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To: Members of the Executive Board

From: The Secretary

Subject: White House Press Release

At the request of Mr. Dawson, the attached White House Press Release is circulated for the information of the Executive Directors.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 1, 1992

FREEDOM SUPPORT ACT OF 1992: FACT SHEET

I. ONCE IN A CENTURY OPPORTUNITY TO CONSOLIDATE FREEDOM

The collapse of the Soviet Union provides America with a once-in-a-century opportunity to help freedom take root and flourish in the lands of Russia and Eurasia.

- Their success in democracy and open markets will directly enhance our national security.
- The growth of freedom there will create business and investment opportunities for Americans and multiply the opportunities for friendship between our peoples.

Just as Democrats and Republicans united together to fight for freedom during the Cold War, we must remain united to win the peace.

II. PROVIDES NEEDED TOOLS FOR A MORE SECURE POST-COLD WAR ORDER

The "FREEDOM Support Act of 1992" provides a flexible framework to constructively influence the fast-changing and unpredictable events transforming Russia and Eurasia. The Act will:

- Mobilize the Executive Branch, the Congress, and the private sector to support democracy and free markets in Russia and Eurasia;
- Integrate comprehensively and target our efforts to address military, political, and economic opportunities created by the collapse of the Soviet Union, while sharing responsibilities with others in the international community; and
- Unlock Cold War restrictions that still hamstring the government in providing assistance and impede U.S. business from developing trade and investment with the new independent states.

III. COMPREHENSIVE AND INTEGRATED PLAN HAS TEN MAIN COMPONENTS

1. The Act expands the authorities for humanitarian aid to ensure that basic human needs are met.

- In cooperation with other donors, the United States will continue to provide food and medical assistance to reduce the danger of a humanitarian emergency and instability.

2. The Act promotes nuclear safety and demilitarization to prevent nuclear accidents and the spread of nuclear weapons.

   o The bill would broaden the allowable uses of the $500 million appropriated for DOD last fall and provide authority to support defense conversion, non-proliferation efforts, nuclear weapons dismantlement, addressing the "brain drain" problem, the relocation of former Soviet military forces, and nuclear plant safety.

3. **The Act expands assistance opportunities in building free markets.**

   o These programs build on efforts of the peoples of the new states to help themselves by privatizing and creating free market economies. The bill would extend Support for East European Democracy (SEED) Act programs to cover the former Soviet Union.

4. The Act increases support for democratic institutions.

   o This proposal helps us to expand programs, such as "America Houses", to facilitate democratization and the rule of law.

5. The Act improves access to credits for purchases of U.S. food.

   o The bill encourages the continuation of U.S. food exports to the new states by taking into account their commitment to economic reform in determining creditworthiness for CCC programs.

6. The Act stimulates greater trade and investment by removing the handcuffs of Cold War restrictions.

   o The bill would enable the President to eliminate Cold War restrictions which impede EXIM and OPIC activities in support of U.S. firms trying to do business in the new states.

7. The Act supports development of a private sector.

   o The bill encourages American investment and trade, and the formation of local businesses through enterprise funds, small business programs, and management and business training. It also supports further easing of COCOM restrictions.

8. The Act leverages U.S. financial contributions through the IMF.

   o An IMF quota increase is needed to provide the resources to back reform programs in Russia and the other new states. The U.S. contribution to the

increase, which does not require U.S. budget outlays or add to the deficit, is matched by other contributions.

9. The Act supports a U.S. leadership role in a stabilization fund.

   o The bill supports the President's existing authority to take a leadership role in organizing and supporting multilateral efforts at macroeconomic stabilization. The bill expresses the sense of the Congress for support of up to $3 billion for U.S. support of international currency stabilization fund or funds should states adopt the necessary reforms.

10. The Act expands the American presence on the ground and increases people-to-people contacts.

   o The bill would facilitate both government-to-government relations, the work of organizations such as the Peace Corps, the Citizens Democracy Corps, and other groups in promoting contacts between people.

IV. **APPROPRIATIONS AND AUTHORIZATION**

o At this point, no authorization is needed to put in place the framework for organizing our efforts comprehensively and in an integrated manner.

o As for appropriations:

   -- There is already a pending appropriations request for $620 million for Congress to act on.

   -- There is also a pending authorization and appropriation request for $12 billion in BA for the IMF Quota Increase which requires no outlays and does not affect the deficit or the BEA.

o Authorization changes will also enable us to tap into existing credit programs, EXIM, OPIC, thus making better use of existing resources.

o Until we make full use of existing programs and we have a better estimate of what additional resources, if any, are needed, it is premature to discuss additional appropriations.

Plans for Stabilization Funds for other CIS States

o It supports the President's existing authority to establish a currency stabilization fund for other states should they qualify.

o The size of these funds will depend on several factors: the seriousness of reform programs by the states , the

availability of IMF resources, and the type of stabilization program.

Status of aid to the former Soviet Union?

- To date the U.S. has pledged a total of $6.33 billion (FY 91-93). 60 percent of that total has been disbursed.

- CCC Credit Guarantees: As of March 30, the U.S. has shipped over 24 million tons of food using over $3.5 billion in guarantees.

  -- The last CCC tranche of $250 million becomes available April 1. All the $267 million in CCC principal and interest that was due in first quarter was paid on time. $1.1 billion is being announced with the package.

- Food Grant: Operation Provide Hope has transported 2200 tons of food and medical supplies in 65 flights to 24 locations. Shipments of USDA Grant Aid began in early March to Armenia, MOscow, St. Petersburg & Urals. $144 million of $165 announced was committed and food purchased as of March 27.

- Medical Assistance: As part of the President's December 1990 Initiative $30 million worth of donated medical supplies have been delivered to the former Soviet Union.

- EXIM has approved $172 million in loan guarantees and insurance.

- OPIC has proposed agreements to all republics; we will sign several agreements this spring, including with Russia.

- Trade and Development Program is open for business in the CIS.

- Technical Assistance: $85 million program is underway.

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Office of the Press Secretary

For Immediate Release April 1, 1992

MULTILATERAL FINANCIAL ASSISTANCE PACKAGE FOR RUSSIA

President Bush today announced U.S. support for a multilateral financial assistance package to help Russia and the other new states of the former Soviet Union transform their economies to free market systems. There are three elements of this program:

- roughly $18 billion in financial support in 1992 to help Russia stabilize and restructure its economy;
- $6 billion currency Stabilization Fund to bolster confidence in the Russian ruble; and
- early membership for Russia and the other new states in the International Monetary Fund (IMF).

The President has urged the G-7 to complete action on this approximately $24 billion package by the end of April.

Financial Support

The United States is working with its allies and the international financial institutions to marshal $18 billion in financial assistance in 1992 to support Russia's economic reform efforts.

Russia is already embarked on the path of bold market-oriented economic reforms. The reforms taken to date are part of an IMF-endorsed "shadow program" which does not involve financing. Negotiations are now underway between Russia and the IMF with the aim of converting the shadow program as soon as possible into a full and comprehensive reform program which would merit IMF financial support. These reforms would include reduction of the budget deficit, curbing inflation, privatization, and reform of the agricultural and energy sectors.

$18 billion in financial support could be obtained from:

- $11 billion of existing and new bilateral commitments from key industrial countries, including the United States. Negotiations on specific contributions are underway among the G-7 countries.
- $4-1/2 billion from the international financial institutions, including the IMF, World Bank, and EBRD.
- The remaining $2-1/2 billion in deferral of debt payments owed to Western creditors.

Currency Stabilization Fund (CSF)

An integral part of Russia's reform program is an effort to stabilize the ruble and bolster the public's confidence in it, by making it freely convertible. To help achieve these objectives, President Yeltsin has requested the creation of a currency stabilization fund.

The major industrial countries recognize that a stable, convertible ruble would have important benefits for the Russian reform effort. Thus, the United States and the other major countries are working together to establish such a fund for Russia.

The Fund would total $6 billion, an amount equal to roughly 3 months of Russia's 1991 hard currency imports. Russian membership in the IMF and compliance with a formal IMF program would be a precondition for use of the fund.

The resources for the fund will be financed entirely by activating the IMF's General Arrangements to Borrow (GAB). The GAB consists of emergency credit lines to the IMF from the G-7 and other industrial countries. The U.S. share of the GAB is 25 percent. U.S. participation in the GAB, and the funds required for the U.S. contribution, have been authorized and appropriated by Congress. Use of the GAB involves no net U.S. budgetary outlays.

Early Membership in the IMF

Russia and the other new states have applied for IMF membership. The United States has strongly supported early membership for them to promote market reforms and forge strong links with the West. Russia, as well as some of the other new states, should become members of the IMF by early May.

The IMF Executive Board is in the final stages of determining Russia's terms of entry into the Fund, including the size of Russia's quota, which will establish the basis for Russia's representation, voting power and access to IMF resources. The Board has agreed upon a 3 percent Russian quota share, which will place Russia in the ninth position in the IMF.

It will soon forward membership resolutions to the IMF Board of Governors. In turn, under standard IMF procedures, the Board of Governors would have thirty days to cast ballots in support of the resolutions. A vote by the Board of Governors requires a quorum of one-half of IMF members with two-thirds of the voting power, with approval by a simple majority of those voting.

The President has called for legislation providing for U.S. participation in the IMF quota increase in order to ensure that the IMF has adequate resources to meet prospective demands for financing.

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For Immediate Release April 1, 1992

AGRICULTURAL ASSISTANCE FOR THE NIS

The President today announced a series of additional measures to assist the independent states of the former Soviet Union. These include an immediate increase of $1.1 billion in credit guarantees for the purchase of U.S. agricultural commodities.

Additional Credit Guarantees

Up to an additional $1.1 billion will be made available under the GSM-102 program. Of this, $600 million will be available to Russia and $500 million for the Ukraine, Armenia and other states. The Russian guarantees will be made operational in four monthly tranches beginning on May 1. The other $500 million will become available to the other republics provided they meet program qualifications.

The GSM-102 program provides Commodity Credit Corporation (CCC) guarantees of credit extended by private U.S. banks for the purchase of U.S. agricultural commodities. The credits are usually repayable over three years with three equal annual installments of principal. The total amount of credit guarantees made available since January 1991 when the first allocation for the then Soviet Union was made is now $4.85 billion. Russia and the other republics are fully up to date in repayments to banks of credits guaranteed earlier by CCC. Since January 1, 1992 these have amounted to over $270 million.

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Four-page press conference transcript follows.

THE PRESIDENT: I have a statement that is a little longer than the normal, but let me just say that I have just met with the congressional leadership to request their bipartisan backing for a new, comprehensive and integrated program to support the struggle of freedom underway in Russia, Ukraine, and the other new states that have replaced the Soviet Union.

The revolution in these states is a defining moment in history, with profound consequences for America's own national interests. The stakes are as high for us now as any that we have faced in this century. And our adversary for 45 years, the one nation that posed a worldwide threat to freedom and peace, is now seeking to join the community of democratic nations.

A victory for democracy and freedom in the former USSR creates the possibility of a new world of peace for our children and grandchildren. But if this democratic revolution is defeated, it could plunge us into a world more dangerous in some respects than the dark years of the Cold War.

America must meet this challenge, joining with those who stood beside us in the battle against imperial communism -- Germany, the United Kingdom, Japan, France, Canada, Italy and other allies. Together we won the Cold War, and today we must win the peace.

This effort will require new resources from the industrial democracies. But nothing like the price we would pay if democracy and reform failed in Russia and Ukraine and Byelorussia and Armenia and the states of Central Asia. It will require the commitment of the united America, strengthened by a consensus that transcends even the heated partisanship of a presidential election campaign.

And today I call upon Congress, Republicans and Democrats alike, and the American people to stand behind this united effort.

Our national effort must be part of a global effort. I've been in contact with Chancellor Kohl, Prime Minister Major, President Mitterrand, other key allies to discuss our plans and to assure them of the high priority I place on the success of this endeavor. To this end, I would like to announce today a plan to support democracy in the states of the former Soviet Union.

This is a complex set of issues which took months to sort out, working within the administration, working with our major allies and with the leaders of the new independent states of the former Soviet Union. A number of things had to come together to make sure we got it right.

Let me give you a little bit of the history. I asked Secretary Baker to outline our fundamental approach in his December 12th speech at Princeton. I spoke again on the need to embrace Russia and the other new states of the former Soviet Union in my January 22nd speech at the Washington conference to coordinate the humanitarian assistance.

On February 1st, Boris Yeltsin and I discussed these issues at Camp David. And that same day, Secretary Brady met with Boris Yeltsin's key economic advisor, Igor Gaydar, do discuss how we could support Russian reforms.

A week later, Jim Baker followed up during his meeting with Kozyrev -- Foreign Minister Kozyrev -- and Boris Yeltsin in Moscow. And just yesterday the IMF reached tentative agreement with Russia on its market reform program. After weeks of intensive consultations in the G-7, Chancellor Kohl, currently serving as Chairman of the G-7, has announced today G-7 support for an IMF program for Russia.

The program that I'm announcing today builds on this progress and includes three major components: First, the United States has been working with its Western allies and the international financial institutions on an unprecedented multilateral program to support reform in the newly independent states. The success of this program will depend upon their commitment to reform and their willingness to work with the international community.

Russia is exhibiting that commitment. And I'm announcing today that the U.S. is prepared to join in a substantial multilateral financial assistance package in support of Russia's reforms. We're working to develop, with our allies and the IMF, a $6-billion currency stabilization fund to help maintain confidence in the Russian ruble. The U.S. will also join in a multilateral effort to marshal roughly $18 billion in financial support in 1992 to assist Russian efforts to stabilize and restructure their economy. We've been working with the Russian government for three months to help it develop an economic reform plan to permit the major industrialized countries to provide support.

We will work to complete action on this approximately $24-billion package by the end of April. And I pledge the full cooperation of the United States in this effort.

Secondly, the United States will also act to broaden its own capacity to extend assistance to the new states. I'm transmitting to Congress a comprehensive bill, the Freedom Support Act, to mobilize the Executive Branch, the Congress and, indeed, our private sector around a comprehensive and integrated package of support for the new states.

Now, this package will authorize a U.S. quota increase of $12 billion for the IMF, which is critical to supporting Russia and the other new states. The IMF and World Bank will be the primary source of funding for the major financial assistance needs of the new governments. The U.S. quota increase for the IMF was specifically assumed in the budget agreement and does not require a budget outlay.

Support my existing authority to work with the G-7 and the IMF to put together the stabilization program for Russia and support possible subsequent programs for others states of the former Soviet Union as they embarked on landmark reforms, including up to $3 billion for stabilization funds.

It would also repeal restrictive Cold War legislation so that American business can compete on an even footing in these new markets. And I'm determined that American business be given the chance to invest and trade with the new states. And to that end, I've also directed that the United States negotiate trade and bilateral investment and tax treaties with these countries just as soon as possible. Significant new trade relationships can create jobs right here in this country.

The package will broaden the use of $500 million appropriated by Congress last year to encompass not only the safe dismantling and destruction of nuclear weapons, but also the broader goals of nuclear plant safety, demilitarization, and defense conversion. It will also establish and a major people-to-people program between the United States and the states of the former Soviet Union to create the type of lasting personal bonds among our peoples, and Russian understanding of democratic institutions so critical to long-term peace.

This effort will complement our existing programs to bring hundreds of businessmen to the United States from the Commonwealth and then send hundreds of Peace Corps volunteers to the new states.

In sending this authorization legislation to Congress, I call upon the Congress to act concurrently to provide the appropriations necessary to make these authorizations a reality.

Third, in addition to the $3.75 billion already extended by the U.S. since January 1991, I'm announcing today $1.1 billion in new Commodity Credit Corporation credit guarantees for the purchase of American agricultural products. Six hundred million of that will go for U.S. sales to Russia, and an additional $500 million for U.S. sales to the Ukraine and other states.

Now, let me close on a personal note. I think every day about the challenge of securing a peaceful future for the American people. And I believe very strongly that President Yeltsin's reform program holds the greatest hope for the future of the Russian people and for the security of the American people as we define a new relationship with that great country.

President Yeltsin has taken some very courageous steps for democracy and free markets. And I am convinced that it is in our own national interest to support him strongly.

For more than 45 years, the highest responsibility of nine American presidents, Democrats and Republicans, was to wage and win the Cold War. It was my privilege to work with Ronald Reagan on these broad programs, and now to lead the American people in winning the peace by embracing the people so recently freed from tyranny to welcome them into the community of democratic nations.

I know there are those who say we should pull back, concentrate our energies, our interests and our resources on our pressing domestic problems. And they are very important. But I ask them to think of the consequences here at home of peace in the world. We've got to act now. And if we turn away, if we do not do what we can to help democracy succeed in the lands of the old Soviet Union, our failure to act will carry a far higher price. And if we face up to the challenge, matching the courage of President Yeltsin, of Ukrainian President Kravchuk, of Armenian President Ter-Petrosyan, many other future generations of Americans will thank us for having had the foresight and the conviction to stand up democracy and work for peace in this decade and into the next century.