISTRATION RENEWAL

A registration typically is valid for twelve months. If an acceptable Formal Application has not been filed by the end of the registration period, the investor must request an extension of the registration period. OPIC will notify the investor prior to expiration of the regis-

OVERSEAS PRIVATE INVESTMENT CORPORATION
1615 M Street, N.W.
WASHINGTON, D.C. 20527

FIRST QUARTER REPORT FY 1990

OVERSEAS PRIVATE INVESTMENT CORPORATION




Beginning with this issue, the Overseas Private Investment Corporation is pleased to initiate a quarterly reporting program.

President's Message

This inaugural issue of the OPIC Quarterly Report is part of a new, strategic positioning of our Corporation to participate effectively in the political and economic changes sweeping the world. Nation after nation is rapidly moving away from closed totalitarian systems and towards open democratic free market economies. This shift has opened up tremendous new demands for the goods and services that OPIC provides.

We are broadening our areas of responsibility as we expand the number and nature of the economic development programs we offer. Innovative new capital formation methods are in place and are working. The OPIC-sponsored Africa Growth Fund - a privately owned and operated venture capital investment company - is proving to be a successful vehicle to establish and support business enterprise through equity participation. We intend to refine this model further and make it available in Eastern Europe and eventually in East Asia. We are also putting into place a number of other rather ingenious programs to assist U.S. business abroad.

As peace and prosperity become more and more of a reality around the globe, the nature of international tension and investor risk is changing. In this dynamic context, many countries are altering their approaches to attract American private investment by seeking to achieve and project stability. This evolution, of which we are now at the threshold, has produced an increased demand for OPIC's programs of investment promotion and protection through effective risk management. Accordingly, we are reconstituting all of these programs into a comprehensive "investment assurance" package, the elements of which can be custom-tailored to meet the needs of investors and circumstances of the host country. We will keep you posted through these quarterly reports as the forces of free enterprise and democracy come together in the developing world to create great opportunities for OPIC and American business.


Fred M. Zeder
President and Chief Executive Officer

First Quarter Review

Insurance

During the first quarter, OPIC issued insurance contracts for investments in hotels, consumer products manufacturing, and banking operations, and processed numerous amendments to existing contracts requested by investors. There were no material changes in OPIC's global investment assurance portfolio and no claims settlements occurred during the period.

Subsequent events: At the beginning of the second quarter, OPIC issued its first insurance contract in Hungary, covering General Electric Company's \$15 million investment to acquire a majority interest in Tungfram, an electric lighting products manufacturer. OPIC anticipates a substantial volume of underwriting of investments in Poland and Hungary in the coming months.

Finance

Highlights of finance activity during the first quarter include the development of new direct loans and investment guaranties, and the creation of new investment vehicles to complement various Administration initiatives.

Two new finance projects were committed during the first quarter. A \$2 million direct loan to TII Industrie will enable that company to restructure its operation in Haiti and the Dominican Republic, as well as enhance the quality of its product, a line of solid state voltage suppressors.

Also approved was a \$5 million loan guaranty for the Abiatar, S.A. project, which involves the construction and operation of a cellular telephone system along the coastal areas of Uruguay. The project, to be managed by both Motorola and BellSouth, represents OPIC's first and only finance project in Uruguay.

negotiations were completed for five previously committed projects in Botswana, Egypt, Guatemala, the Dominican Republic and Honduras. In addition, more than \$97 million was disbursed during this period.

Implementation of new loan administration procedures and guidelines has facilitated the effective monitoring of OPIC's finance portfolio, which has increased nearly threefold from its 1981 level of \$345 million to its current size of \$977 million.

As OPIC plays an increasingly active role in assisting the Administration to accomplish its foreign policy goals and priorities, the finance program has become involved in several new initiatives in addition to its additional activities.

With the introduction of OPIC programs in Eastern Europe, the Finance Department developed two initiatives which will specifically target this region. One investment vehicle, the Eastern European Growth Fund, designed to raise capital to fund new business enterprises. This fund, with a target capitalization of \$200 million, will generate vital new economic activity in Eastern Europe by encouraging private sector growth.

As a second initiative, the Small Business Loan Guaranty program for Poland, will provide loans in amounts up to \$500,000 to investment projects sponsored by U.S. small business investors. Eligible projects will include new ventures or the expansion of existing businesses, and may either be wholly-owned by U.S. companies or joint ventures between Polish and U.S. firms.

Finally, in response to Administration concerns about environmental issues, OPIC is developing the Environmental Investment Fund. The Fund will facilitate investments in new or expanding private businesses that contribute to host country development while at the same time improving the environment. The Fund, with total capitalization targeted at \$100 million, is scheduled to be launched in late 1990.

Missions

As OPIC continues to work closely with American foreign policy initiatives, U.S. investors are eager to join investment missions in pursuit of rapidly developing business opportunities. In the first fiscal quarter, OPIC executed three highly successful investment missions to Poland, Bolivia and Morocco.

Participants from 28 U.S. companies made the Poland mission OPIC's largest ever. Eleven companies participated in the mission to Bolivia and 13 joined OPIC in Morocco. Already, a number of participating companies have returned to these countries to follow up on specific investment projects.

Upcoming Missions:

PANAMA (February 23 - March 2)
Reflecting OPIC's responsiveness to Administration policy, OPIC's investment mission to Panama will be the first U.S. Government-sponsored effort to bring U.S. executives to Panama to begin the process of rebuilding the economy.

Despite Noriega, Panama has retained a good infrastructure of transportation, communications and electricity. Potential growth industries include agriculture, aquaculture, telecommunications, light industry and tourism.

HUNGARY (April 22 - 27)
With new rules streamlining joint ventures and allowing 100 percent foreign ownership of enterprises, Hungary has become one of Eastern Europe's most dynamic economies. Opportunities abound in light manufacturing, chemicals, food processing, electronics and tourism. Hungary's strategic location offers prime access to Eastern and Western European markets as well as the Soviet Union.

Mission participants will benefit from face-to-face meetings with the highest level of leadership in Hungarian industry, commerce and government.

POLAND (April 29 - May 4)

Just six months after OPIC's first investment mission to Poland, that nation's continuing efforts to establish a free market economy and to encourage foreign investment have generated strong demand in the U.S. business community for a second opportunity to evaluate Polish projects.

Poland has enacted legislation to promote economic reform and encourage foreign investment. They now allow for 100 percent foreign ownership of some industrial facilities and they have lowered tax rates to 40 percent or less.

For additional information on OPIC investment missions, please call (202) 457-7113.

Monitoring

In addition to identifying overseas business opportunities, OPIC regularly monitors client projects to ascertain compliance with economic and environmental representations.

To serve this objective, OPIC recently expanded and improved its project monitoring system. Under the new system, 33 OPIC-supported projects were visited for an in-depth analysis of their environmental and economic impact. Targeted groups include electronics, agri-business and light industry.

Also on the environmental front, OPIC's involvement in Poland and Hungary has revealed an urgent need for environmental action in both countries. OPIC is now searching for U.S. companies capable of helping Poland and Hungary mitigate pollution as well as helping them clean the soil, water and air.

Condensed Financial Statements

Unaudited
(in thousands)

<u>INCOME STATEMENT</u>	Three Months Ended	
	Dec. 31 1989	Dec. 31 1988
REVENUES		
Political Risk Insurance Premiums	\$ 8,666	\$ 8,749
Finance Interest and Fees ^{1/}	3,640	4,739
Interest on U.S. Securities	27,560	24,050
Other Income	104	93
Total Revenues	\$ 39,970	\$ 37,631
EXPENSES	6,630	6,000
NET INCOME	<u>\$ 33,340</u>	<u>\$ 31,631</u>
<u>BALANCE SHEET</u>	Dec. 31	Dec. 31
	1989	1988
ASSETS		
Cash & U.S. Treasury Securities	\$1,402,021	\$1,238,693
Loans Receivable (Net)	43,067	37,864
Claim Related Assets (Net) ^{1/}	33,503	51,329
Other Assets	10,402	22,103
Total Assets	<u>\$1,488,993</u>	<u>\$1,349,989</u>
LIABILITIES		
Reserve: Political Risk Insurance ^{2/}	\$ 34,000	\$ 0
Reserve: Investment Guaranties ^{2/}	16,000	0
Unearned Premiums	17,188	15,309
Other ^{1/}	15,244	3,865
Total Liabilities	\$ 82,432	\$ 19,174
CAPITAL AND RETAINED EARNINGS		
Capital	\$ 50,000	\$ 50,000
Restricted Retained Earnings:		
Insurance	903,611	884,891
Guaranties	410,006	357,806
Unrestricted Retained Earnings	42,944	38,118
Total Capital & Retained Earnings	<u>\$1,406,561</u>	<u>\$1,330,815</u>
TOTAL LIABILITIES, CAPITAL AND RETAINED EARNINGS	<u>\$1,488,993</u>	<u>\$1,349,989</u>

^{1/} In 1989, OPIC received a \$28 million loan prepayment which resulted in an \$18 million decrease in claim related assets, a \$10 million payable to a guaranteed lender, and a decrease in interest income.

^{2/} As of September 30, 1989, OPIC changed its accounting policy to establish non-specific reserves for its contingent liabilities.