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The Language of Trade

A Glossary of Terms Frequently Used in the International Trading System

The Language of Trade has been prepared by the United States Information Agency for government officials, journalists, business representatives, students, and other persons interested in the international trading system. We have included most terms commonly used in trade negotiations. We are grateful to the many experts in the U.S. Department of State, Department of Commerce, Treasury Department, International Trade Commission and the Office of the U.S. Trade Representative and in the GATT and UNCTAD Secretariats in Geneva who have supported the preparation of this glossary with their assistance and comments.

(This is a completely revised and expanded version of a similar glossary published by the United States Information Agency prior to the conclusion of the Tokyo Round of Multilateral Trade Negotiations.)

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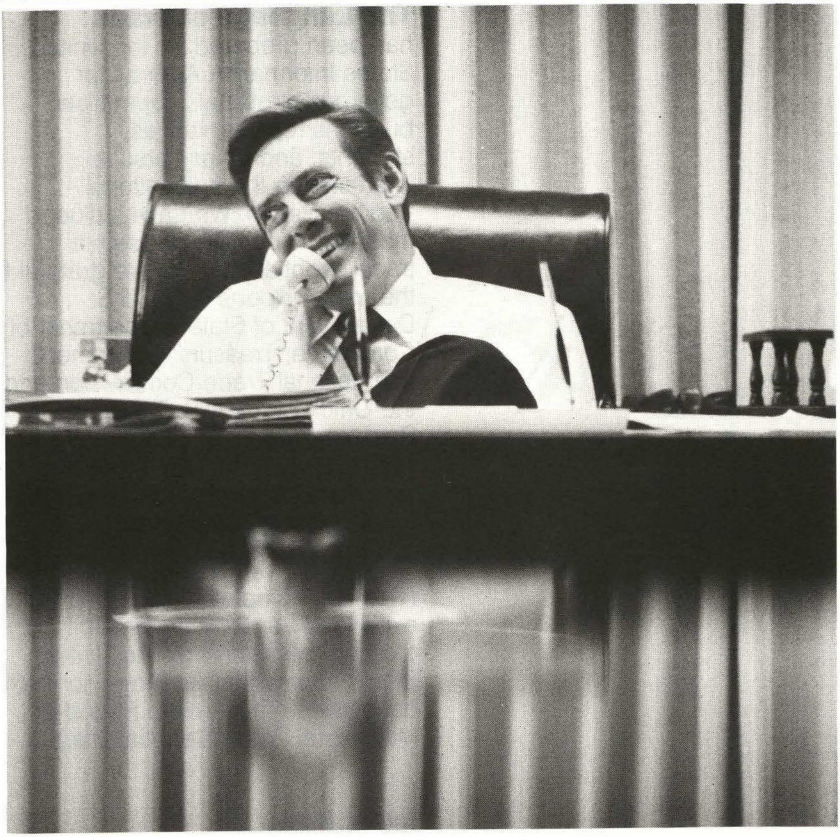
Compiler and Editor



It has been wisely observed that the limits of your language are the limits of your world. Too many of us are limited in our understanding of just how important international trade is to our interdependent world because of unfamiliarity with the language of trade. This glossary seeks to remedy that situation. It defines trade technology and interprets the terms used in negotiations. Perhaps these terms will not become household words, but they will expand your world. And that's all anybody could ask of any book.

Bill Brock

U.S. TRADE REPRESENTATIVE
Washington, D.C.

CHRONOLOGY OF MAJOR DEVELOPMENTS AFFECTING U.S. TRADE POLICY

1916
U.S. Tariff Commission was established.

1923
The United States formally adopted the unconditional Most-Favored-Nation principle as a cornerstone of its trade policy, after having applied conditional Most-Favored-Nation treatment in its trade relations since 1789.

1934
First Reciprocal Trade Agreements Act, which was later extended by further Acts of the U.S. Congress until they were all superceded by the Trade Expansion Act of 1962. (These Acts provided authority for the U.S. President to reduce tariffs through bilateral negotiations and the first few Rounds of GATT Multilateral Trade Negotiations.)

1944
Bretton Woods Conference.

1946
First Session of the Preparatory Committee of the U.N. Conference on Trade and Employment met to consider a draft Charter for an International Trade Organization (ITO) submitted by the United States.

1947
First draft of the General Agreement on Tariffs and Trade (GATT) was concluded and signed.

1947-48
First GATT Round of Trade Negotiations, Geneva.

1949
Second GATT Round of Trade Negotiations, Annecy, France.

1950-51
Third GATT Round of Trade Negotiations, Torquay, England.

1951
Schuman Plan established a common market in Europe for coal and steel.

1956
Fourth GATT Round of Trade Negotiations, Geneva.

1957
Treaty of Rome created the European Economic Community.

1960
Stockholm Convention established the European Free Trade Association.

1960-62
Fifth (Dillon) GATT Round of Trade Negotiations, Geneva.

1962
U.S. Trade Expansion Act provided authority for U.S. participation in the Kennedy Round.

1963-67
Sixth (Kennedy) GATT Round of Trade Negotiations, Geneva.

1964
First United Nations Conference on Trade and Development (UNCTAD I), Geneva.

1968
Second United Nations Conference on Trade and Development (UNCTAD II), New Delhi, approved, in principle, a Generalized System of Preferences (GSP) for exports from developing countries.

1971
The Williams Commission Report to the U.S. President recommended a U.S. initiative for a major round of trade negotiations.

1972
Third United Nations Conference on Trade and Development (UNCTAD III), Santiago, Chile.

1973
President Nixon proposed a trade bill to authorize U.S. participation in a major Round of GATT trade negotiations.

1973
The Tokyo Declaration formally initiated a major Round of multilateral trade negotiations within the framework of GATT, as envisaged by the Williams Commission.

1975
President Ford signed the U.S. Trade Act of 1974, which provided authority for U.S. participation in the Tokyo Round and changed the U.S. Tariff Commission to the U.S. International Trade Commission.

1976
Fourth United Nations Conference on Trade and Development (UNCTAD IV), Nairobi, launched the Integrated Program for Commodities.

1977
Downing Street Summit Meeting in London approved accelerated efforts to conclude the Tokyo Round.

1979
Participating governments initialed agreements negotiated during the Tokyo Round.

1979
Fifth United Nations Conference on Trade and Development (UNCTAD V), Manila.

1979
Trade Agreements Act of 1979 authorized implementation of agreements negotiated during the Tokyo Round.

1981
United Nations Conference on the Least Developed Countries, Paris.

1982
Ministerial Meeting at GATT headquarters in Geneva identified a GATT Work Program for the 1980's.

1983
Williamsburg Summit Meeting agreed to consultations on a new GATT Round of trade negotiations and on conditions for improving the international monetary system.

1983
Sixth United Nations Conference on Trade and Development (UNCTAD VI), Belgrade.

The Language of Trade

A

ACCESS, MARKET. See *Market Access.*

ACCESS TO SUPPLIES. See *Supply Access.*

ACCESSION. The process of adhering to a legal instrument. In the case of GATT, the prospective Contracting Party enters into accession negotiations with the CONTRACTING PARTIES to determine the concessions (trade liberalization) or other specific obligations it must undertake before accession is concluded. Prospective members may be accorded "provisional accession," which obligates them to apply GATT rules in their commercial relationships with other Contracting Parties, but not to make tariff concessions. Accession to GATT does not automatically involve adherence to the Codes of Conduct negotiated during the Tokyo Round. See also *Concession; Contracting Party; General Agreement on Tariffs and Trade; Grandfather Clause; Protocol of Accession;* and *Protocol of Provisional Application.*

ACP COUNTRIES. African, Caribbean and Pacific countries associated with the European Community under the Lomé Convention. See also *Lomé Convention.*

ACROSS-THE-BOARD (LINEAR) TARIFF REDUCTIONS. See *Linear Reduction of Tariffs.*

ACTN. See *Advisory Committee for Trade Negotiations.*

AD VALOREM EQUIVALENT. The duty collected under a specific tariff or a compound tariff expressed as a percentage of the value of the imported item. Since a specific tariff is calculated on the basis of units (of volume or weight), rather than value, and prices can change over time, the ad valorem equivalent could differ when calculated for different time periods. See also *Ad Valorem Tariff; Compound Tariff; and Specific Tariff.*

AD VALOREM TARIFF. A tariff calculated "according to value," or as a percentage of the value of goods cleared through customs, e.g., 15 percent ad valorem means 15 percent of the value. See also *Specific Tariff; Tariff;* and *Valuation.*

ADDITIONALITY. A measure of the net increase in capital inflows into assisted developing countries as contrasted with a diversion from one form or target of development assistance to another. See also *Bilateral Aid; Multilateral Aid; Official Development Assistance;* and *Transfer Payments.*

ADDED VALUE TAX. See *Value Added Tax.*

ADJUSTMENT. The process of adaptation in an economy triggered, for example, by technological developments, changes in demand, or shifting external trade patterns. The changes may involve a reallocation of labor and capital away from uncompetitive products or sectors and into new or other lines of production in which the economy is competitive. In the specific sense used by the International Monetary Fund, adjustment means the adoption of macroeconomic policies, including monetary, fiscal, and exchange rate policies, to adjust the level of domestic economic activity to conditions prevailing in the world economy, with the objective of correcting balance of payments disequilibria and pursuing domestic objectives such as lower inflation. See also *Adjustment Assistance; Balance of Payments; Competitive; Conditionality; Devaluation; International Monetary Fund; Macroeconomics; Safeguards; Structural Change;* and *Technology.*

ADJUSTMENT ASSISTANCE. Financial, technical, or other assistance to firms, workers and communities to help them cope with adjustment difficulties arising from increased import competition or other changes in the economic environment. The objective of the assistance is usually to help an industry to become more competitive in the same line of production, or to move into other economic activities. The aid to workers can take the form of training (to qualify the affected individuals for employment in new or expanding industries), relocation allowances (to help them move from areas characterized by high unemployment to areas where employment may be available), or unemployment compensation (to tide them over while they are searching for new jobs). The aid to firms can take the form of loans or guarantees of loans, tax benefits, or other assistance. The benefits of increased trade to an importing country generally exceed the costs of adjustment, but the benefits are widely shared and the adjustment costs are sometimes narrowly—and some would say unfairly—concentrated on a few domestic producers and communities. Both import restraints and adjustment assistance can be designed to reduce these hardships, but adjustment assistance—unlike import restraints—allows the economy to enjoy the full benefits of lower-cost imported goods. Adjustment assistance can also be designed to facilitate structural shifts of resources from less productive to more productive industries, contributing further to greater economic efficiency and improved standards of living. See also *Adjustment; Escape Clause; Structural Change;* and *Trade Act of 1974.*

ADVANCED DEVELOPING COUNTRIES. See *Developing Countries; Newly Industrializing Countries.*

ADVERTISING. See *Services.*

ADVISORY COMMITTEE FOR TRADE NEGOTIATIONS (ACTN). A group of eminent individuals appointed by the U.S. President to advise him on trade agreements and trade policy. See also *United States Trade Representative.*

A

AGENCY FOR INTERNATIONAL DEVELOPMENT (AID). The unit within the U.S. government responsible for the administration of U.S. bilateral development assistance programs. AID also participates actively in the development of other U.S. policies and programs related to Third World economic development. See also *Bilateral Aid; Developing Countries;* and *Official Development Assistance.*

AGREEMENT ON SUBSIDIES AND COUNTERVAILING DUTIES. See *Countervailing Duties; Export Subsidies.*

AGRICULTURAL ADJUSTMENT ACT OF 1933. See *Section 22.*

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954. See *Public Law 480.*

AID. See *Agency for International Development.*

AMERICAN SELLING PRICE (ASP). A method of establishing the value of imports for duty purposes, first specified in the Tariff Act of 1922, and applying only to a limited number of U.S. imports. Under the ASP system, the dutiable value of certain benzenoid chemicals, rubber-soled canvas footwear, canned clams, and certain inexpensive knit gloves and mittens was determined on the basis of the wholesale price of a comparable American product rather than on the basis of the value of the imported goods. The 1922 law was enacted principally to protect the infant U.S. dye industry at a time when most dyes used in the United States were imported. The United States eliminated the ASP method of valuation as part of its commitment to the Customs Valuation Code negotiated during the Tokyo Round of Multilateral Trade Negotiations. See also *Customs Valuation Code; Infant Industry Argument;* and *Valuation.*

ANTI-DUMPING CODE. A code of conduct negotiated under the auspices of GATT during the Tokyo Round (replacing an earlier code negotiated during the Kennedy Round) that established both substantive and procedural standards for anti-dumping proceedings in signatory countries. The Anti-Dumping Code was implemented in the United States through the U.S. Trade Agreements Act of 1979, which repealed the Anti-Dumping Law of 1921 and inserted new Anti-Dumping provisions in the Tariff Act of 1930, providing for the imposition of special duties equivalent to the margin of "dumping" of imported merchandise. Goods imported into the United States are considered "dumped" when they are found to have been sold at less than fair value and to have caused or are likely to cause material injury to a U.S. industry. See also *Codes of Conduct; Dumping; Kennedy Round;* and *Trade Agreements Act of 1979.*

ANTI-DUMPING DUTIES. See *Dumping.*

ANTI-TRUST. A term used to describe a policy or action that seeks to curtail monopolistic power within a market. See also *Export Trading Company; Market; Monopoly; Restrictive Business Practices;* and *Webb-Pomerene Act.*

APPAREL. See *Multi-Fiber Arrangement Regarding International Trade in Textiles; Textiles.*

APPRAISAL. See *Valuation.*

ARBITRATION. An arrangement through which two parties to a dispute agree to the appointment of an impartial chairman or group of competent persons to decide the issue, the disputants agreeing in advance to abide by the decision rendered. See also *Dispute Settlement; Panel of Experts.*

ARTICLES OF GATT:
ARTICLE I. See *Enabling Clause; Most-Favored-Nation Treatment.*
ARTICLE II. See *Concession.*
ARTICLES III THROUGH XXIII. See *Codes of Conduct.*
ARTICLE VI. See *Border Tax Adjustments; Countervailing Duties;* and *Dumping.*
ARTICLE XI. See *Quantitative Restrictions; Section 22.*
ARTICLE XII. See *Quantitative Restrictions.*
ARTICLE XIII. See *Quantitative Restrictions.*
ARTICLE XV. See *Balance of Payments Consultations.*
ARTICLE XVI. See *Border Tax Adjustments; Export Subsidies.*
ARTICLE XVIII. See *Quantitative Restrictions.*
ARTICLE XIX. See *Escape Clause; Safeguards.*
ARTICLE XX. See *Quantitative Restrictions.*
ARTICLE XXI. See *Quantitative Restrictions.*
ARTICLES XXII, XXIII. See *Consultations; Dispute Settlement.*
ARTICLE XXIV. See *Customs Union; Free Trade Area.*
ARTICLES XXXVI, XXXVII, XXXVIII. See *General Agreement on Tariffs and Trade.*

ASP. See *American Selling Price.*

ASSOCIATED STATES. See *ACP Countries; European Community;* and *Lomé Convention.*

ASSOCIATION AGREEMENT. See *European Community.*

ATA CARNET. An international customs document that is recognized as an internationally valid guarantee and may be used in lieu of national customs documents and as security for import duties and taxes to cover the temporary admission of goods and sometimes the transit of goods. The ATA ("Admission Temporaire—Temporary Admission") Convention of 1961 authorized the ATA Carnet to replace the ECS ("Echantillons Commerciaux—Commercial Samples") Carnet that was created by a 1956 convention sponsored by the Customs Cooperation Council. ATA Carnets are issued by National Chambers of Commerce affiliated with the International Chamber of Commerce, which also guarantees payment of duties in the event of failure to re-export. See also *Customs Cooperation Council.*

B

BALANCE OF CONCESSIONS. See *Concession; Reciprocity.*

BALANCE OF PAYMENTS. A tabulation of a country's credit and debit transactions with other countries and international institutions. These transactions are divided into two broad groups: Current Account and Capital Account. The main items included are exports and imports of goods and services (the balance of trade), foreign direct investments, intergovernmental loans, transfer payments, capital inflows and outflows, and changes in official gold holdings and foreign exchange reserves. See also *Adjustment; Capital Account; Current Account; International Monetary Fund; Invisible Trade; Macroeconomics; Quantitative Restrictions; Transfer Payments;* and *Visible Trade.*

BALANCE OF PAYMENTS CONSULTATIONS. Article XV of GATT requires coordination between the General Agreement on Tariffs and Trade and the International Monetary Fund to ensure that the trade and payments implications of any quantitative restrictions imposed for balance of payments reasons are fully analyzed within the respective jurisdictions of both organizations. Any Contracting Party that imposes such quantitative restrictions for balance of payments reasons is expected to hold consultations with other interested Contracting Parties. The Framework Agreement concluded during the Tokyo Round provided that any other trade restrictive measures imposed for balance of payments reasons should also be discussed in such consultations. See also *Consultations; Exchange Controls; Framework Agreement; General Agreement on Tariffs and Trade; International Monetary Fund; Prior Deposits;* and *Quantitative Restrictions.*

BALANCE OF TRADE. A component of the balance of payments, or the surplus or deficit that results from comparing a country's expenditures on merchandise imports and receipts derived from its merchandise exports. See also *Credit; Mercantilism.*

BANKING. See *Credit; Interest; Loan;* and *Services.*

BARTER. The direct exchange of goods for other goods, without the use of money as a medium of exchange and without the involvement of a third party. See also *Countertrade; Money.*

BASKET OF CURRENCIES. See *Par Value; Special Drawing Rights.*

BDV. See *Customs Valuation Code.*

BEGGAR-THY-NEIGHBOR POLICY. A course of action through which a country tries to reduce unemployment and increase domestic output by raising tariffs and instituting non-tariff barriers that impede imports, or by accomplishing the same objective through competitive devaluation. Countries that pursued such policies in the early 1930's found that other countries retaliated by raising their own barriers against imports, which, by reducing export markets, tended to worsen the economic difficulties that precipitated the initial protectionist action. The Smoot-Hawley Tariff Act of 1930 is often cited as a conspicuous example of this approach. See also *Column 2 Rates; Devaluation; Protectionism; Retaliation;* and *Tariff Act of 1930.*

BERN UNION. See *World Intellectual Property Organization.*

BILATERAL. Agreement or arrangement involving two sides. See also *Multilateral; Unilateral.*

BILATERAL AID. Development assistance provided directly by a donor country to a recipient country (as opposed to aid channeled through multilateral institutions). See also *Agency for International Development; Multilateral Aid.*

BILATERAL TRADE AGREEMENT. A formal or informal agreement involving commerce between two countries. Such agreements sometimes list the quantities of specific goods that may be exchanged between participating countries within a given period. See also *Consultations; Multi-Fiber Arrangement Regarding International Trade in Textiles;* and *Trade Agreement.*

BILL. A document giving evidence of indebtedness of one party to another, as, for example, a written order for goods that can be used as security for a loan to the supplier of the goods from a bank, or a security such as a Treasury bill. See also *Euro-Dollars; Medium of Exchange; Security;* and *Trade Agreements Act of 1934.*

BINDING. A provision in a trade agreement that no tariff rate higher than the rate specified in the agreement will be imposed during the life of the agreement. See also *Bound Rates; Compensation; Concessions;* and *Tariff.*

BOGUS GOODS. See *Commercial Counterfeiting.*

BOND. An interest bearing certificate issued by a government or a business promising to pay the holder a specified sum on a specified date. A bond is a common means of raising capital. See also *Capital Market; Credit.*

BONDED GOODS. Imported goods stored in a bonded warehouse, usually after the owners of the goods have deposited a bond guaranteeing that the duty will be paid when and if the goods are withdrawn for domestic sale. See also *Bond; Bonded Warehouse.*

B

BONDED WAREHOUSE. A secure storage area in which goods, subject to excise taxes or customs duties, are stored pending payment of the taxes or duties. See also *Free Zone.*

BORDER TAX ADJUSTMENTS. The remission of indirect taxes on exported goods, including sales taxes and value added taxes, designed to ensure that national tax systems do not impede exports; and the imposition of domestic taxes on imported goods, to ensure that they do not receive preferential treatment, as compared with domestically produced goods. Frontier adjustments on exports are permitted for indirect taxes under Articles VI and XVI of GATT, but not for direct taxes (such as income taxes assessed on producing firms). The U.S. Government makes little use of border tax adjustments, since it relies more heavily on income (or direct) taxes than do most other governments, and since most goods exported from the United States are not subject to indirect taxes. See also *Direct Tax; Indirect Tax; Tax;* and *Value Added Tax.*

BOUND RATES. Tariff rates resulting from GATT negotiations that are incorporated in a country's schedule of concessions and are thus enforceable as an integral element of GATT. If a Contracting Party raises a tariff to a higher level than its bound rate, the major beneficiaries of the earlier binding have a right under the GATT to receive compensation, usually in the form of reduced tariffs on other products they export to the country. If the beneficiaries do not receive such compensation they may retaliate by raising their own tariffs against an equivalent value of the original country's exports. See also *Binding; Compensation; Concession; Contracting Party; Retaliation;* and *Tariff.*

BOUNTIES OR GRANTS. Payments by governments to producers of goods, often to strengthen their competitive position. See also *Countervailing Duties.*

BOYCOTT. A refusal to deal commercially or otherwise with a person, firm or country. See also *Coordinating Committee on Export Controls; Embargo;* and *Export Administration Acts of 1969 and 1977.*

BRETTON WOODS CONFERENCE. A meeting of Central Bank economists and other government officials, formally known as the United Nations Monetary and Financial Conference, that took place in Bretton Woods, New Hampshire, in July 1944. The Conference was convened to consider alternative proposals put forward by British and American financial experts relating to international payments problems, the economic reconstruction needs of Europe upon the conclusion of World War Two, and the need to ensure stable exchange rates and free convertibility of currencies. The compromise solution negotiated at Bretton Woods envisaged the establishment of an International Monetary Fund and an International Bank for Reconstruction and Development (the World Bank). The presumed need for an International Trade Organization was also informally considered at Bretton Woods. See also *General Agreement on Tariffs and Trade; International Monetary Fund;* and *World Bank.*

BRIDGING CREDIT. Borrowing ahead of receiving payment for a sale, or short term credit to a customer pending his receipt of funds from another source. See also *Credit.*

BROKER. An intermediary between a buyer and a seller in a highly organized market, as in the case of a stockbroker. See also *Capital Market; Market;* and *Security.*

BRUSSELS DEFINITION OF VALUE. See *Customs Valuation Code.*

BRUSSELS TARIFF NOMENCLATURE. See *Customs Classification.*

BTN. See *Customs Classification.*

BUFFER STOCKS. Commodity stockpiles managed in such a way as to moderate price fluctuations. Goods may be sold from a stockpile when prices reach or approach predetermined ceiling prices, and purchased for the stockpile when prices reach or approach predetermined floor levels. Rubber, tin and cocoa are among the commodities considered most likely to benefit from buffer stocks, and international commodity agreements exist for each of these products. See also *Commodity; Common Fund; Integrated Program for Commodities; International Commodity Agreement;* and *Strategic Stockpiles.*

BULK CARRIER. A transporter (usually an ocean-going vessel) of large, heavy cargoes on unscheduled services. "Dry" cargoes are usually mineral ores (such as phosphates or manganese), as opposed to "liquid hydrocarbons," a phrase that usually refers to petroleum.

BUY-BACK. See *Countertrade.*

"BUY NATIONAL" BIAS. See *Government Procurement Policies and Practices.*

C

C AND F. An abbreviation used in some international sales contracts when the selling price includes the cost of the goods and freight but not the cost of insurance. The formula is used when the government in the importing country requires that insurance must be supplied from a company subject to its jurisdiction. See also *CIF; FAS;* and *FOB.*

CAP. See *Common Agricultural Policy.*

CAPITAL. Property or wealth that yields income expressed in terms of money, or the accumulated stock of tools, machinery, equipment, buildings and other goods employed, in turn, to produce other goods and services. See also *Capital Goods; Infrastructure; Interest; Money; Profit;* and *Risk.*

CAPITAL ACCOUNT. That portion of a country's balance of payments that includes the inward and outward flow of money for investment and international grants and loans (public and private). See also *Balance of Payments; Current Account.*

CAPITAL GOODS. Industrial products or other goods that are used in the creation of additional wealth, such as machine tools. Capital goods are sometimes called intermediate goods because they only indirectly satisfy human wants, and sometimes producer goods, because they are used to produce other goods. See also *Capital; Consumer Goods;* and *Production.*

CAPITAL MARKET. The market for longer-term loanable funds. The capital market in a country is not one institution; rather it includes securities exchanges, underwriters, investment banks and insurance companies that canalize supply and demand for long-term capital and claims on capital, especially when concentrated in such major financial centers as New York City or London. The marketing of securities is an important element in the efficient working of a capital market. See also *Capital; Developing Countries; Insurance; International Finance Corporation; Market; Security; Underwriter;* and *World Bank.*

CARNET. See *ATA Carnet.*

CARGO SHARING. The reservation and division of maritime traffic between designated trading partners who agree that vessels owned or controlled by either will carry a specified percentage of the cargo moving between them.

CARTEL. An alliance or arrangement among industrial, commercial, or state-controlled enterprises producing the same commodity, aimed at regulating the purchase, production, or marketing of the commodity. A cartel agreement is often accompanied by output and investment quotas. When a cartel gains monopoly power, it will normally seek to maximize profits by raising prices and limiting supply. See also *Commodity; Monopoly;* and *Organization of Petroleum Exporting Countries.*

CASE LAW. The codes of conduct negotiated in the Tokyo Round are expected to evolve according to decisions made with respect to specific "cases" resulting from allegations of violation brought before the committees responsible for monitoring the codes. The decisions made in these cases serve as precedents that are taken as interpretations of the relevant provisions applicable to future cases. See also *Codes of Conduct; Dispute Settlement;* and *Tokyo Round.*

CCC. See *Commodity Credit Corporation; Customs Cooperation Council.*

CCCN. See *Customs Classification.*

CEILING PRICES. See *Buffer Stocks.*

CENTRAL PLANNING. See *Non-Market Economy.*

CEREALS COMPONENT. See *Conversion Product.*

CERTIFICATE OF ORIGIN. See *Customs and Administrative Entry Procedures.*

CET. See *Common External Tariff.*

CIF. An abbreviation used in some international sales contracts, when the selling price includes all "costs, insurance and freight" for the goods sold ("charge in full"), meaning that the seller arranges and pays for all relevant expenses involved in shipping goods from their point of exportation to a given point of importation. In trade statistics, "CIF value" means that all figures for imports or exports are calculated on this basis, regardless of the nature of individual transactions. See also *C and F; FAS;* and *FOB.*

CLEARING AGREEMENTS. See *Countertrade.*

CMEA. See *Council for Mutual Economic Assistance.*

COCOM. See *Coordinating Committee on Export Controls.*

C

CODES OF CONDUCT. International instruments that indicate standards of behavior by nation states or multi-national corporations deemed desirable by the international community. Several codes of conduct were negotiated during the Tokyo Round that liberalized and harmonized domestic measures that might impede trade, and these are considered legally binding for the countries that choose to adhere to them. Each of these codes is monitored by a special committee that meets under the auspices of GATT and encourages consultations and the settlement of disputes arising under the code. Countries that are not Contracting Parties to GATT may adhere to these codes. GATT Articles III through XXIII also contain commercial policy provisions that have been described as GATT's code of good conduct in trade matters. The United Nations has also encouraged the negotiation of several "voluntary" codes of conduct (meaning that they are not legally binding), including one that seeks to specify the rights and obligations of trans-national corporations. See also *Anti-Dumping Code; Articles of GATT; Case Law; Countervailing Duties; Customs Valuation Code; Dispute Settlement; Export Subsidies; Government Procurement Policies and Practices; Liberalization; Licensing Code; Multi-National Corporation; Multilateral Agreement; Non-Tariff Barriers; Offer List; Restrictive Business Practices; Safeguards; Standards;* and *Transparency.*

COIN, NEGOTIATING. See *Concession.*

COLLATERAL. See *Security.*

COLUMN 1 RATES. U.S. tariff rates (nearly all of which are "bound" rates) established through trade negotiations. They are usually substantially lower than Column 2 rates and apply to all countries to which the United States grants Most-Favored-Nation Treatment. See also *Bound Rates; Column 2 Rates;* and *Most-Favored-Nation Treatment.*

COLUMN 2 RATES. U.S. statutory tariff rates, generally set by the Smoot-Hawley Tariff Act of 1930, as amended. These rates are substantially higher than Column 1 rates. For countries receiving Most-Favored-Nation Treatment, they have been supplanted by lower tariffs established through concessions, which are set out in Column 1 of the tariff schedule. Column 2 rates are currently assessed only on imports from countries that do not receive Most-Favored-Nation Treatment from the United States, all of which are state trading nations. See also *Column 1 Rates; Concession; Most-Favored-Nation Treatment; State Trading Nations;* and *Tariff Act of 1930.*

COMECON. See *Council for Mutual Economic Assistance.*

COMMERCIAL COUNTERFEITING. The production or marketing of goods with the intent of defrauding the purchaser by falsely implying, directly or indirectly, that the goods are produced by a known and reputable manufacturer. Counterfeit goods are usually distinguished from bogus goods in that in addition to replicating the legitimate good, they bear a forged trademark. Since 1978 the United States has been actively seeking to negotiate an "Agreement on Measures to Discourage the Importation of Counterfeit Goods" in GATT. See also *Intellectual Property; Trademark.*

COMMERCIAL PAPER. Short term financial instruments that can be bought and sold, particularly promissory notes that call for the payment of specified amounts of money at a given time. See also *Bond; Capital Market; Loan;* and *Security.*

COMMISSION OF THE EUROPEAN COMMUNITY. See *European Community.*

COMMODITY. Broadly defined, any article exchanged in trade, but most commonly used to refer to raw materials, including such minerals as tin, copper and manganese, and bulk-produced agricultural products such as coffee, tea and rubber. See also *Buffer Stocks; Common Fund; Forward Market; Integrated Program for Commodities; Primary Commodity;* and *Tropical Products.*

COMMODITY AGREEMENT. See *International Commodity Agreement.*

COMMODITY CREDIT CORPORATION (CCC). A public corporation attached to the U.S. Department of Agriculture that provides financial and other services associated with public price support activities for certain agricultural commodities, including loans, guarantees, purchases, sales, storage, transport and export programs.

COMMODITY EXCHANGE. See *Forward Market.*

COMMODITY STOCKPILES. See *Buffer Stocks.*

COMMON AGRICULTURAL POLICY (CAP). A comprehensive system of production targets and market regulations adopted by the European Community covering most agricultural goods produced within the Community. The purposes of the CAP are to achieve fair and rising standards of living for the farm populations of member states, stable agricultural markets, increased farm productivity, and food security within the Community. To achieve these objectives, the CAP relies on uniform prices and the free circulation of agricultural goods among member states; preferences for agricultural products produced within the Community; the imposition of variable levies on imported goods to bring their prices to the level of Community prices; and subsidization of exports to countries outside the Community. (In practice, agricultural prices sometimes vary from one member country to another, principally because exchange rates applied to goods moving from one country to another within the Community do not always reflect market exchange rates.) The European Community finances the CAP through receipts from customs duties, including variable levies, and the Value Added Tax. See also *Conversion Product; Deficiency Payments; European Community; Export Subsidies; Restitutions; Threshold Price; Value Added Tax;* and *Variable Levy.*

COMMON EXTERNAL TARIFF (CET or sometimes CXT). A tariff rate uniformly applied by a common market or customs union, such as the European Community, to imports from countries outside the union. For example, the European Common Market is based on the principle of a free internal trade area with a common external tariff (sometimes referred to in French as the Tarif Extérieur Commun (TEC)) applied to products imported from non-member countries. "Free trade areas" do not necessarily have common external tariffs. See also *Customs Union; European Community;* and *Free Trade Area.*

COMMON FUND. An international institution designed as the centerpiece of the UNCTAD Integrated Program for Commodities (IPC). Its first account (sometimes called its first "window," and financed from mandatory contributions of member governments) provides funds to help finance buffer stocks operated under International Commodity Agreements to stabilize commodity prices. Its second account (sometimes called its second "window," and largely financed by voluntary contributions) supports research and development and export promotion for selected commodities. See also *Buffer Stocks; Integrated Program for Commodities;* and *International Commodity Agreement.*

C

COMMON MARKET. *See Customs Union; European Coal and Steel Community;* and *European Community.*

COMPARATIVE ADVANTAGE. A central concept in international trade theory which holds that a country or a region should specialize in the production and export of those goods and services that it can produce relatively more efficiently than other goods and services, and import those goods and services in which it has a comparative disadvantage. This theory was first propounded by David Ricardo in 1817 as a basis for increasing the economic welfare of a population through international trade. The comparative advantage theory normally favors specialized production in a country based on intensive utilization of those factors of production in which the country is relatively well endowed (such as raw materials, fertile land or skilled labor), and perhaps also the accumulation of physical capital and the pace of research. See also *Competitive; Efficiency; Exports; Imports; Structural Change;* and *Welfare.*

COMPENSATION. The principle, central to GATT, that any country that raises a tariff above its bound rate, withdraws a binding on a tariff, or otherwise impairs a trade concession must lower other tariffs or make other trade concessions to offset the disadvantage suffered by countries whose exports are affected. See also *Binding; Bound Rates; Concession; Consultations;* and *General Agreement on Tariffs and Trade.*

COMPENSATION TRADE. See *Countertrade.*

COMPENSATORY FINANCE. A loan or transfer of financial resources on concessional terms to a country when its export receipts—either total receipts from merchandise exports or receipts from a component of total exports, such as an individual commodity or a stated group of commodities—fall below a predetermined level. The loan, to be repaid according to a previously agreed formula, is intended to stabilize the country's export receipts over an indicated period. Compensatory finance arrangements exist under the International Monetary Fund and the Lomé Convention. See also *Commodity; International Monetary Fund;* and *Lomé Convention.*

COMPENSATORY TARIFF REDUCTIONS. See *Special and Differential Treatment.*

COMPETITIVE. A competitive product is one that can be sold in an appropriate quantity within a specific market because buyers consider its price and quality acceptable, taking account of support services, credit, delivery terms, guaranteed repairs, and promotion, or a combination of such considerations, in comparison with other available goods. See also *Comparative Advantage; Efficiency; Export Promotion; Market; Monopoly; Safeguards; Structural Change;* and *Tariff.*

COMPETITIVE DEVALUATION. See *Beggar-Thy-Neighbor Policy.*

COMPETITIVE NEED. See *Generalized System of Preferences.*

COMPOUND TARIFF. A combination of an ad valorem tariff plus a specific tariff. Also called a "mixed tariff." See also *Ad Valorem Equivalent; Ad Valorem Tariff; Specific Tariff;* and *Tariff.*

CONCESSION. A grant of a position, privilege, or right by a negotiator to induce the other party to yield an equivalent position, privilege, or right. In GATT trade negotiations, a country normally makes concessions in the form of reductions or bindings in its tariff and non-tariff import barriers (sometimes called negotiating "coin") in exchange for reductions in the barriers of other countries to its exports. A country's "schedule of concessions," accepted as part of its obligations to other Contracting Parties, becomes an integral part of GATT under Article II of the General Agreement. See also *Binding; Bound Rates; Compensation; Escape Clause; Most-Favored-Nation Treatment; Negotiations; Offer List; Principal Supplier; Reciprocity; Safeguards; Section 301; Tariff;* and *Tariff Schedules of the United States.*

CONCESSIONAL AID. See *Official Development Assistance.*

CONDITIONAL MOST-FAVORED-NATION TREATMENT. The extension of concessions by an importing country to other countries that provide equivalent benefits for its exports. The United States applied conditional Most-Favored-Nation Treatment in its trade relations with other countries from 1789 to 1923, when it first applied unconditional Most-Favored-Nation Treatment in a commercial treaty with Germany. More recently, signatories to the Agreement on Government Procurement, including the United States, have applied conditional Most-Favored-Nation Treatment to their trade with each other, in the sense that benefits foreseen in the agreement are extended only to countries that sign it. See also *Government Procurement Policies and Practices; Most-Favored-Nation Treatment.*

CONDITIONALITY. The set of conditions attached to the use of its resources by the International Monetary Fund, involving undertakings and adjustment policies that will restore a sustainable balance of payments position within a one- to three-year period. See also *Adjustment; International Monetary Fund.*

CONSTRUCTED VALUE. See *Dumping.*

CONSULAR FORMALITIES AND DOCUMENTATION. Certain documents or procedures required by some countries before their customs authorities will permit goods produced in other countries to enter their markets, such as special invoices approved by a consul or other official of the importing country. These procedures impede trade, particularly when fees are charged for the authorizations. The United States encouraged countries with such requirements to reduce them during the Tokyo Round. The number of countries that apply consular formalities has declined in recent years and most countries that still apply them are developing countries. See also *Non-Tariff Barriers; Tokyo Round.*

C

CONSULAR INVOICE. See *Consular Formalities and Documentation; Customs and Administrative Entry Procedures.*

CONSULTATIONS. Formal discussions between two or more parties to an agreement, particularly with respect to their rights under the agreement. GATT Article XXII obligates a Contracting Party to consult on any GATT related matter whenever any other Contracting Party requests it to do so. GATT Article XXIII provides that any country that believes its trade interests have been adversely affected—"nullified" or "impaired"—by changes in the trade regime of another country or by another country's failure to carry out its GATT obligations may request bilateral consultations with the concerned party. If such government-to-government consultations do not yield results satisfactory to the concerned parties, the complaining country may seek the establishment of a special panel under the aegis of GATT to review the facts and recommend compensation or other appropriate action. A GATT Contracting Party is also expected to hold consultations with other interested Contracting Parties to discuss any trade restrictive measures it imposes for balance of payments reasons. Bilateral agreements may also provide for consultations under specified circumstances. See also *Balance of Payments Consultations; Compensation; Dispute Settlement;* and *Panel of Experts.*

CONSULTING SERVICES. See *Services.*

CONSUMER GOODS. Goods that directly satisfy human desires (as opposed to capital goods). An automobile used for pleasure is considered a consumer good. An automobile used by a businessperson to deliver wares is considered a capital good. See also *Capital Goods; Consumers;* and *Goods.*

CONSUMER PREFERENCE. See *Demand; Structural Change.*

CONSUMERS. Individuals or groups who consume or use economic goods, thus deriving utility from them. See also *Consumer Goods; Microeconomics;* and *Utility.*

CONSUMPTION. The purchase and utilization of goods or services for the gratification of human desires or in the production of other goods or services. Consumption destroys the utility of most goods. The consumer may be an individual, a business firm, a public body, or other entity. See also *Production; Utility.*

CONSUMPTION TAX. See *Excise Tax.*

CONTRACTING PARTY. A country that has signed a particular international convention, such as the General Agreement on Tariffs and Trade (GATT), thereby accepting the body of specified obligations and benefits contained therein. The signatories of GATT are referred to in GATT documents as the CONTRACTING PARTIES, in capital letters, when they act collectively within the framework of the General Agreement. See also *General Agreement on Tariffs and Trade; Protocol of Provisional Application.*

CONVENTIONAL TARIFF. A tariff established through a "convention" (or international agreement) resulting from tariff negotiations and hence not subject to modifications by national action. See also *General Tariff.*

CONVERSION PRODUCT. A product whose price is affected under the Common Agricultural Policy of the European Community by the price of feed grains, such as pork, eggs and poultry. Its value is determined by the feed cost per unit produced. See also *Common Agricultural Policy.*

CONVERTIBILITY. A characteristic of a currency when it may be legally exchanged by its holder for other currencies through banks in the issuing country. See also *Currency; International Monetary Fund.*

COORDINATING COMMITTEE ON EXPORT CONTROLS (COCOM). A committee established in 1951 by NATO member countries to coordinate their policies relating to the restriction of exports of products of potential strategic value to the Soviet Union and certain other countries. See also *Boycott; Export Administration Acts of 1969 and 1977.*

COPYRIGHT. An exclusive right conferred by a government for a specified period to the creator of literary or artistic works such as books, maps, articles, drawings, charts, photographs, musical compositions, motion pictures, recordings or computer programs. See also *Intellectual Property; Property;* and *World Intellectual Property Organization.*

CORE COMMODITIES. See *Integrated Program for Commodities.*

COST AND FREIGHT. See *C and F.*

COST, INSURANCE AND FREIGHT. See *CIF.*

COTTON TEXTILES. See *Multi-Fiber Arrangement Regarding International Trade in Textiles; Textiles.*

COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE (COMECON OR CMEA). An intergovernmental organization established in 1949 to coordinate the economies of member states and now consisting of the Soviet Union, Bulgaria, Czechoslovakia, the German Democratic Republic ("East Germany"), Hungary, Mongolia, Poland, Romania, Cuba, and Vietnam. The purpose of the Council, according to its charter, is to improve economic cooperation among participating countries and to accelerate their economic and technological progress. See also *Group D; State Trading Nations.*

COUNCIL OF THE EUROPEAN COMMUNITY. See *European Community.*

COUNTER PURCHASE CONTRACTS. See *Countertrade.*

COUNTERTRADE. A contractual commitment imposed by an importing country on an exporter intended to generate adequate cash flows to finance the imports. Countertrade arrangements frequently characterize East-West trade. Such transactions, which account for twenty to thirty percent of world trade, include:

A) Counter purchase contracts that expressly stipulate that the vendor must purchase goods from the importer equivalent in value to a specified percentage of the value of the exported goods;

B) Reverse countertrade contracts require the importer (a U.S. buyer of machine tools from Eastern Europe, for example) to export goods equivalent in value to a specified percentage of the value of the imported goods—an obligation that can be sold to an exporter in a third country;

C) Buy-back (or compensation) arrangements, through which a company selling equipment, licenses, technology or a turnkey plant agrees to accept in full or partial payment products manufactured with such equipment, licenses, technology or plant;

D) Clearing agreements between two countries that agree to purchase specific amounts of each other's products over a specified period of time, using a designated "clearing currency" in the transactions;

E) "Switch" arrangements that permit the sale of unpaid balances in a clearing account to be sold to a third party, usually at a discount, that may be used for producing goods in the country holding the balance;
F) Swap schemes through which products from different locations are traded to save transportation costs (e.g., Soviet oil may be "swapped" for oil from a Latin American producer, so the Soviet oil is shipped to a country in South Asia, while the Latin American oil is shipped to Cuba); and
G) Barter arrangements through which two parties directly exchange goods deemed to be of approximately equivalent value without any flow of money taking place. See also *Barter; Offset Requirements;* and *Tied Loan.*

COUNTERVAILING DUTIES. Special duties imposed on imports to offset the benefits of subsidies to producers or exporters in the exporting country. GATT Article VI permits the use of such duties. The Executive Branch of the U.S. Government has been legally empowered since the 1890's to impose countervailing duties in amounts equal to any "bounties" or "grants" reflected in products imported into the United States. Under U.S. law and the Tokyo Round Agreement on Subsidies and Countervailing Duties, a wide range of practices are recognized as constituting subsidies that may be offset through the imposition of countervailing duties. The Trade Agreements Act of 1979, through amendments to the Tariff Act of 1930, established rigorous procedures and deadlines for determining the existence of subsidies in response to petitions filed by interested parties such as domestic producers of competitive products and their workers. In all cases involving subsidized duty-free products from countries recognized by the United States as signatories to the Agreement on Subsidies and Countervailing Duties, U.S. law requires that countervailing duties may be imposed only after the U.S. International Trade Commission has determined that the imports are causing or threatening to cause material injury to an industry in the United States. See also *Bounties or Grants; Codes of Conduct; Export Subsidies; Subsidy; Trade Act of 1974;* and *U.S. International Trade Commission.*

COUNTRY OF ORIGIN CERTIFICATE. See *Customs and Administrative Entry Procedures.*

CREDIT. A promise of future payment given in exchange for present delivery of money, goods or sevices, usually with interest, at a rate that varies with the risk involved and the reputation as a risk that a particular borrower enjoys with an actual or potential lender. See also *Bond; Bridging Credit; Demand; Interest; Mixed Credits; Purchasing Power;* and *Risk.*

CREDITOR CLUBS. See *Paris Club.*

CURRENCY. The circulating media of exchange in a country. Prior to World War One, "currency" generally meant coins and paper money, but with the expanding use of credit instruments, it has come to include checks drawn on bank accounts, postal money orders, and pre-paid travelers checks which usually require identification of maker or endorser. Most business transactions are carried out by means of bank checks. See also *Convertibility; Devaluation; Mercantilism; Money; Par Value;* and *Reserve Currency.*

CURRENT ACCOUNT. That portion of a country's balance of payments that records current (as opposed to capital) transactions, including visible trade (exports and imports), invisible trade (income and expenditures for services), profits earned from foreign operations, interest and transfer payments. See also *Balance of Payments; Capital Account; Invisible Trade; Transfer Payments;* and *Visible Trade.*

CUSTOMS. The government service responsible for the assessment and collection of import and export duties and taxes and the administration of other laws and regulations that apply to the importation, transit and exportation of goods. See also *Customs and Administrative Entry Procedures; Kyoto Convention; Port of Entry; Tariff; Tariff Schedules of the United States; Transit Zone;* and *Valuation.*

CUSTOMS AND ADMINISTRATIVE ENTRY PROCEDURES. Clearance formalities at national ports of entry may be considered non-tariff barriers if they result in undue procedural delays that raise import costs. Such formalities may include licensing procedures, health and sanitary controls designed to protect consumers, certificates indicating the country of origin, and consular invoices confirming that the shipment is what it appears to be. See also *Consular Formalities and Documentation; Kyoto Convention; Licensing; Non-Tariff Barriers; Port of Entry;* and *Quarantine, Sanitary and Health Laws and Regulations.*

CUSTOMS AREA. A geographic area, usually but not necessarily identical with one or several contiguous national political jurisdictions, applying a particular tariff schedule on goods entering or leaving the area. See also *Customs; Tariffs;* and *Tariff Schedules.*

CUSTOMS CLASSIFICATION. The particular category in a tariff nomenclature in which a product is classified for tariff purposes, or the procedure for determining the appropriate tariff category in a country's nomenclature system used for the classification, coding and description of internationally traded goods. Most important trading nations—except for the United States, Canada, and the Soviet Union—classify imported goods in conformity with the Customs Cooperation Council Nomenclature (CCCN), formerly known as the Brussels Tariff Nomenclature (BTN). See also *Customs Cooperation Council Nomenclature; Customs Harmonization; Tariff;* and *Valuation.*

CUSTOMS COOPERATION COUNCIL (CCC). An intergovernmental organization created in 1953 and headquartered in Brussels, through which customs officials of participating countries seek to simplify, standardize, and conciliate customs procedures. The Council has sponsored a standardized product classification, a set of definitions of commodities for customs purposes, a standardized definition of value, and a number of recommendations designed to facilitate customs procedures. See also *ATA Carnet; Customs; Customs Classification;* and *Customs Valuation Code.*

CUSTOMS COOPERATION COUNCIL NOMENCLATURE (CCCN). A system for classifying goods for customs purposes, formerly known as the Brussels Tariff Nomenclature (BTN). See also *Customs Classification.*

C

CUSTOMS DUTY. See *Tariff.*

CUSTOMS HARMONIZATION. International efforts to increase the uniformity of customs nomenclatures and procedures in cooperating countries. The Customs Cooperation Council has been seeking since 1970 to develop an up-to-date and internationally accepted "Harmonized Commodity Coding and Description System" for classifying goods for customs, statistical, and other purposes. The Council hopes most of the major trading countries will implement the system by 1987. See also *Customs Classification; Harmonization;* and *Kyoto Convention.*

CUSTOMS UNION. A group of nations that have eliminated tariffs and sometimes other barriers that impede trade with each other, while maintaining a common external tariff on goods imported from outside the union. The Common Market of the European Community is the best known example. GATT Article XXIV defines the meaning of a customs union in GATT and the application of other GATT provisions to customs unions. See also *Common External Tariff; European Community; Free Trade Area; Kyoto Convention; Trade Diversion;* and *Welfare.*

CUSTOMS VALUATION CODE. A code of conduct negotiated during the Tokyo Round to establish a uniform, fair and predictable international system for the valuation of goods for customs purposes, and to preclude the use of arbitrary national valuation systems as non-tariff barriers to trade. The code establishes the "transaction value"—or the price actually paid or payable for imported goods—as the primary method of valuation by customs officials and specifies a hierarchy of other methods to be employed when the transaction value cannot be used. The code also contains technical provisions intended to ensure equitable currency conversion, rapid clearance of goods when there are delays in determining the value of imported goods, domestic appeal rights, and publication of laws and regulations affecting customs valuation. The United States agreed to eliminate the American Selling Price system of valuing certain imported goods when it signed the code. Prior to the conclusion of this code, customs officials in many countries valued imports on the basis of the perceived market value of the goods (following the so-called Brussels Definition of Value—BDV) which may not have been their transaction value. See also *American Selling Price; Codes of Conduct; Customs; Tokyo Round; Trade Agreements Act of 1979;* and *Valuation.*

CUSTOMS WAREHOUSE. See *Bonded Warehouse.*

CXT. See *Common External Tariff.*

D

DAC. See *Development Assistance Committee.*

DATA PROCESSING. See *Services.*

DEFICIENCY PAYMENTS. Government payments to compensate farmers for all or part of the difference between producer prices actually paid for a specific commodity and higher guaranteed target prices. See also *Common Agricultural Policy; Variable Levy.*

DE FACTO. As it exists in practice.

DE JURE. According to legal requirements.

DEMAND. The quantity of an economic good that will be bought at a given price at a particular time in a specific market. A demand schedule indicates the quantity of an economic good that will be bought at all possible prices at a particular time in the market. Demand in a market economy is strongly influenced by consumer preference or the individual choices of many independent buyers, based upon their perceptions of value for price.
See also *Goods; Market; Market Economy; Price; Purchasing Power; Supply; Trade Diversion; Utility;* and *Value.*

DEMAND SCHEDULE. See *Demand.*

D

DEVALUATION. The lowering of the value of a national currency in terms of the currencies of other nations. Devaluation tends to reduce domestic demand for imports in a country by raising their prices in terms of the devalued currency and to raise foreign demand for the country's exports by reducing their prices in terms of foreign currencies. Devaluation can therefore help to correct a balance of payments deficit and sometimes provide a short-term basis for economic adjustment of a national economy. See also *Adjustment; Beggar-Thy-Neighbor Policy;* and *Currency.*

DEVELOPED COUNTRIES. A term used to distinguish the more industrialized nations—including most OECD member countries as well as the Soviet Union and most of the socialist countries of Eastern Europe—from "developing"—or less developed—countries. The developed countries are sometimes collectively designated as the "North," because most of them are in the Northern Hemisphere. See also *Developing Countries; Group B; Industrial Revolution;* and *Organization for Economic Cooperation and Development.*

DEVELOPING COUNTRIES. A broad range of countries that generally lack a high degree of industrialization, infrastructure and other capital investment, sophisticated technology, widespread literacy, and advanced living standards among their populations as a whole. The developing countries are sometimes collectively designated as the "South," because a large number of them are in the Southern Hemisphere. All of the countries of Africa (except South Africa), Asia and Oceania (except Australia, Japan and New Zealand), Latin America, and the Middle East are generally considered "developing countries," as are a few European countries (Cyprus, Malta, Turkey and Yugoslavia, for example). Some experts differentiate four sub-categories of developing countries as having different economic needs and interests: 1) A few relatively wealthy OPEC countries—sometimes referred to as oil exporting developing countries—share a particular interest in a financially sound international economy and open capital markets; 2) Newly Industrializing Countries (NIC's) have a growing stake in an open international trading system; 3) A number of middle income countries—principally commodity exporters—have shown a particular interest in commodity stabilization schemes; and 4) Some 36 very poor countries ("least developed countries") are predominantly agricultural, have sharply limited development prospects during the near future, and tend to be heavily dependent on Official Development Assistance. See also *ACP Countries; Economic Development; Graduation; Group of 77; Infrastructure; Least Developed Countries; Newly Industrializing Countries; Official Development Assistance; Organization of Petroleum Exporting Countries; Reciprocity; Technology; Textiles;* and *World Bank.*

DEVELOPMENT ASSISTANCE COMMITTEE (DAC). The OECD body that reviews and assesses resource transfers from developed to developing countries. See also *Official Development Assistance; Organization for Economic Cooperation and Development.*

DIFFERENTIAL TREATMENT (FOR DEVELOPING COUNTRY EXPORTS). See *Framework Agreement; Special and Differential Treatment.*

DILLON ROUND. Trade negotiations that took place under the aegis of GATT from 1960 to 1962, named after Douglas Dillon, then the U.S. Under Secretary of State, who publicly proposed the negotiations. See also *Item-by-Item Negotiations; Round.*

DIRECT TAX. A tax that is levied on the wealth or income of individuals. Some economists say direct taxes can discourage individuals from seeking additional income, especially if, in the interest of equity, they are imposed in steps of progressively higher incidence on larger incomes. Income, wealth, and inheritance taxes and social security charges are examples of direct taxes. See also *Equity; Indirect Tax;* and *Tax.*

DISC. See *Domestic International Sales Corporation.*

DISCRIMINATION. Inequality of treatment accorded imports from different trading partners, as through preferential tariff rates for imports from particular countries or trade restrictions that apply to the exports of certain countries but not to similar goods from other countries. See also *Government Procurement Policies and Practices; Most-Favored-Nation Treatment; Preferences;* and *Quarantine, Sanitary, and Health Laws and Regulations.*

DISPUTE SETTLEMENT. Resolution of conflict, usually through a compromise between opposing claims, sometimes facilitated through the efforts of an intermediary. GATT Articles XXII and XXIII set out consultation procedures a Contracting Party may follow to obtain legal redress if it believes its benefits under GATT are impaired. These Articles, as interpreted by the Tokyo Round "Understanding on Notification, Consultation, Dispute Settlement and Surveillance" and the relevant decision of the GATT Ministerial Meeting of November 1982, provide opportunities for individual Contracting Parties to negotiate solutions to trade problems bilaterally within the framework of the GATT. If bilateral consultations under either Article XXII or Article XXIII fail to resolve a dispute, the matter may be referred to the CONTRACTING PARTIES, which may establish a special panel to arbitrate the matter. Such procedures can culminate in recommendations or rulings from the CONTRACTING PARTIES specifically directed toward the disputants, or encompassing other countries as well. There are also provisions for dispute settlement within the various bodies set up to administer the codes negotiated in the Tokyo Round. See also *Arbitration; Case Law; Codes of Conduct; Consultations; Framework Agreement; Government Procurement Policies and Procedures; Panel of Experts;* and *Tokyo Round.*

DISRUPTION. See *Market Disruption.*

DISTRIBUTION. The dissemination of goods and services in a market through the ordinary channels of trade. See also *Export Promotion; Market; Sales Tax; Technology;* and *Trade Fair.*

DOMESTIC INTERNATIONAL SALES CORPORATION (DISC). A special U.S. corporation authorized by the U.S. Revenue Act of 1971 that may defer a portion of the federal income tax due on its profits earned from exports until those profits are distributed to the corporation's shareholders. The tax-deferred earning retained by the corporation can be invested in its export business—by building an inventory of export products, for example, or by constructing or leasing office and warehouse facilities. Such a corporation can buy and sell independently, or it can operate as a subsidiary of another corporation. It can maintain sales and service facilities outside the United States to promote and market its goods. Numerous bills to modify or repeal the authority for these corporations have been introduced and considered in the U.S. Congress.

D

DOMESTIC SYSTEM OF PRODUCTION. The system of economic production that prevailed in Europe in the 16th and 17th centuries, prior to the Industrial Revolution, under which merchants supplied materials and sometimes tools and machines to workers who produced finished goods in their homes and turned them over to the merchants. See also *Industrial Revolution; Production.*

DOUBLE-COLUMN TARIFF. A tariff schedule listing two duty rates for some or all commodities. Under such arrangements, imports may be taxed at a higher or lower rate, depending upon the importing country's trade and other relationships with the exporting country. Some Commonwealth countries maintain a double-column tariff that provides preferential tariff treatment to other members of the Commonwealth. The United States and other countries also have lower tariffs for countries to which they grant Most-Favored-Nation Treatment. See also *Column 1 Rates; Column 2 Rates; Most-Favored-Nation Treatment; Preferences; Single-Column Tariff;* and *Tariff.*

DRAWBACK. Import duties or taxes repaid by a government, in whole or in part, when the imported goods are re-exported or used in the manufacture of exported goods.

DRY CARGOES. See *Bulk Carrier.*

DUAL PRICING. Selling identical products for different prices in different markets. Dual Pricing often reflects export subsidy and dumping practices. See also *Dumping; Export Subsidies;* and *Restitutions.*

DUMPING. The sale of a commodity in a foreign market at "less than fair value," usually considered to be a price lower than that at which it is sold within the exporting country or to third countries. "Fair value" can also be the cost of production. Dumping is generally recognized as an unfair trade practice that can disrupt markets and injure producers of competitive products in the importing country. Article VI of GATT permits the imposition of special Anti-Dumping Duties against "dumped" goods equal to the difference between their export price and their "fair value" in the exporting country. The U.S. Anti-Dumping Law of 1921, as amended, considered dumping as constituting "sales at less than fair value," combined with injury, the likelihood of injury, or the prevention of the establishment of a competitive industry in the United States. The Trade Act of 1974 added a "cost of production" provision, which requires that dumping determinations ignore sales in the home market of the exporting country or in third country markets, even at prices that are too low to "permit recovery of all costs within a reasonable period of time in the normal course of trade." Under terms of the 1974 Act, the existence of dumping may be determined by comparing the sales price in the United States with the "constructed value" of the merchandise, which includes a mandatory eight percent profit margin plus its estimated production costs. See also *Anti-Dumping Code; Dual Pricing; Market Disruption; Trade Agreements Act of 1979; Trigger Price Mechanism;* and *U.S. International Trade Commission.*

DUTY. See *Tariff.*

DUTY SUSPENSION. A unilateral non-application of a customs duty, or its application at a reduced level, usually on a temporary basis. See also *Tariff; Unilateral.*

E

EARNINGS. See *Foreign Exchange Earnings; Profit.*

EAST-SOUTH TRADE. Trade between the Soviet Union and the socialist countries of Eastern Europe ("East") on the one hand, and the developing countries ("South") on the other. See also *East-West Trade; Group D;* and *UNCTAD.*

EAST-WEST TRADE. Trade between the Soviet Union and the socialist countries of Eastern Europe ("East") on the one hand, and the developed market economy countries of Western Europe, North America and Japan on the other ("West"). See also *Countertrade; Non-Market Economy;* and *State Trading Nations.*

EC. See *European Community.*

ECA. See *European Recovery Program.*

ECDC. See *Economic Cooperation Among Developing Countries.*

ECGF. See *Export Credit Guarantee Facility.*

ECONOMIC COOPERATION ADMINISTRATION. See *European Recovery Program.*

ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES (ECDC). Attempts by developing countries, especially the Group of 77, to increase South-South trade and other economic relationships among themselves. See also *Global System of Trade Preferences; Group of 77; South-South Trade;* and *United Nations Conference on Trade and Development.*

ECONOMIC DEVELOPMENT. The process of growth in total and per capita income, especially in developing countries, accompanied by increased infrastructure, more industrial activity, improved agricultural practices, migration of labor from rural to urban industrial areas, rising literacy, broadened employment opportunities, and gradually diminishing reliance on Official Development Assistance. See also *Developing Countries; Infrastructure; Progress; Structural Change;* and *United Nations Development Program.*

E

ECS CARNET. See *ATA Carnet.*

ECSC. See *European Coal and Steel Community.*

EEC. See *European Community.*

EFFECTIVE TARIFF RATE. The concept that "effective" protection reflected in a tariff rate is the sum of the protection for the component parts of the final manufactured unit. This concept implies that the "nominal" tariff rate of the finished good significantly unstates the de facto protection for the value added in the production process. Several academic studies in the late 1960's and early 1970's established the theoretical basis for the effective tariff rate concept, but most trade policy experts see little practical utility in the theory, since the many different circumstances affecting the component parts comprising most industrial products make it difficult to establish their actual "effective" rates. See also *Nominal Tariff Rate; Tariff;* and *Tariff Escalation.*

EFFICIENCY. Narrowly, economic efficiency suggests the technical input-output relationship between the quantity of materials used and the quantity of goods produced. More broadly, it implies the best result (taking quality as well as quantity into account) in the production or distribution of goods and services at the least cost. Most economists believe the reduction of barriers to trade contributes to international economic efficiency by encouraging countries to specialize in the production of those goods and services in which they have a comparative advantage, thus making the world's most competitive goods and services available to consumers outside the area that produces them. See also *Comparative Advantage; Competitive; Entrepreneur; Textiles; Trade Diversion;* and *Welfare.*

EFTA. See *European Free Trade Association.*

ELASTICITY. See *Price Elasticity of Demand; Price Elasticity of Supply.*

EMBARGO. A prohibition upon exports or imports, either with respect to specific products or specific countries. Historically, embargoes have been ordered most frequently in time of war, but they may also be applied for political, economic or sanitary purposes. Embargoes imposed against an individual country by the United Nations—or a group of nations—in an effort to influence its conduct or its policies are sometimes called "sanctions." See also *Boycott; Supply Access.*

ENABLING CLAUSE. Formally, the "Decision on Differential and More Favorable Treatment, Reciprocity, and Fuller Participation of Developing Countries" that was negotiated during the Tokyo Round as Part I of a new "Framework Agreement" on International Trade. The "Enabling Clause" legalized the extension by developed Contracting Parties of GATT of preferences to developing countries, notwithstanding the Most-Favored-Nation Treatment required under GATT Article I. See also *Framework Agreement; Generalized System of Preferences; Most-Favored-Nation Treatment;* and *Preferences.*

ENDOGENOUS ECONOMIC CHANGE. An alteration in a national economy resulting from economic developments within the economy, such as increased agricultural yields and lower food prices resulting from good weather. See also *Exogenous Economic Change.*

ENTERTAINMENT INDUSTRY. See *Services.*

ENTREPRENEUR. A person who assumes responsibility for organization, management and risk in the production of goods and services. In theory, his enterprise should make a profit if it is economically efficient and incur losses if it is not. See also *Efficiency; Management; Microeconomics; Profit;* and *Risk.*

EQUAL PERCENTAGE REDUCTION OF TARIFFS. See *Linear Reduction of Tariffs.*

EQUILIBRIUM. A state in which economic forces likely to cause change in opposing directions are in perfect balance, so that change is unlikely. A market is in equilibrium if the quantities of a product that consumers will buy at the prevailing price exactly match the amount suppliers will sell at that price. See also *Market; Price.*

EQUITY. Fairness, justice. Also the value of property beyond the total amount owed on it. See also *Direct Tax.*

EQUITY JOINT VENTURE. See *Joint Venture.*

EQUIVALENCE OF ADVANTAGES. See *Reciprocity.*

ERP. See *European Recovery Program.*

ER's. See *Export Restraints.*

ESCALATION. See *Tariff Escalation.*

ESCAPE CLAUSE. A provision in a bilateral or multilateral commercial agreement permitting a signatory nation to suspend tariff or other concessions when imports threaten serious harm to the producers of competitive domestic goods. GATT Article XIX sanctions such "safeguard" provisions to help firms and workers adversely affected by a relatively sudden surge of imports adjust to the rising level of import competition. Section 201 of the U.S. Trade Act of 1974 requires the U.S. International Trade Commission to investigate complaints formally known as "petitions" filed by domestic industries or workers claiming that they have been injured or are threatened with injury as a consequence of rapidly rising imports and to complete any such investigation within six months. Section 203 of the Act provides that if the Commission finds that a domestic industry has been seriously injured or threatened with serious injury, it may recommend that the President grant relief to the industry in the form of adjustment assistance or temporary import restrictions in the form of tariffs, quotas, or tariff quotas. The President must then take action pursuant to the Commission's recommendations within 60 days; but he may accept, modify or reject them, according to his assessment of the national interest. The Congress can, through majority vote in both the Senate and the House of Representatives within 90 legislative days, override a Presidential decision not to implement the Commission's recommendations. The law permits the President to impose import restrictions for an initial period of five years and to extend them for a maximum additional period of three years. See also *Adjustment Assistance; Concession; Import Relief; Protectionism; Safeguards; Trade Act of 1974;* and *U.S. International Trade Commission.*

EURATOM. See *European Community.*

EURO-BONDS. See *Euro-Dollars.*

EURO-CURRENCY. See *Euro-Dollars.*

E

EURO-DOLLARS. Claims for U.S. dollars held against banking institutions outside the United States. The claims arise when, through the purchase of bills of exchange or similar transactions, a foreign bank credits a dollar deposit account. Such deposit accounts (Euro-dollars) are extensively used outside the United States for financial transactions such as short-term loans or the purchase of dollar bonds called Euro-Bonds that are sometimes issued by U.S. companies to finance their operations, especially those outside the United States. See also *Bill; Multi-National Corporation.*

EUROPEAN COAL AND STEEL COMMUNITY (ECSC). A common market in coal and steel established by the 1951 Schuman Plan (after Robert Schuman, French Foreign Minister), through which France, Italy, the Federal Republic of Germany, Belgium, the Netherlands and Luxembourg abolished tariffs, quotas and currency restrictions affecting intra-community trade in coal, iron ore and scrap metal. The ECSC subsequently served as a model for the institutions of the European Community. See also *Customs Union; European Community.*

EUROPEAN COMMUNITY (EC). A popular term for the European Communities that resulted from the 1967 "Treaty of Fusion" that merged the secretariat (the "Commission") and the intergovernmental executive body (the "Council") of the older European Economic Community (EEC) with those of the European Coal and Steel Community (ECSC) and the European Atomic Energy Community ("EUROTOM"), which was established to develop nuclear fuel and power for civilian purposes. The EEC first came into operation on January 1, 1958, based on the Treaty of Rome, with six participating member states (France, Italy, the Federal Republic of Germany, Belgium, the Netherlands and Luxembourg). From the beginning, a principal objective of the Community was the establishment of a customs union, other forms of economic integration, and political cooperation among member countries. The Treaty of Rome provided for the gradual elimination of customs duties and other internal trade barriers, the establishment of a common external tariff, and guarantees of free movement of labor and capital within the Community. The United Kingdom, Denmark and Ireland joined the Community in 1973, and Greece (which had been provisionally associated with the Community since 1962) in 1981. Spain and Portugal first indicated their desire to become additional members in 1978. Turkey's "Association Agreement" with the Community calls for its eventual membership. The Community is headquartered in Brussels. The Council meets several times a year at the Foreign Minister level, and occasionally at the Heads of State level. Technical experts from Community capitals meet regularly to deal with specialized issues in such areas as agriculture, transportation, or trade policy. See also *Common Agricultural Policy; Common External Tariff; Customs Union; European Coal and Steel Community; Lomé Convention;* and *Variable Levy.*

EUROPEAN FREE TRADE ASSOCIATION (EFTA). A regional grouping established in 1960 by the Stockholm Convention, headquartered in Geneva, now comprising Austria, Iceland, Norway, Portugal, Sweden, and Switzerland. Finland is an Associate Member. Denmark and the United Kingdom were formerly members, but they withdrew from EFTA when they joined the European Community in 1973. EFTA member countries have gradually eliminated tariffs on manufactured goods originating and traded within EFTA. Agricultural products, for the most part, are not included on the EFTA schedule for internal tariff reductions. Each member country maintains its own external tariff schedule, and each has concluded a trade agreement with the European Community that provides for the mutual elimination of tariffs for most manufactured goods except for a few sensitive products. As a result, the European Community and EFTA form a de facto free trade area. See also *European Community; Free Trade Area.*

EUROPEAN RECOVERY PROGRAM (ERP). Better known as the "Marshall Plan," after U.S. Secretary of State George C. Marshall, who proposed a broad range of trade reform and aid measures to hasten the rehabilitation of European economies after World War Two in a speech at Harvard University in Cambridge, Massachusetts, on June 5, 1947. The aid program was first administered by the Economic Cooperation Administration (ECA) in Paris, while the program of economic cooperation among the 17 participating European countries was implemented by the Organization for European Economic Cooperation (OEEC). (The original 16 participating European countries were joined by the Federal Republic of Germany in 1949.) Between 1948 and 1951, when the program was terminated, the 17 European countries received more than $12,000 million from the U.S. See also *Organization for European Economic Cooperation.*

EXCEPTIONS. See *Generalized System of Preferences; Linear Reduction of Tariffs.*

EXCHANGE CONTROLS. The rationing of foreign currencies, bank drafts, and other instruments for settling international financial obligations by countries seeking to ameliorate acute balance of payments difficulties. When such measures are imposed, importers must apply for prior authorization from the government to obtain the foreign currency required to bring in designated amounts and types of goods. Since such measures have the effect of restricting imports, they are considered non-tariff barriers to trade. See also *Balance of Payments Consultations; Currency; Non-Tariff Barriers;* and *Specific Limitations on Trade* .

EXCHANGE RATE. The price (or rate) at which one currency is exchanged for another currency, for gold, or for Special Drawing Rights (SDR's). See also *Currency; International Monetary Fund; Par Value;* and *Special Drawing Rights.*

EXCISE TAX. A selective tax—sometimes called a consumption tax—on certain goods produced within or imported into a country. See also *Border Tax Adjustments; Indirect Tax; Road Tax;* and *Tax.*

EXECUTING AGENCY. See *United Nations Development Program.*

EXIMBANK. See *Export-Import Bank of the United States.*

EXOGENOUS ECONOMIC CHANGE. An alteration in a national economy resulting from a major impact emanating from outside the economy, such as a change in the price of imported oil. See also *Endogenous Economic Change.*

EXPORT ADMINISTRATION ACTS OF 1969 AND 1977. These statutes authorize the U.S. President to limit or suspend to specific foreign destinations exports of U.S. commodities and technical data, especially high technology products, to protect the national security, to ensure against an excessive drain of scarce goods, or to further foreign policy objectives or to restrict compliance with foreign boycotts. See also *Boycott; Coordinating Committee on Export Controls.*

E

EXPORT CREDIT GUARANTEE FACILITY (ECGF). A scheme developed in UNCTAD that would enable developing country exporters to refinance their export credits extended to importers in other countries under an international guarantee.

EXPORT CREDIT INSURANCE. Insurance designed to guarantee that the exporter will be paid for his goods after delivery. If the exporter has such insurance, responsibility for collecting payment from the company that imports the goods in another country, or the company's agent, rests with the underwriter of the export credit insurance. See also *Insurance; Underwriter.*

EXPORT CREDITS. See *International Arrangement on Export Credits; Mixed Credits;* and *Subsidy.*

EXPORT EMBARGO. See *Embargo; Supply Access.*

EXPORT-IMPORT BANK OF THE UNITED STATES (EXIMBANK). A public corporation created by executive order of the President in 1934 and given a statutory basis in 1945. The Bank makes guarantees and insures loans to help finance U.S. exports, particularly for equipment to be used in capital improvement projects. The Bank also provides short-term, political risk guarantees, either directly or in cooperation with U.S. commercial banks. See also *Foreign Credit Insurance Association.*

EXPORT LICENSING. See *Licensing.*

EXPORT PROMOTION. Public or private sector support for foreign sales through such activities as trade missions and trade fairs, based on available market information and analysis. See also *Common Fund; Competitive; Distribution; International Commodity Agreement; International Trade Center UNCTAD/GATT; Market; MITI; Supply; Trade Fair;* and *Trade Mission.*

EXPORT QUOTAS. Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain exports imposed to protect domestic producers and consumers from temporary shortages of the goods affected or to bolster their prices in world markets. Some International Commodity Agreements explicitly indicate when producers should apply such restraints. Export quotas are also often applied in Orderly Marketing Agreements and Voluntary Restraint Agreements, and to promote domestic processing of raw materials in countries that produce them. See also *International Commodity Agreement; Orderly Marketing Agreements;* and *Voluntary Restraint Agreements.*

EXPORT RESTRAINT AGREEMENTS. See *Voluntary Restraint Agreements.*

EXPORT RESTRAINTS. Quantitative restrictions imposed by exporting countries to limit exports to specified foreign markets, usually pursuant to a formal or informal agreement concluded at the request of the importing countries. See also *Orderly Marketing Agreements; Quantitative Restrictions;* and *Voluntary Restraint Agreements.*

EXPORT SUBSIDIES. Government payments or other financially quantifiable benefits provided to domestic producers or exporters contingent on the export of their goods or services. GATT Article XVI recognizes that subsidies in general, and especially export subsidies, distort normal commercial activities and hinder the achievement of GATT objectives. An Agreement on Subsidies and Countervailing Duties negotiated during the Tokyo Round strengthened the GATT rules on export subsidies and provided for an outright prohibition of export subsidies by developed countries for manufactured and semithat provides for the mutual elimination of tariffs for most manufactured goods except for a few sensitive products. As a result, the European Community and EFTA form a de facto free trade area. See also *European Community; Free Trade Area.*

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manufactured products. The Agreement also established a special committee, serviced by the GATT Secretariat, to monitor compliance with the agreement by signatories. Under certain conditions, the Agreement allows developing countries to use export subsidies on manufactured and semi-manufactured products, and on primary products as well, provided that the subsidies do not result in more than an equitable share of world exports of the product for the country. See also *Codes of Conduct; Countervailing Duties; Dual Pricing; General Agreement on Tariffs and Trade; Section 301; Subsidy; Unfair Trade Practices;* and *U.S. International Trade Commission.*

EXPORT TRADING COMPANY. A corporation or other business unit organized and operated principally for the purpose of exporting goods and services, or of providing export related services to other companies. The Export Trading Company Act of 1982 exempts authorized trading companies from certain provisions of U.S. anti-trust laws. See also *Anti-Trust; Webb-Pomerene Act.*

EXPORTS. Goods and services produced in one country and sold in other countries in exchange for goods and services, gold, foreign exchange, or settlement of debt. Countries devote their domestic resources to exports because they can obtain more goods and services with the international exchange they earn from the exports than they would from devoting the same resources to the domestic production of goods and services. See also *Comparative Advantage; Export Promotion; Macroeconomics;* and *MITI.*

EXPOSURE. See *Reinsurance.*

F

FACTORY SYSTEM OF PRODUCTION. See *Industrial Revolution.*

FAIR. See *Trade Fair.*

FAIR VALUE. See *Dumping.*

FAS. The term "Free Alongside Ship," in international trade, refers to the point of embarcation from which the vessel or plane selected by the buyer will transport the goods. Under this system, the seller is obligated to pay the costs and assume all risks for transporting the goods from his place of business to the FAS point. In trade statistics, "FAS value" means that the import or export figures are calculated on this basis, regardless of the nature of individual transactions reflected in the statistics. See also *CIF; FOB.*

FCIA. See *Foreign Credit Insurance Association.*

FLOOR PRICES. See *Buffer Stocks.*

FLORENCE AGREEMENT. An international compact adopted in 1950 under the auspices of UNESCO (the United Nations Educational, Scientific and Cultural Organization) that provides for duty-free entry, under specified conditions, of certain kinds of publications and objects of artistic and scientific interest.

FOB. An abbreviation used in some international sales contracts, when imports are valued at a designated point, as agreed between buyer and seller, that is considered "Free on Board." In such contracts, the seller is obligated to have the goods packaged and ready for shipment from the agreed point, whether his own place of business or some intermediate point, and the buyer normally assumes the burden of all inland transportation costs and risks in the exporting country, as well as all subsequent transportation costs, including the costs of loading the merchandise on the vessel. However, if the contract stipulates "FOB vessel" the seller bears all transportation costs to the vessel named by the buyer, as well as the costs of loading the goods on to that vessel. The same principle applies to the abbreviations "FOR" ("Free on Rail") and "FOT" ("Free on Truck"). See also *C and F; CIF;* and *FAS.*

FOR. See *FOB.*

FOREIGN CREDIT INSURANCE ASSOCIATION (FCIA). An agency established in the United States in 1961 to offer private insurance facilities in partnership with the Export-Import Bank of the United States for U.S. exporters. See also *Export-Import Bank of the United States; Insurance.*

FOREIGN EXCHANGE. Claims on a foreign country held in the form of the currency of that country or interest bearing bonds. See also *Currency; Money.*

FOREIGN EXCHANGE CONTROLS. See *Exchange Controls.*

FOREIGN EXCHANGE EARNINGS. The proceeds from a country's exports of goods, services and capital, normally denominated in convertible currencies. See also *Currency; Foreign Exchange;* and *Money.*

FOREIGN TRADE ZONE. See *Free Zone.*

FORWARD MARKET. A market in which contracts for future deliveries of goods and securities on a specified date are entered into at fixed prices. The contracts themselves are popularly known as "futures." Many commodity exchanges—wool, cotton, and wheat, for example—have established forward markets that permit interested parties to hedge against changes in the prices of the raw materials they use or deal in. See also *Commodity; Hedge; Market;* and *Spot Market.*

FOT. See *FOB.*

FRAMEWORK AGREEMENT. Four separate agreements concluded during the Tokyo Round, which together constitute the "Framework Agreement," deal with:

1. The legal reconciliation of differential and more favorable treatment for exports of developing countries in the international trading system (e.g., preferences) with the GATT Most-Favored-Nation principle, the legal acceptance of non-reciprocity in trade relations between developed and developing countries, and the fuller participation of developing countries in the framework of GATT rights and obligations;
2. Trade restrictive measures that may be taken by developing countries for balance of payments purposes;
3. Appropriate "Safeguard" actions to promote the establishment or development of domestic industries in developing countries; and
4. An Understanding on Notification, Consultation, Dispute Settlement and Surveillance.

See also *Balance of Payments Consultations; Dispute Settlement; Enabling Clause; General Agreement on Tariffs and Trade; Preferences; Reciprocity; Safeguards; Special and Differential Treatment; Tokyo Declaration;* and *Tokyo Round.*

FREE ALONGSIDE SHIP. See *FAS.*

FREE LIST. A list of goods not subject to import duties or import licensing requirements in a particular country. See also *Licensing.*

FREE ON BOARD. See *FOB.*

F

FREE PORT. See *Free Zone.*

FREE TRADE. A theoretical concept that assumes international trade unhampered by government measures such as tariffs or non-tariff barriers. The objective of trade liberalization is to achieve "freer trade" rather than "free trade," it being generally recognized among trade policy officials that some restrictions on trade are likely to remain in effect for the foreseeable future. See also *Liberalization; Non-Tariff Barriers; Protectionism;* and *Tariff.*

FREE TRADE AREA. A group of two or more countries that have eliminated tariff and most non-tariff barriers affecting trade among themselves, while each participating country applies its own independent schedule of tariffs to imports from countries that are not members. The best known example is the European Free Trade Association (EFTA)—and the free trade area for manufactured goods that has been created through the trade agreements that have been concluded between the European Community and the individual EFTA countries. GATT Article XXIV spells out the meaning of a free trade area in GATT and specifies the applicability of other GATT provisions to free trade areas. See also *Common External Tariff; Customs Union; European Free Trade Association;* and *General Agreement on Tariffs and Trade.*

FREE ZONE. An area within a country (a seaport, airport, warehouse or any designated area) regarded as being outside its customs territory. Importers may therefore bring goods of foreign origin into such an area without paying customs duties and taxes, pending their eventual processing, transshipment or re-exportation. Free zones were numerous and prosperous during an earlier period when tariffs were high. Some still exist in capital cities, transport junctions and major seaports, but their number and prominence have declined as tariffs have fallen in recent years. Free zones may also be known as "free ports," "free warehouses," and "foreign trade zones." See also *Customs.*

FUSION, TREATY OF. See *European Community.*

FUTURES. See *Forward Market.*

G

GATE PRICE. See *Variable Levy*.

GATT. See *General Agreement on Tariffs and Trade*.

GATT MINISTERIAL MEETING OF 1982. The first meeting of the GATT CONTRACTING PARTIES at the Ministerial level since the Tokyo Round was launched in the fall of 1973. The 1982 meeting approved a GATT Work Program for the 1980's looking toward continued liberalization of world trade, with particular attention to trade policy issues that previously received relatively little attention in GATT, such as barriers to agricultural trade, services, and obstacles to developing country exports. See also *General Agreement on Tariffs and Trade; Liberalization; Services; Tokyo Round;* and *Williamsburg Summit*.

GATT WORK PROGRAM FOR THE 1980's. See *GATT Ministerial Meeting of 1982*.

GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT). A multilateral trade agreement aimed at expanding international trade as a means of raising world welfare. GATT rules reduce uncertainty in connection with commercial transactions across national borders. Nearly 90 countries accounting for approximately eighty percent of world trade are Contracting Parties to GATT, and some 30 additional countries associated with it benefit from the application of its provisions to their trade. The designation "GATT" also refers to the organization headquartered at Geneva through which the General Agreement is enforced. This organization provides a framework within which international negotiations—known as "Rounds"—are conducted to lower tariffs and other barriers to trade, and a consultative mechanism that may be invoked by governments seeking to protect their trade interests. The GATT was signed in 1947, as an interim agreement. It has been internationally recognized as the key international institution concerned with international trade negotiations since it became clear that the U.S. Senate would not ratify the Havana Charter of 1948, which would have created an International Trade

Organization (ITO) as a Specialized Agency of the United Nations system, similar to the International Monetary Fund and the World Bank. The Interim Commission of the ITO (ICITO), which was established to facilitate the creation of the ITO, subsequently became the GATT Secretariat. The cornerstone of the GATT is the Most-Favored-Nation clause (Article I of the General Agreement). For the United States, the GATT came into existence as an executive agreement, which, under the U.S. Constitution, does not require Senate ratification. Part Four of the General Agreement (Articles XXXVI, XXXVII and XXXVIII), adopted in 1965, contains explicit commitments to ensure appropriate recognition of the development needs of developing country Contracting Parties. See also *Articles of GATT; Bretton Woods Conference; Codes of Conduct; Compensation; Consultations; Contracting Party; Grandfather Clause; International Trade Center UNCTAD/GATT; Liberalization; Licensing; Most-Favored-Nation Treatment; Multilateral Trade Negotiations; Principal Supplier; Protocol of Provisional Application; Quantitative Restrictions; Round; Special and Differential Treatment; State Trading Nations;* and *Welfare.*

GENERAL TARIFF. A tariff that applies to imports from countries that do not enjoy either preferential or Most-Favored-Nation tariff treatment. Where the general tariff rate differs from the Most-Favored-Nation rate, the general tariff is usually an older and higher rate. See also *Conventional Tariff; Most-Favored-Nation Treatment; Preferences;* and *Tariff.*

GENERALIZED SYSTEM OF PREFERENCES (GSP). A concept developed within UNCTAD to encourage the expansion of manufactured and semi-manufactured exports from developing countries by making such goods more competitive in developed country markets through tariff preferences. The GSP reflects international agreement, negotiated at UNCTAD-II in New Delhi in 1968, that a temporary and non-reciprocal grant of preferences by developed countries to developing countries would be equitable and, in the long term, mutually beneficial. To meet its GSP commitment, each industrialized nation determined its own system of preferences, specifying the goods, the margins of preference, and in some cases, the value or volume of goods that would benefit from preferential treatment. Australia, Austria, Canada, Denmark, the European Community, Finland, Ireland, Japan, New Zealand, Norway, Sweden, Switzerland and the United Kingdom enacted GSP schemes between 1971 and 1974. The United States implemented its GSP arrangement on January 1, 1976 after the U.S. Trade Act of 1974 granted the President the requisite authority, valid until January 4, 1985. While authorizing the President to reduce tariffs to zero for certain items from most developing countries, the 1974 legislation explicitly indicated a number of "exceptions," including textiles, clothing, watches, steel, footwear, glass, some electronic articles and other sensitive products that could not enter the United States duty free under the GSP authority. Approximately 2,700 items have been designated as eligible for duty free entry into the United States under GSP. The Trade Act of 1974 also stated that any country supplying more than 50 percent of total U.S. imports of a particular item in one year, or exceeding a specified dollar amount for that item, would be ineligible for GSP benefits for that product during the following year, on the ground that it had no "competitive need" for such benefits. The U.S. Trade Agreements Act of 1979 provided that the 50 percent limit may be waived for a product falling below a certain dollar amount that was to be adjusted annually to reflect changes in the U.S. Gross National Product. Some developing countries are ineligible to receive GSP benefits: those that participate in OPEC or "other cartel-like arrangements," those that nationalize property of U.S. citizens without providing satisfactory compensation; those that fail to cooperate in international drug control efforts; and most communist states. The Enabling Clause, adopted as a consequence of the Tokyo Round, established a legal basis within GATT for extending GSP benefits, notwithstanding its cornerstone Most-Favored-Nation clause. See also *Competitive; Enabling Clause; Infant Industry Argument; Lomé Convention; Margin of Preference; North-South Trade; Preferences; Sensitive Products; Special and Differential Treatment; Trade Act of 1974; Trade Agreements Act of 1979;* and *United Nations Conference on Trade and Development.*

GLOBAL QUOTAS. See *Quantitative Restrictions.*

GLOBAL SYSTEM OF TRADE PREFERENCES (GSTP). An objective developed by the Group of 77 within the UNCTAD ECDC (Economic Cooperation Among Developing Countries) program looking toward the negotiation of special intra-developing country preferences and the reduction of non-tariff barriers impeding South-South trade. See also *Economic Cooperation Among Developing Countries; Group of 77; Non-Tariff Barriers; Preferences; South-South Trade;* and *United Nations Conference on Trade and Development.*

GOODS. Inherently useful and relatively scarce articles or commodities—distinct from services—produced by the manufacturing, mining, construction and agricultural sectors of the economy. Goods are important economically because they may be exchanged for money or other goods and services. See also *Capital Goods; Commodity; Consumer Goods; Money; Price; Production; Services;* and *Utility.*

GOVERNMENT PROCUREMENT POLICIES AND PRACTICES. The means and mechanisms through which official government agencies purchase goods and services. Government procurement policies and practices are non-tariff barriers to trade, according to GATT, if they discriminate in favor of domestic suppliers when competitive imported goods are cheaper or of better quality. The United States pressed for an international agreement during the Tokyo Round to ensure that government purchases of goods entering into international trade should be based on specific published regulations that prescribe open procedures for submitting bids, as had been the traditional practice in the United States. Most governments had traditionally awarded such contracts on the basis of bids solicited from selected domestic suppliers, or through private negotiations with suppliers that involved little, if any, competition. Other countries, including the United States, gave domestic suppliers a specified preferential margin, as compared with foreign suppliers. The Government Procurement Code negotiated during the Tokyo Round sought to reduce, if not eliminate, the "Buy National" bias underlying such practices by improving transparency and equity in national procurement practices and by ensuring effective recourse to dispute settlement procedures. The Code became effective January 1, 1981. See also *Codes of Conduct; Conditional Most-Favored-Nation Treatment; Discrimination; Dispute Settlement; Non-Tariff Barriers; Tokyo Round; Trade Agreements Act of 1979;* and *Transparency.*

GRADUATION. The presumption that individual developing countries are capable of assuming greater responsibilities and obligations in the international community—within GATT or the World Bank, for example—as their economies advance, as through industrialization, export development, and rising living standards. In this sense, graduation implies that donor countries may remove the more advanced developing countries from eligibility for all or some products under the Generalized System of Preferences. Within the World Bank, graduation moves a country from dependence on concessional grants to non-concessional loans from international financial institutions and private banks. See also *Developing Countries; Generalized System of Preferences; Loan; Newly Industrializing Countries; Official Development Assistance;* and *World Bank.*

GRANDFATHER CLAUSE. A provision in a legal instrument, such as GATT, that allows countries that accede to it to maintain pre-existing domestic legislation inconsistent with provisions of that instrument. See also *Accession; General Agreement on Tariffs and Trade; Protocol of Provisional Application;* and *Residual Restrictions.*

GROUP A. See *Group of 77.*

GROUP B. Originally a designation for the developed market economy countries participating in UNCTAD. In recent years the term has also been used to refer to these same countries when they meet in OECD and other international organizations to develop positions relevant to North-South economic issues. See also *Market Economy; North-South Trade; Organization for Economic Cooperation and Development;* and *United Nations Conference on Trade and Development.*

GROUP C. See *Group of 77.*

GROUP D. The socialist countries of Eastern Europe participating in UNCTAD, excluding Romania and Yugoslavia (which are considered members of the Group of 77) and Albania (which does not actively participate in UNCTAD and other elements of the United Nations system). Group D countries have shown a particular interest in the Division of the UNCTAD Secretariat concerned with "Trade Between Countries with Different Economic Systems." See also *East-South Trade; State Trading Nations;* and *United Nations Conference on Trade and Development.*

GROUP OF 77. Originally, the 77 developing countries represented at UNCTAD-I in 1964. The delegates established the precedent of meeting together to attempt to develop common positions on major conference agenda items in advance of plenary UNCTAD meetings. The Group of 77 comprises UNCTAD Groups "A" (the African and Asian Groups, with the notable exceptions of Israel and South Africa, plus Yugoslavia) and "C" (the Latin American Group). More than 120 developing countries are now members of the "Group of 77" and are represented at its meetings in Geneva, New York, Vienna, and Rome that seek to develop common positions on trade and development issues under consideration in UNCTAD and other U.N. bodies. See also *Developing Countries; Economic Cooperation Among Developing Countries; North-South Trade;* and *United Nations Conference on Trade and Development.*

GROWTH. See *Economic Development; Progress;* and *Structural Change.*

GRUNDY TARIFF. See *Tariff Act of 1930.*

GSP. See *Generalized System of Preferences.*

GSTP. See *Global System of Trade Preferences.*

H

HARD FIBERS. Sisal, abaca and coir. See also *Integrated Program for Commodities.*

HARMONIZATION. The process of making procedures or measures applied by different countries—especially those affecting international trade—more compatible, as by effecting simultaneous tariff cuts applied by different countries so as to make their tariff structures more uniform. Most proposals for "harmonizing" tariffs envisage relatively large cuts in high tariffs and smaller cuts in lower tariffs, as contrasted with the "linear reduction" formula used in the Kennedy Round, which called for identical percentage cuts for all applicable tariffs. Tokyo Round tariff cuts increased tariff harmonization among the developed countries. See also *Customs Harmonization; Kennedy Round; Kyoto Convention; Linear Reduction of Tariffs; Tariff;* and *Tokyo Round.*

HARMONIZED COMMODITY CODING AND DESCRIPTION SYSTEM. See *Customs Harmonization.*

HAVANA CHARTER. See *General Agreement on Tariffs and Trade.*

HAWLEY-SMOOT TARIFF ACT OF 1930. See *Tariff Act of 1930.*

HEALTH AND SANITARY CONTROLS. See *Customs and Administrative Entry Procedures; Quarantine, Sanitary, and Health Laws and Regulations;* and *Standards.*

HEDGE. Action taken by a buyer or seller to protect his business or assets against a change in prices. A miller, for example, might buy a quantity of wheat to convert into flour at a given point in time and agree at the same time to sell a similar quantity of wheat that he does not own, at the same price, for delivery at a designated future point in time. If the price of wheat falls, he will lose on the flour while making a profit on the wheat he can later buy at the lower price; whereas if the price of wheat rises, he will make an extra profit on his flour, which he will have to sacrifice by purchasing wheat at the current high price. In either case, his production profits are protected. See also *Forward Market.*

HORIZONTAL REDUCTION OF TARIFFS. See *Linear Reduction of Tariffs.*

I

IBRD. See *World Bank.*

ICITO. See *General Agreement on Tariffs and Trade.*

IDA. See *International Development Association.*

IEEPA. See *International Emergency Economic Powers Act.*

IFC. See *International Finance Corporation.*

IMF. See *International Monetary Fund.*

IMPAIRMENT (OF TRADE INTERESTS). See *Consultations; Dispute Settlement.*

IMPORT LICENSING. See *Licensing.*

IMPORT QUOTAS. See *Quantitative Restrictions.*

IMPORT RELIEF. Alleviation of competitive pressures on a domestic industry and its employees through restrictions on the inflow of goods into the relevant market from other countries, as through the imposition of tariffs or quantitative restrictions on imports. See also *Competitive; Escape Clause; Market;* and *Protection.*

IMPORT RESTRICTIONS. See *Non-Tariff Barriers; Protection;* and *Tariff.*

IMPORT SENSITIVE PRODUCTS. See *Sensitive Products.*

IMPORT SUBSTITUTION. An attempt by a country to reduce imports (and hence foreign exchange expenditures) by encouraging the development of domestic industries. See also *Industrial Policy; Infant Industry Argument;* and *Mercantilism.*

IMPORTS. The inflow of goods and services into a country's market for consumption. A country enhances its welfare by importing a broader range of higher quality goods and services at lower cost than it could produce domestically, and the expansion of world trade since the end of World War Two has therefore been a principal factor underlying a general rise in living standards in most countries. See also *Comparative Advantage; Consumption; Customs; Levy; Macroeconomics; Market; Price Elasticity of Demand; Protectionism; U.S. International Trade Commission;* and *Welfare.*

INDIRECT TAX. A tax that is levied on expenditure, such as a sales tax imposed at the retail level, excise tax, or Value Added Tax. Some economists say indirect taxes are regressive (in that taxes on commodities burden the poor more than the rich), and inflationary (since they raise prices). See also *Border Tax Adjustments; Direct Tax; Excise Tax; Inflation; Tax;* and *Value Added Tax.*

INDUSTRIAL POLICY. Encompasses traditional government policies intended to provide a favorable economic climate for the development of industry in general or specific industrial sectors. Instruments of industrial policy may include tax incentives to promote investments or exports, direct or indirect subsidies, special financing arrangements, protection against foreign competition, worker training programs, regional development programs, assistance for research and development, and measures to help small business firms. Historically the term industrial policy has been associated with at least some degree of centralized economic planning or indicative planning, but this connotation is not always intended by its contemporary advocates. See also *Infant Industry Argument; Investment Performance Requirements; Managed Trade; MITI; Mercantilism; Protection:* and *Subsidy.*

INDUSTRIAL REVOLUTION. The emergence of the factory system of production, in which workers are brought together in one plant and supplied tools, machines, and materials with which they work in return for wages. Narrowly speaking, the Industrial Revolution was spearheaded by the rapid changes in the manufacture of textiles, particularly in England, between about 1770 and 1830. More broadly, the term applies to continuing structural economic change in the world economy. The "domestic system" of production prevailed in the 16th and 17th centuries before the Industrial Revolution. See also *Domestic System of Production; Production; Structural Change;* and *Textiles.*

INDUSTRIALIZED COUNTRIES. See *Developed Countries.*

INFANT INDUSTRY ARGUMENT. The view that "temporary protection" for a new industry or firm in a particular country through tariff and non-tariff barriers to imports can help it to become established and eventually competitive in world markets. Historically, new industries that are soundly based and efficiently operated have experienced declining costs as output expands and production experience is acquired. However, industries that have been established and operated with heavy dependence on direct or indirect government subsidies have sometimes found it difficult to relinquish that support. The rationale underlying the Generalized System of Preferences is comparable to that of the infant indusry argument. See also *American Selling Price; Competitive; Generalized System of Preferences; Protection;* and *Subsidy.*

I

INFLATION. A general increase in the prices of most goods and services, within a market, resulting in diminishing purchasing power of a given nominal sum of the currency used in the market. Inflation results when demand increases more rapidly than supply, as when salaries and wages increase more rapidly than production. Since World War Two, inflation has been a persistent phenomenon in most countries. See also *Currency; Demand; Indirect Tax; Money; Price; Purchasing Power;* and *Supply.*

INFRASTRUCTURE. The underlying capital of a society embodied in its roads and other transportation and communications systems, as well as its electric power, water supplies, sewage systems and other public services. Sometimes called social overhead capital, infrastructure may also include health, education and skills of a country's population. See also *Capital; Economic Development;* and *Welfare.*

INHERITANCE TAX. See *Direct Tax.*

INJURY. See *Countervailing Duties; Dumping; Escape Clause; Market Disruption; Peril Point; Safeguards;* and *U.S. International Trade Commission.*

INSURANCE. An agreement or contract (commonly called a policy) between the insured, who pays a premium to the insurer, who in return promises to compensate the insured if he suffers specified losses, as through fire, theft or automobile accident. The premiums are so calculated that the total amount paid by all insured parties will enable the insurer to pay claims of policy holders and administrative costs. In effect, insurance spreads risk so that an individual who suffers loss is compensated at the expense of all those who insure against it. See also *Capital Market; Export Credit Insurance; Premium; Reinsurance; Risk; Services;* and *Underwriter.*

INTEGRATED PROGRAM FOR COMMODITIES (IPC). A systematic plan adopted at UNCTAD IV in Nairobi in 1976 for promoting the adoption of International Commodity Agreements and other measures designed to strengthen export earnings for 18 key commodities exported by certain developing countries. The 18 commodities include ten "core" commodities that are deemed storable and hence suitable for buffer stock arrangements (cocoa, coffee, copper, cotton, hard fibers, jute, rubber, sugar, tea and tin) and eight additional commodities of particular export interest to developing countries (bananas, bauxite, iron ore, manganese, meat, phosphates, tropical timber and vegetable oils). The centerpiece of the Program was to be the Common Fund, designed to help finance International Commodity Agreements with provisions for buffer stocks, and to improve the global economic outlook generally for commodity exports of developing countries through research and development and export promotion activities. See also *Buffer Stocks; Commodity; Export Promotion; Hard Fibers; International Commodity Agreement; Managed Trade;* and *United Nations Conference on Trade and Development.*

INTELLECTUAL PROPERTY. Ownership conferring the right to possess, use, or dispose of products created by human ingenuity, including patents, trademarks and copyrights. See also *Copyright; Patent; Technology; Trademarks;* and *World Intellectual Property Organization.*

INTEREST. A sum paid for the use of borrowed capital, usually expressed in terms of a rate or percentage of the capital involved (the interest "rate"), which is normally higher when the risk (including the probability of inflation) is greater. See also *Capital; Credit; Inflation; Loan; Profit;* and *Risk.*

INTERDEPENDENCE. See *Structural Change.*

INTERMEDIATE GOODS. See *Capital Goods.*

INTERNATIONAL ARRANGEMENT ON EXPORT CREDITS. An agreement among 22 OECD governments that they will not lower interest rates for export credits below specified levels without informing other OECD governments. The Arrangement seeks to minimize subsidization of exports through official export credits offered at less than market rates of interest. It contains no enforcement provisions, but procedures encouraging transparency in official export credit activities encourage compliance. See also *Credit; Export Subsidies; Interest; Organization for Economic Cooperation and Development; Subsidy;* and *Transparency.*

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. See *World Bank.*

INTERNATIONAL COMMODITY AGREEMENT (ICA). An international understanding, usually reflected in a a legal instrument, relating to trade in a particular commodity, and based on terms negotiated and accepted by most of the countries that export and import commercially significant quantities of the commodity. Some commodity agreements (such as existing agreements for coffee, cocoa, natural rubber, sugar and tin) center on economic provisions intended to defend a price range for the commodity through the use of buffer stocks or export quotas or both. Other commodity agreements (such as existing agreements for jute and jute products, olive oil and wheat) seek to promote cooperation among producers and consumers through improved consultations, exchange of information, research and development, and export promotion. See also *Buffer Stocks; Commodity; Common Fund; Export Promotion; Export Quotas;* and *Integrated Program for Commodities.*

INTERNATIONAL CONVENTION ON THE SIMPLIFICATION AND HARMONIZATION OF CUSTOMS PROCEDURES. See *Kyoto Convention.*

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA). An affiliate of the World Bank, established in 1960, that extends concessional loans to the developed countries and other relatively poor countries to finance long-term high priority development projects. IDA resources are contributed by 33 donor countries. The World Bank would not be able to make loans to many of the poorest countries, including most countries in Africa, without IDA resources. See also *Least Developed Countries; Official Development Assistance; Soft Loan;* and *World Bank.*

INTERNATIONAL EMERGENCY ECONOMIC POWERS ACT (IEEPA). U.S. legislation enacted in 1977 that extended emergency powers previously granted the U.S. President by the Trading with the Enemy Act of 1917 (which still authorizes the President to exercise extraordinary powers when the United States is at war). Specifically, the legislation enables the President, after declaring that a national emergency exists because of a threat from a source outside the United States, to investigate, regulate, compel or prohibit virtually any economic transaction involving property in which a foreign country or national has an interest. The President invoked this legislation in 1979 as authority for restricting transactions with Iran.

I

INTERNATIONAL FINANCE CORPORATION (IFC). An affiliate of the World Bank, established in 1956, to promote commercial enterprises in developing countries through loans and equity financing comparable to those extended by investment banks. It also facilitates the establishment of partnerships between private investors, wherever they may be located, and the capital markets in the Third World. It does not require government guarantees. See also *Capital Market; Market Economy; Private Sector;* and *World Bank.*

INTERNATIONAL MONETARY FUND (IMF). An international financial institution proposed at the 1944 Bretton Woods Conference and established in 1946 that seeks to stabilize the international monetary system as a sound basis for the orderly expansion of international trade. Specifically, among other things, the Fund monitors exchange rate policies of member countries, lends them foreign exchange resources to support their adjustment policies when they experience balance of payments difficulties, and provides them financial assistance through a special "compensatory financing facility" when they experience temporary shortfalls in commodity export earnings. However, the Fund falls considerably short, in terms of mandate and power, of being a central world bank. See also *Adjustment; Balance of Payments Consultations; Bretton Woods Conference; Compensatory Finance; Conditionality; Convertibility; Exchange Rate;* and *Special Drawing Rights.*

INTERNATIONAL TRADE CENTER UNCTAD/GATT (ITC). A quasi-autonomous, Geneva-based organization within the United Nations system (reporting to both GATT and UNCTAD) that provides a wide range of technical assistance to developing countries seeking to develop and promote their export potential. The ITC is the recognized UNDP Executing Agency in the field of trade promotion. See also *Export Promotion; General Agreement on Tariffs and Trade; United Nations Conference on Trade and Development;* and *United Nations Development Program.*

INTERNATIONAL TRADE COMMISSION (ITC). See *U.S. International Trade Commission.*

INTERNATIONAL TRADE ORGANIZATION (ITO). See *General Agreement on Tariffs and Trade.*

INTERNATIONAL UNION FOR THE PROTECTION OF INDUSTRIAL PROPERTY. See *World Intellectual Property Organization.*

INTERNATIONAL UNION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS. See *World Intellectual Property Organization.*

INTERNATIONAL WHEAT AGREEMENT. See *Kennedy Round.*

INVESTMENT PERFORMANCE REQUIREMENTS. Special conditions imposed on direct foreign investment by recipient governments, sometimes requiring commitments to export a certain percentage of the output, to purchase given supplies locally, or to ensure the employment of a specified percentage of local labor and management. See also *Industrial Policy.*

INVESTOR. See *Entrepreneur; Risk.*

INVISIBLE TRADE. Items such as freight, insurance, and financial services that are included in a country's balance of payments accounts (in the "current" account), even though they are not recorded as physically visible exports and imports. See also *Balance of Payments; Current Account; Services;* and *Visible Trade.*

IPC. See *Integrated Program for Commodities.*

IRANIAN TRANSACTIONS. See *International Emergency Economic Powers Act.*

ISLAND DEVELOPING COUNTRIES. See *Least Developed Countries.*

ITC. See *International Trade Center UNCTAD/GATT; U.S. International Trade Commission.*

ITEM-BY-ITEM NEGOTIATIONS. Method of trade negotiations in which participants separately consider the probable trade effects of each specific concession proposed. At the end of the negotiations, an effort is made to ensure that the total effect of the agreed concessions by all participating countries will increase exports and imports for all participating countries by approximately the same amounts. Early GATT negotiations followed this approach, which became quite cumbersome by the time of the Dillon Round, because of the large numbers of countries, products and negotiators involved. This led to the Linear Reduction Formula used in the Kennedy Round. See also *Dillon Round; Kennedy Round; Linear Reduction of Tariffs; Negotiations; Principal Supplier;* and *Reciprocity.*

ITO. See *General Agreement on Tariffs and Trade.*

J

JOINT VENTURE. A form of business partnership involving joint management and the sharing of risks and profits as between enterprises based in different countries. If joint ownership of capital is involved the partnership is known as an equity joint venture.

K

KENNEDY ROUND. The popular name for the sixth—and at that time the most ambitious— "Round" of trade negotiations under the aegis of GATT. The Kennedy Round, which lasted from 1963 to 1967, yielded agreements reducing prevailing tariff levels maintained by developed countries on industrial products by about one-third, an "Anti-Dumping Code," and a short-lived International Wheat Agreement that was intended to stabilize world wheat prices. (The Wheat Agreement replaced the latest in a series of International Wheat Agreements going back to the 1950's.) See also *Anti-Dumping Code; General Agreement on Tariffs and Trade; Round; Special and Differential Treatment; Tariff;* and *Trade Expansion Act of 1962.*

KEY CURRENCIES. See *Currency; Reserve Currency.*

KYOTO CONVENTION. The objective of the "International Convention on the Simplification and Harmonization of Customs Procedures," as reflected in its preamble, is the development of compatible national customs procedures in different countries as a means of encouraging and facilitating international trade. See also *Customs; Customs Harmonization;* and *Harmonization.*

L

LAND-LOCKED DEVELOPING COUNTRIES. See *Least Developed Countries; Transit Zone.*

LDC's. See *Developing Countries; Least Developed Countries.*

LEAST DEVELOPED COUNTRIES (LLDC's or LDC's). Some 36 of the world's poorest countries, considered by the United Nations to be the "least developed" of the less developed countries. Most of them are small in terms of area and population, and some are land-locked or small island countries. They are generally characterized by low per capita incomes, literacy levels, and medical standards; subsistence agriculture; and a lack of exploitable minerals and competitive industries. Many suffer from aridity, floods, hurricanes and excessive animal and plant pests, and most are situated in the zone 10 to 30 degrees north latitude. These countries have little prospect of rapid economic development in the foreseeable future and are likely to remain heavily dependent upon Official Development Assistance for many years. Most are in Africa, but a few, such as Bangladesh, Afghanistan, Laos and Nepal, are in Asia. Haiti is the only country in the Western hemisphere classified by the United Nations as "least developed." The abbreviation "LDC's" has increasingly been used in recent years to refer to the least developed countries (although in the 1950's and 1960's the term "less developed countries" was more or less interchangeable with the term "developing countries"). See also *Developing Countries; Official Development Assistance; Substantial New Program of Action;* and *Transit Zone.*

LESS DEVELOPED COUNTRIES (LDC's). See *Developing Countries; Least Developed Countries.*

LESS THAN FAIR VALUE. See *Anti-Dumping Code; Dumping.*

LEVY. To assess or impose a tariff on imported merchandise (when used as a verb), or the charge on imports (when used as a noun). See also *Imports; Tariff;* and *Tax.*

LIBERAL. When referring to trade policy, "liberal" usually means relatively free of import controls or restraints and/or a preference for reducing existing barriers to trade, often contrasted with the protectionist preference for retaining or raising selected barriers to imports. See also *Free Trade; Liberalization;* and *Protectionism.*

LIBERALIZATION. Reductions in tariffs and other measures that restrict trade, unilaterally or multilaterally. Trade liberalization has been the objective of all "Rounds" of GATT trade negotiations. See also *Codes of Conduct; Free Trade; General Agreement on Tariffs and Trade; Liberal; Round;* and *Sensitive Products.*

LICENSING. The requirement by a country of a formal application for a special permit, usually called a "license," as a prior condition for importing or exporting certain goods. See also *Customs and Administrative Entry Procedures; Licensing Code; Non-Tariff Barriers; Prior Deposits; Quantitative Restrictions;* and *Specific Limitations on Trade.*

LICENSING CODE. A Tokyo Round Code aimed at simplifying import licensing procedures and at ensuring their fair and equitable application. The Code also seeks to improve the transparency of such proceedings by requiring the publication of relevant national laws and regulations. A Committee on Import Licensing, under the aegis of GATT, monitors adherence to the Code. See also *Codes of Conduct; Licensing; Non-Tariff Barriers; Tokyo Round; Trade Agreements Act of 1979;* and *Transparency.*

LINEAR REDUCTION OF TARIFFS. A reduction by a given percentage in all tariffs maintained by countries participating in a Round of trade negotiations, with or without "exceptions" for products deemed to be "sensitive." Sometimes called "Horizontal Reduction of Tariffs," "Across the Board Reduction of Tariffs," or "Equal Percentage Reduction of Tariffs." The complexity and implicit limitations in negotiating tariff reductions on an item-by-item basis in the Dillon Round encouraged negotiators to try a "Linear Reduction" formula during the Kennedy Round. The U.S. Trade Expansion Act of 1962, while not specifying an across-the-board formula for the negotiations, authorized reductions of up to 50 percent on virtually all items in the U.S. Tariff Schedules, hence permitting a linear application. See also *Dillon Round; Harmonization; Item-by-Item Negotiations; Kennedy Round; Sensitive Products; Tariff;* and *Trade Expansion Act of 1962.*

LIQUID HYDROCARBONS. See *Bulk Carrier.*

LLDC's. See *Least Developed Countries.*

LOAN. The borrowing of a sum of money by a person, company, government or other organization. See also *Interest; International Monetary Fund; Risk; Security; Soft Loan; Tied Loan;* and *World Bank.*

L

LOMÉ CONVENTION. An agreement—originally signed in 1975 and superceded by a revised Lomé Convention signed in 1979—through which the European Community provides financial and technical assistance to more than fifty "Associated Countries of Africa, the Caribbean and the Pacific ("the ACP Countries"), as well as tariff preferences for many of their products in European markets. The ACP countries no longer grant reverse preferences, as they were required to under earlier Yaoundé Conventions, as a condition for receiving EC preferences. The Lomé Convention also created a mechanism known as "STABEX," which was designed to stabilize the export earnings of individual "Associated Countries" from selected commodities. Compensatory payments from the Community under STABEX are based on the amount by which a country's earnings from exports of specified commodities fall below designated levels. See also *ACP Countries; Commodity; Compensatory Finance; European Community; Managed Trade;* and *Reverse Preferences.*

LONG-TERM AGREEMENT ON INTERNATIONAL TRADE IN COTTON TEXTILES (LTA). See *Multi-Fiber Arrangement Regarding International Trade in Textiles.*

LOSS. See *Profit; Risk.*

LTA. See *Multi-Fiber Arrangement Regarding International Trade in Textiles.*

M

MACHINE TOOLS. See *Capital Goods.*

MACROECONOMICS. That part of economics that is primarily concerned with the study of relationships between broad economic aggregates, such as national income, savings, investment, consumption, employment, the money supply, the average price level, exports, imports and the balance of payments. See also *Market Forces; Microeconomics.*

MAN-MADE FIBERS. See *Multi-Fiber Arrangement Regarding International Trade in Textiles; Sensitive Products;* and *Textiles.*

MANAGED TRADE. Attempts by governments at the national or international level to influence or control exports and imports, based on the presumption that government perspectives are more likely to ensure "optimal" trade in some sense than would result from reliance on unmanaged market forces. "Managed trade" at the national level often reflects the political influence of protectionist elements in an economy. The term may also describe buffer stock and price stabilization arrangements, such as STABEX or the Integrated Program for Commodities. See also *Industrial Policy; Integrated Program for Commodities; Lomé Convention; Market Forces; MITI;* and *Protectionism.*

MANAGEMENT. The organization and coordination of an enterprise. The manager who conducts or supervises production, for example, may be a paid expert in administration, as opposed to the entrepreneur who originally conceived the operation and took the risk in mounting it. In modern corporations, management and control tend to be separate from ownership, which is vested in the stockholders. See also *Entrepreneur; Microeconomics; Production; Profit;* and *Risk.*

M

MANUFACTURING PROCESSES. See also *Production; Property.*

MARGIN OF PREFERENCE. The difference between the duty payable under a given system of tariff preferences and the duty that would be assessed in the absence of preferences. See also *Generalized System of Preferences; Preferences; Special and Differential Treatment;* and *Tariff.*

MARKET. The area within which buyers and sellers interact to effect economic exchanges. The estimated or realized demand for a good or service may also be referred to as its "market." See also *Demand; Distribution; Market Economy; Monopoly; Production; Purchasing Power; Supply;* and *Trade Fair.*

MARKET ACCESS. Availability of a market to selling enterprises. Access to a particular market by foreign suppliers depends on the willingness of the relevant authorities to permit imports to compete with similar domestically produced goods, and hence can be taken as a de facto measure of their confidence in market forces as dependable signals to guide economic decisions. See also *Market; Market Forces; Non-Market Economy; Offer List; Restrictive Business Practices;* and *Special and Differential Treatment.*

MARKET DISRUPTION. The situation that occurs when a surge of imports of a particular product causes a precipitous decline in sales of similar domestically produced goods, thereby "injuring" the domestic producers and their employees. See also *Dumping; Escape Clause; Multi-Fiber Arrangement Regarding International Trade in Textiles; Orderly Marketing Agreements; Safeguards; Sensitive Products;* and *U.S. International Trade Commission.*

MARKET ECONOMY. A national economy or a country that relies heavily upon market forces to determine levels of production, consumption, investment and savings. See also *Demand; Market Forces; Macroeconomics; Non-Market Economy; Price; Private Sector; Profit;* and *Supply.*

MARKET FORCES. Shifts in demand and supply that are reflected in changing relative prices, thus serving as indicators and guides for enterprises that make investment, purchase and sales decisions. See also *Demand; Macroeconomics; Managed Trade; Market Access; Microeconomics; Non-Market Economy; Price; Private Sector;* and *Supply.*

MARSHALL PLAN. See *European Recovery Program.*

MEDIUM OF EXCHANGE. Documentary instrument used in commercial transactions between buyers and sellers to measure the value of the goods exchanged. The value of such instruments is usually expressed in terms of a national currency, such as the U.S. dollar. See also *Bill; Currency; Markets;* and *Money.*

MERCANTILISM. A prominent economic philosophy in the 16th and 17th centuries that equated the accumulation and possession of gold and other international monetary assets, such as foreign currency reserves, with national wealth. Although this point of view is generally discredited among 20th century economists and trade policy experts, some contemporary politicians still favor policies designed to create trade "surpluses," such as import substitution and tariff protection for domestic industries, as essential to national economic strength. See also *Balance of Trade; Currency; Import Substitution; Industrial Policy;* and *Protectionism.*

MERCANTILIST. A person who believes in or advocates mercantilism. See also *Mercantilism.*

MERCHANDISE EXPORTS AND IMPORTS. See *Balance of Trade; Current Account.*

MFA. See *Multi-Fiber Arrangement Regarding International Trade in Textiles.*

MFN. See *Most-Favored-Nation Treatment.*

MICROECONOMICS. That part of economics that is primarily concerned with the study of individual decision makers, including consumers, entrepreneurs and firms, the way in which their decisions interrelate to determine relative prices of goods and factors of production, and the quantities of these that will be bought and sold. See also *Consumers; Entrepreneurs; Macroeconomics; Management; Market Economy; Monopoly; Price;* and *Private Sector.*

MINIMUM VALUATION. Customs valuation of certain low-cost items at a higher-than-actual value. See also *Customs; Customs Valuation Code;* and *Valuation.*

MITI. A frequently used acronym designating Japan's Ministry of Trade and Industry, which has adopted, for some years, a comprehensive economic growth and development strategy, centering on export expansion. See also *Export Promotion; Exports; Industrial Policy;* and *Managed Trade.*

MIXED CREDITS. A financing package that involves official government credit to supplement normal commercial credit, thus enabling an exporter to deliver goods to a buyer in another country on credit terms comparable to those of his competitors. See also *Competitive; Credit; Exports;* and *International Arrangement on Export Credits.*

MIXED ECONOMIES. See *State Trading Nations.*

MIXED TARIFF. See *Compound Tariff.*

MNC. See *Multi-National Corporation.*

MONETARY AND FINANCIAL CONFERENCE. See *Bretton Woods Conference.*

MONEY. Any medium of exchange that is widely accepted in payment for goods and services or to settle debts. Money also serves as a standard of value for measuring the relative worth of different goods and services and as a means of storing wealth. The number of units of money required to buy a commodity is its price. Without money, trade would be reduced to barter. The "real" value of money declines during inflationary periods. See also *Barter; Capital; Credit; Currency; Inflation; Medium of Exchange; Price; Purchasing Power;* and *Value.*

MONOPOLY. The condition that exists in a market when a single supplier controls the preponderant supply of a product to such an extent that it can set quantity and prices for maximum profitability with little or no regard for the pressures of demand and supply that operate in competitive economic markets. A high tariff or non-tariff barrier to imports can give a non-competitive producer a monopoly position for a particular product within a domestic market. See also *Anti-Trust; Cartel; Competitive; Market; Microeconomics; Price; Protection;* and *Supply.*

M

MOST-FAVORED-NATION TREATMENT (MFN). The policy of non-discrimination in trade policy that provides to all trading partners the same customs and tariff treatment given to the so-called "Most-Favored-Nation." This fundamental principle was a feature of U.S. trade policy as early as 1778. Since 1923 the United States has incorporated an "unconditional" Most-Favored-Nation clause in its trade agreements, binding the contracting governments to confer upon each other all the most favorable trade concessions that either may grant to any other country subsequent to the signing of the agreement. The United States now applies this provision to its trade with all of its trading partners except for those specifically excluded by law. The MFN principle has also provided the foundation of the world trading system since the end of World War Two. All Contracting Parties to GATT apply MFN treatment to one another under Article I of GATT. See also *Column 1 Rates; Concession; Conditional Most-Favored-Nation Treatment; Customs; Discrimination; Enabling Clause; General Agreement on Tariffs and Trade; Principal Suppliers; Reciprocity; Tariff;* and *Trade Agreements Act of 1934.*

MTN. See *Multilateral Trade Negotiations.*

MULTI-FIBER ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES (MFA). An international compact that allows an importing signatory country to apply quantitative restrictions on textiles imports when it considers them necessary to prevent market disruption, even when such restrictions would otherwise be contrary to GATT rules. The "MFA," as it is often called, provides that such restrictions should not reduce imports to levels below those attained during the preceding year, and should, if continued, permit trade to expand by specified percentages. Since an importing country may impose such quotas unilaterally to restrict rapidly rising textiles imports, most important textiles-exporting countries consider it advantageous to enter into bilateral agreements with the principal textiles-importing countries. The MFA went into effect on January 1, 1974, was renewed in December 1977 and again in December 1981, and is due to expire on July 31, 1986. It succeeded the Long-Term Agreement on International Trade in Cotton Textiles ("The LTA"), which had been in effect since 1962. Whereas the LTA applied only to cotton textiles, the MFA also applies to wool and man-made (synthetic) fiber textiles and apparel. The objective of the MFA is to reconcile the interests of textiles-exporting and textiles-importing countries by permitting an orderly expansion of this trade while avoiding market disruption. See also *Bilateral Trade Agreement; General Agreement on Tariffs and Trade; Market Disruption; Quantitative Restrictions; Sensitive Products;* and *Textiles.*

MULTI-NATIONAL CORPORATION (MNC). A large commercial organization with affiliates operating in a number of different countries. Sometimes referred to, especially in the United Nations, as a trans-national corporation. See also *Euro-dollars; Subsidiary.*

MULTILATERAL. Having a number of participating "sides," or countries. See also *Bilateral; Unilateral.*

MULTILATERAL AGREEMENT. An international compact involving three or more parties. For example, GATT has been, since its establishment in 1947, seeking to promote trade liberalization through multilateral negotiations. See also *Codes of Conduct; General Agreement on Tariffs and Trade; Liberalization; Multilateral Trade Negotiations;* and *Negotiations.*

MULTILATERAL AID. Development assistance given by donors to recipient countries through international institutions. See also *Bilateral Aid; Official Development Assistance.*

MULTILATERAL SAFEGUARD SYSTEM. See *Safeguards.*

MULTILATERAL TRADE NEGOTIATIONS (MTN). Seven Rounds of "Multilateral Trade Negotiations" have been held under the auspices of GATT since 1947. Each Round represented a discrete and lengthy series of interacting bargaining sessions among the participating Contracting Parties in search of mutually beneficial agreements looking toward the reduction of barriers to world trade. The agreements ultimately reached at the conclusion of each Round became new GATT commitments and thus amounted to an important step in the evolution of the world trading system. The acronym "MTN" most frequently refers to the Tokyo Round. See also *Dillon Round; Kennedy Round; Negotiations; Reciprocity; Round;* and *Tokyo Round.*

MUTUALITY OF BENEFITS. See *Reciprocity.*

N

NAM. See *Non-Aligned Movement.*

NEGOTIATING "COIN". See *Concession.*

NEGOTIATIONS. Bargaining between and among representatives of governments seeking a mutually beneficial exchange of concessions. See also *Concession; Multilateral Trade Negotiations; Offer List; Principal Supplier; Reciprocity; Request List; Round;* and *United States Trade Representative.*

NEWLY INDUSTRIALIZING COUNTRIES (NIC'S). Relatively advanced developing countries whose industrial production and exports have grown rapidly in recent years. Examples include Brazil, Hong Kong, Korea, Mexico, Singapore and Taiwan. See also *Developing Countries; Graduation.*

NIC'S. See *Newly Industrializing Countries.*

NOMINAL TARIFF RATE. The rate of duty charged on the gross value of a given product. See also *Effective Tariff Rate; Tariff;* and *Tariff Escalation.*

NON-ALIGNED MOVEMENT (NAM). A loose coalition of developing countries that meets at the head of state level every few years in an attempt to coordinate positions on international political and economic issues. The Movement traces its conceptual foundations to the Asian-African Conference at Bandung in 1955, under the inspiration of India (Nehru), Egypt (Nasser) and Yugoslavia (Tito). The first NAM Summit Conference took place in Belgrade in 1961; the second in Cairo in 1964; the third in Lusaka in 1970; the fourth in Algiers in 1973; the fifth in Colombo in 1976; the sixth in Havana in 1980; and the seventh in New Delhi in 1983.

NON-DISCRIMINATION. See *Discrimination; General Agreement on Tariffs and Trade*; and *Most-Favored-Nation Treatment.*

NON-MARKET ECONOMY. A national economy or a country in which the government seeks to determine economic activity largely through a mechanism of central planning, as in the Soviet Union, in contrast to a market economy that depends heavily upon market forces to allocate productive resources. In a "non-market" economy, production targets, prices, costs, investment allocations, raw materials, labor, international trade, and most other economic aggregates are manipulated within a national economic plan drawn up by a central planning authority, and hence the public sector makes the major decisions affecting demand and supply within the national economy. See also *Group D; Macroeconomics; Market Economy; Private Sector; Public Sector;* and *State Trading Nations.*

NON-RECIPROCITY. See *Framework Agreement; Reciprocity.*

NON-TARIFF BARRIERS (NTB's). Government measures other than tariffs that restrict imports. Such measures have become relatively more conspicuous impediments to trade as tariffs have been reduced during the period since World War Two. See also *Codes of Conduct; Concession; Consular Formalities and Documentation; Exchange Controls; Export Subsidies; Government Procurement Policies and Practices; Licensing; Non-Tariff Measures; Packaging, Labeling, and Marking Regulations; Prior Deposits; Quantitative Restrictions; Quarantine, Sanitary and Health Laws and Regulations; Road Tax; Services; Special and Differential Treatment; Specific Limitations on Trade; Standards; Subsidy; Trade Agreements Act of 1979; Transparency;* and *U.S. International Trade Commission.*

NON-TARIFF MEASURES (NTM'S). Government measures that may have a potential for restricting international trade even though they may not always do so, such as import monitoring systems and variable levies, as well as measures that are internationally perceived as trade restrictive, even though a trade restricting intent or effect cannot objectively be ascribed to them. See also *Non-Tariff Barriers; Variable Levy.*

NORTH. See *Developed Countries.*

NORTH-NORTH TRADE. The exchange of goods and services among developed countries. See also *Developed Countries; Group B;* and *Organization for Economic Cooperation and Development.*

NORTH-SOUTH TRADE. The exchange of goods and services between developed countries (the "North") and developing countries (the "South"). The Generalized System of Preferences negotiated at UNCTAD II and the Framework Agreement negotiated in the Tokyo Round were intended to stimulate additional North-South Trade. See also *Developed Countries; Developing Countries; Framework Agreement; Generalized System of Preferences; International Trade Center UNCTAD/GATT; Reciprocity; Special and Differential Treatment;* and *United Nations Conference on Trade and Development.*

NTB's. See *Non-Tariff Barriers.*

NTM's. See *Non-Tariff Measures.*

NULLIFICATION (OF TRADE RIGHTS). See *Consultations; Dispute Settlement.*

O

ODA. See *Official Development Assistance.*

OECD. See *Organization for Economic Cooperation and Development.*

OEEC. See *Organization for European Economic Cooperation.*

OFFER LIST. A selected list of measures through which a country participating in trade negotiations proposes to broaden access to its market in exchange for comparable concessions from its trading partners. A country's initial offer list during a given "Round" of negotiations represents its early response to the request lists submitted by its trading partners and may subsequently be lengthened or shortened, depending upon the responses of other countries to its own request lists. In addition to proposals for broadening market access through tariff reductions and expanded coverage under codes of conduct, offer lists may suggest exceptions to an agreed formula for tariff reductions on all other products. See also *Codes of Conduct; Concession; Linear Reduction of Tariffs; Market Access; Negotiations; Principal Supplier; Request List; Round;* and *Sensitive Products.*

OFFICIAL DEVELOPMENT ASSISTANCE (ODA). Economic or technical assistance extended to developing countries by the governments of developed countries and international organizations, as contrasted with gifts, loans and investments financed by the private sector. Official Development Assistance is construed by the OECD Development Committee as including only "concessional" transfers to developing countries, meaning that all or part of each ODA transaction is a grant or is loaned at a rate of interest and/or on repayment terms more beneficial to the recipient than market rates and terms. See also *Additionality; Bilateral Aid; Development Assistance Committee; Economic Development; Interest; Least Developed Countries; Multilateral Aid; Soft Loan;* and *Transfer Payments.*

OFFSET REQUIREMENTS. Conditions imposed on certain large exporters in other countries by importing governments, usually to reduce cash outflows as by requiring the exporter to purchase goods or services produced in the importing country, establish manufacturing facilities in the country, or use locally produced components in manufacturing. Offset requirements are frequently associated with sales of military equipment. See also *Countertrade.*

OIL EXPORTING DEVELOPING COUNTRIES. See *Developing Countries.*

OMA's. See *Orderly Marketing Agreements.*

OPEC. See *Organization of Petroleum Exporting Countries.*

ORDERLY MARKETING AGREEMENTS (OMA'S). International compacts negotiated between two or more governments, in which the trading partners agree to restrain the growth of trade in specified "sensitive" products, usually through the imposition of export quotas. Orderly Marketing Agreements are intended to ensure that future trade increases will not disrupt, threaten or impair competitive industries or their workers in importing countries. See also *Export Quotas; Market Disruption; Sensitive Products;* and *Voluntary Restraint Agreements.*

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD). An international agency based in Paris, through which some 24 developed countries review international economic issues and coordinate their policies, looking toward the expansion of world trade and investment and the economic development of developing countries. The OECD succeeded the OEEC in 1961, after the post-World War Two economic reconstruction of Europe had been largely accomplished. See also *Developed Countries; Development Assistance Committee; Group B; International Arrangement on Export Credits;* and *Organization for European Economic Cooperation.*

ORGANIZATION FOR EUROPEAN ECONOMIC COOPERATION (OEEC). An intergovernmental organization created in 1948 by 16 Western European countries to plan and implement the European Recovery Program, better known as the Marshall Plan, following the economic devastation left by World War Two. The OEEC was superceded in 1961 by the OECD. See also *European Recovery Program; Organization for Economic Cooperation and Development.*

ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC). A cartel comprising 13 leading oil producing countries that seek to coordinate oil production and pricing policies. See also *Cartel; Developing Countries.*

P

PACKAGING, LABELING, AND MARKING REGULATIONS. National requirements that compel exporters to package their goods in specified containers, identify the contents in a particular way, or use a specific type of label. Even when designed only to protect consumers, such requirements may pose more problems for exporters than for domestic producers, and hence may function as non-tariff barriers that inhibit trade. See also *Non-Tariff Barriers; Quarantine, Sanitary, and Health Laws and Regulations;* and *Standards.*

PANEL OF EXPERTS. An ad hoc group of experienced individuals with specialized skills established for specified purposes. Under GATT dispute settlement procedures, for example, panels composed of three to five trade policy experts may be designated to arbitrate disagreements over trade policy between governments with differing interpretations of their GATT obligations. See also *Arbitration; Codes of Conduct; Dispute Settlement; General Agreement on Tariffs and Trade;* and *Working Party.*

PAR VALUE. The official fixed exchange rate between two currencies or between a currency and a specific weight of gold or a basket of currencies. See also *Currency; Exchange Rate;* and *International Monetary Fund.*

PARIS CLUB. A popular designation for meetings between representatives of a developing country that wishes to renegotiate its "official" debt (normally excluding debts owed by and to the private sector without official guarantees) and representatives of the relevant creditor governments and international institutions. Such meetings normally take place at the initiative of a debtor country that wishes to consolidate all or part of its debt service payments falling due over a specified period. The meetings are traditionally chaired by a senior official of the French Treasury Department. Comparable meetings occasionally take place in London and in New York for countries that wish to renegotiate repayment terms for their debts to private banks. Such meetings are sometimes called "creditor clubs."

PARIS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES. See *Substantial New Program of Action.*

PARIS UNION. See *World Intellectual Property Organization.*

PART FOUR OF GATT. See *General Agreement on Tariffs and Trade.*

PATENT. An exclusive right conferred by a government for a limited period to the inventor of any new and useful machine, process or substance to manufacture or sell his product. In the United States a patent is normally valid for 17 years, or less in the case of designs. Patent rights are enforceable through the courts. See also *Intellectual Property; Property; Technology; Transfer of Technology;* and *World Intellectual Property Organization.*

PERIL POINT. A hypothetical limit beyond which a reduction in tariff protection would cause serious injury to a domestic industry. U.S. legislation in 1949 that extended the Trade Agreements Act of 1934 required the Tariff Commission to establish such "peril points" for U.S. industries, and for the President to submit specific reasons to Congress if and when any U.S. tariff was reduced below those levels. This requirement, which was an important constraint on U.S. negotiating positions in early GATT tariff-cutting Rounds, was eliminated by the Trade Expansion Act of 1962. See also *Protection; Round; Safeguards; Trade Agreements Act of 1934; Trade Expansion Act of 1962;* and *U.S. International Trade Commission.*

PETITION. See *Countervailing Duties; Dumping;* and *Escape Clause.*

PL 480. See *Public Law 480.*

POLICY, INSURANCE. See *Insurance.*

PORT OF ENTRY. Point at which individuals and imported goods enter a country and clear its national customs. See also *Customs; Transit Zone.*

PPA. See *Protocol of Provisional Application.*

PREFERENCES. Special advantages extended by importing countries to exports from particular trading partners, usually by admitting their goods at tariff rates below those imposed on imports from other supplying countries. See also *Double-Column Tariff; Framework Agreement; Generalized System of Preferences; Global System of Trade Preferences; Lomé Convention; Margin of Preferences; Single-Column Tariff; Special and Differential Treatment;* and *Tariff.*

PREMIUM. A regular payment paid for an insurance policy that provides protection against a risk. See also *Insurance.*

P

PRICE. The value of something expressed in terms of money, or the amount of money paid for it. Economists define the "equilibrium" price of goods and services in a competitive market economy as the level at which demand for them will match their supply. See also *Demand; Equilibrium; Goods; Inflation; Market Economy; Market Forces; Microeconomics; Money; Monopoly; Services;* and *Supply.*

PRICE ELASTICITY OF DEMAND. The percentage change in demand for a given product likely to result if its price changes by one percent. A slight lowering or raising of a tariff will have a larger effect on the volume of imports of a product with a high price elasticity of demand than the same tariff change will affect imports of a product with a low price elasticity of demand. See also *Demand; Price;* and *Purchasing Power.*

PRICE ELASTICITY OF SUPPLY. The percentage change in supply for a given product likely to result if its price changes by one percent. See also *Price; Supply.*

PRICE STABILIZATION. See *Buffer Stocks; Managed Trade.*

PRIMARY COMMODITY. A commodity in its raw or unprocessed state, such as iron ore. In contrast, pig iron is considered a semi-processed product, and a steel girder is a manufactured item. See also *Commodity; Integrated Program for Commodities; Production;* and *Tariff Escalation.*

PRINCIPAL SUPPLIER. The country that is the most important source of a particular product imported by another country. In GATT negotiations, a country offering to reduce its tariff or other barriers to imports of a particular item generally expects the principal supplier of that item to reduce restrictions on its imports of a product for which the first country is the principal supplier. Both countries then automatically grant the same concessions to all other countries to which they accord Most-Favored-Nation Treatment, including all Contracting Parties to GATT. See also *Concession; General Agreement on Tariffs and Trade; Item-by-Item Negotiations; Most-Favored-Nation Treatment; Negotiations; Offer List;* and *Round.*

PRIOR DEPOSITS. Governments sometimes require that an importer deposit, in domestic or foreign currency, a specified sum, usually corresponding to a certain percentage of the value of the imported product. Such deposits are characteristically held without interest, sometimes for many months—from the time an order is placed until after the import transaction is completed—and hence represent a real cost. The purpose of prior deposits is usually to discourage imports, particularly for balance-of-payments reasons, and they generally are recognized as non-tariff barriers that impede trade. Prior deposits must usually be made at the time an import license is granted. See also *Licensing; Non-Tariff Barriers.*

PRIVATE SECTOR. The part of a national economy comprised of privately owned enterprises and individuals and non-profit making organizations, as contrasted with the public sector, comprising government and government controlled entities. See also *Market Economy; Official Development Assistance; Price;* and *Public Sector.*

PROCUREMENT. See *Government Procurement Policies and Practices.*

PRODUCER GOODS. See *Capital Goods.*

PRODUCTION. The process of creating or changing the form of commodities, as through fabrication, manufacture, extraction, processing, curing or aging. See also *Commodity; Consumption; Industrial Revolution; Management; Primary Commodity; Profit; Tariff Escalation; Technology;* and *Welfare.*

PROFIT. The net earnings accruing from the successful production or sale of goods and services: that is, the residual remaining to the entrepreneur after all payments for capital (interest), land (rent), labor (including management costs, salaries and wages), raw materials and taxes. If the business fares poorly, profits may be negative, in which case they become losses. See also *Entrepreneur; Management; Market; Production;* and *Risk.*

PROGRESS. Continuous improvement and positive growth or development, especially in terms of rising individual and national welfare. See also *Economic Development; Structural Change;* and *Welfare.*

PROMISSORY NOTES. See *Commercial Paper.*

PROPERTY. An asset whose ownership gives the right to present or future material benefits, as protected by law. The term property refers not only to the possession of material goods, such as land, buildings and production facilities, but also to less tangible assets, such as manufacturing processes, design and brand names. See also *Copyright; Intellectual Property; Patent; Production; Security; Trademark;* and *World Intellectual Property Organization.*

PROTECTION. Government measures—including tariff and non-tariff barriers—that raise the cost of imported goods or otherwise restrict their entry into a market, and thus strengthen the competitive position of domestic goods. See also *Competitive; Import Relief; Infant Industry Argument; Market; Monopoly; Non-Tariff Barriers; Peril Point; Protectionism; Quantitative Restrictions; Safeguards; Tariff;* and *Tariff Escalation.*

PROTECTIONISM. The deliberate use or encouragement of restrictions on imports to enable relatively inefficient domestic producers to compete successfully with foreign producers. See also *Competitive; Effective Tariff Rate; Imports; Infant Industry Argument; Liberal; Managed Trade; Mercantilism; Non-Tariff Barriers; Orderly Marketing Agreements; Protection; Safeguards; Tariff;* and *Voluntary Restraint Agreements.*

PROTOCOL OF ACCESSION. The legal document that records the obligations agreed to as a consequence of accession to an international accord or organization. See also *Accession; Concession;* and *State Trading Nations.*

PROTOCOL OF PROVISIONAL APPLICATION (PPA). A legal device that enabled the original Contracting Parties of GATT to accept GATT obligations and benefits despite domestic legislation that discriminated against imports in a manner inconsistent with certain GATT provisions. Although the Protocol was intended to be temporary, it has remained in effect, and countries that signed it in 1947 continue to invoke it to defend certain practices that are otherwise inconsistent with their GATT obligations. Countries that acceded to the GATT after 1947 did not have recourse to the Protocol, but similar provisions have been incorporated in their Protocols of Accession. See also *Accession; Contracting Party; Discrimination; General Agreement on Tariffs and Trade; Grandfather Clause; Protocol of Accession;* and *Residual Restrictions.*

P

PROVISIONAL ACCESSION. See *Accession*.

PUBLIC LAW 480 (Agricultural Trade Development and Assistance Act of 1954). Provides for the disposition of U.S. farm products outside the United States. Title One spells out conditions under which such products can be sold to developing countries for their own currencies and the purposes for which the proceeds of such sales can be used in the purchasing country. Title Two authorizes the transfer of U.S. farm products to developing countries for economic development purposes. Title Three permits the donation of surplus products through U.S. voluntary agencies that carry out relief operations in other countries. Title Four provides for agreements between the U.S. Government and other governments and private organizations purchasing surplus U.S. farm products. See also *Section 22; Surplus*.

PUBLIC SECTOR. The part of a national economy accounted for by government expenditures and state-owned or state-controlled enterprises. See also *Non-Market Economy; Private Sector;* and *State Trading Nations*.

PURCHASING POWER. The ability of consumers to purchase goods and services, based on their possession of money and their recourse to credit. Aggregate purchasing power within a market or a national economy reflects total disposable income after taxes, and hence the level of employment. See also *Credit; Demand; Inflation; Money; Price Elasticity of Demand*.

PURE RISK. See *Risk*.

Q

QR's. See *Quantitative Restrictions*.

QUANTITATIVE RESTRICTIONS (QR's). Explicit limits, or quotas, on the physical amounts of particular commodities that can be imported or exported during a specified time period, usually measured by volume but sometimes by value. The quota may be applied on a "selective" basis, with varying limits set according to the country of origin, or on a global basis that only specifies the total limit and thus tends to benefit more efficient suppliers. Quotas are frequently administered through a system of licensing. GATT Article XI generally prohibits the use of quantitative restrictions, except under conditions specified by other GATT articles: Article XIX permits quotas to "safeguard" certain industries from damage by rapidly rising imports; Articles XII and XVIII provide that quotas may be imposed for balance of payments reasons under circumstances laid out in Article XV; Article XX permits special measures to apply to public health, gold stocks, items of archeological or historic interest, and several other categories of goods; and Article XXI recognizes the overriding importance of national security. Article XIII provides that quantitative restrictions, whenever applied, should be non-discriminatory. See also *Balance of Payments Consultations; Discrimination; Export Quotas; Export Restraints; General Agreement on Tariffs and Trade; Licensing; Multi-Fiber Arrangement Regarding International Trade in Textiles; Residual Restrictions; Safeguards; Section 22; Sensitive Products; Specific Limitations on Trade;* and *Tariff Quota*.

QUARANTINE, SANITARY AND HEALTH LAWS AND REGULATIONS. Government measures to protect consumer, animal and plant health as by restricting the use of dangerous preservatives and other additives in foods. The lack of internationally accepted definitions makes it difficult to distinguish between legitimate health standards and measures that merely restrict foreign competition to domestically produced goods. The Tokyo Round Code on Technical Barriers to Trade provides a mechanism through which an exporting country can challenge measures of this type that appear to discriminate against its products. See also *Customs and Administrative Entry Procedures; Discrimination; Packaging, Labeling, and Marking Regulations;* and *Standards*.

QUID PRO QUO. See *Reciprocity*.

QUOTAS. See *Quantitative Restrictions; Tariff Quota*.

R

RBP's. See *Restrictive Business Practices.*

RECIPROCAL TRADE AGREEMENTS ACT OF 1934. See *Most-Favored-Nation Treatment; Trade Agreements Act of 1934.*

RECIPROCITY. The practice by which governments extend similar concessions to each other, as when one government lowers its tariffs or other barriers impeding its imports in exchange for equivalent concessions from a trading partner on barriers affecting its exports (a"balance of concessions"). Reciprocity has traditionally been a principal objective of negotiators in GATT "Rounds," although some economists maintain that this is irrational, since a country that unilaterally reduces its own barriers to imports will, under competitive conditions, encourage the reallocation of its productive resources to its most efficient productive sectors, thus enhancing economic efficiency and national welfare. Reciprocity is also defined as "mutuality of benefits," "quid pro quo" and "equivalence of advantages." GATT Part IV (especially GATT Article XXXVI) and the "Enabling Clause" of the Tokyo Round "Framework Agreement" exempt developing countries from the rigorous application of reciprocity in their negotiations with developed countries. See also *Competitive; Concession; Efficiency; Enabling Clause; Framework Agreement; General Agreement on Tariffs and Trade; Most-Favored-Nation Treatment; Negotiations; Principal Supplier; Round; Special and Differential Treatment;* and *Welfare.*

REGRESSIVE TAXATION. See *Indirect Tax.*

REINSURANCE. The shifting by agreement (known in the insurance industry as a treaty) of part of the risk (or "exposure") of the original insurer (the ceding company) to another insurer (the reinsurer). Sometimes a reinsurer will, in turn, pass on part of its risk to another reinsurer through a process known as retrocession. International reinsurance is important to developed and developing countries alike. See also *Insurance; Risk.*

RELIEF. See *Escape Clause; Import Relief;* and *Safeguards.*

REPRISALS. See *Retaliation.*

REQUEST LIST. A list submitted by a country to a trading partner at an early stage of trade negotiations identifying the concessions it seeks through the negotiations. See also *Concession; Negotiations; Offer List;* and *Round.*

RESERVE CURRENCY. A national currency, such as the dollar or pound sterling, or international currency such as Special Drawing Rights, used by many countries to settle debit balances in their international accounts. Central banks generally hold a large portion of their monetary reserves in reserve currencies, which are sometimes called "key" currencies. See also *Currency; Mercantilism;* and *Special Drawing Rights.*

RESERVES. See *Mercantilism; Reserve Currencies.*

RESIDUAL RESTRICTIONS. Quantitative restrictions maintained by governments since they became Contracting Parties to GATT, despite the general GATT prohibition against such measures. See also *Grandfather Clause; Protocol of Provisional Application;* and *Quantitative Restrictions.*

RESTITUTIONS. Payments to agricultural exporters in the European Community under the Common Agricultural Policy to cover the difference between internal and world market prices. See also *Common Agricultural Policy; Dual Pricing; European Community; Export Subsidies; Threshold Price;* and *Variable Levy.*

RESTRAINTS. See *Non-Tariff Barriers; Liberalization;* and *Tariffs.*

RESTRICTIVE BUSINESS PRACTICES (RBP's). Acts or behavior of enterprises—whether private or government-controlled—that abuse a dominant economic position and limit access to markets or otherwise unduly restrain competition. Such practices include collusion to fix export or import prices, allocate markets or customers, practice discriminatory pricing, set prices at which export goods can be resold, or otherwise restrict imports and exports. A non-binding (or "voluntary") code of conduct negotiated in UNCTAD—formally called the "Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices"—lists business practices to be avoided and recommends steps that enterprises and governments should take to discourage such activity. See also *Anti-Trust; Cartel; Market Access; Monopoly;* and *Unfair Trade Practices.*

RETALIATION. Action taken by a country to restrain its imports from a country that has increased a tariff or imposed other measures that adversely affect its exports in a manner inconsistent with GATT. The GATT, in certain circumstances, permits such reprisal, although this has very rarely been practiced. The value of trade affected by such retaliatory measures should, in theory, approximately equal the value affected by the initial import restriction. See also *Beggar-Thy-Neighbor Policy; Tariff Act of 1930.*

R

RETROCESSION. See *Reinsurance.*

REVERSE PREFERENCES. Tariff advantages once offered by developing countries to imports from certain developed countries that granted them preferences in turn. Reverse preferences characterized trading arrangements between the European Community and some developing countries (the "ACP" countries) prior to the advent of the Lomé Convention. See also *ACP Countries; European Community; Generalized System of Preferences; Lomé Convention;* and *Preferences.*

RISK. Speculative risk involves the possibility of profit or loss, depending upon the success or failure of the financial or commercial venture in question. Banks also accept risks when they make loans, which may either be repaid or defaulted. Capital investors are sometimes referred to as risk bearers: their investments may be considered "venture capital" if they appear to be subject to considerable risk, as in the case of new enterprises; or "security capital" if they appear to be subject to little risk. Pure risk is involved when there is no possibility of gain, but only the possibility of loss. Insurance is concerned with pure risks, not speculative risks. See also *Credit; Entrepreneur; Insurance; Interest; Loan; Profit;* and *Reinsurance.*

ROAD TAX. A tax imposed by a government on the operation of motor vehicles, usually based on weight or engine displacement. Some have the effect of discriminating in favor of one type of vehicle over another. See also *Discrimination; Excise Tax; Non-Tariff Barriers;* and *Tax.*

ROUND. A cycle of multilateral trade negotiations under the aegis of GATT, culminating in simultaneous trade agreements among participating countries to reduce tariff and non-tariff barriers to trade. Seven "Rounds" have been completed thus far: Geneva, 1947-48; Annecy, France, 1949; Torquay, England, 1950-51; Geneva, 1956; Geneva, 1960-62 (the Dillon Round); Geneva, 1963-67 (the Kennedy Round); and Geneva, 1973-79 (the "Tokyo Round"). See also *Dillon Round; General Agreement on Tariffs and Trade; Kennedy Round; Liberalization; Multilateral Trade Negotiations; Negotiations; Offer List; Peril Point; Reciprocity; Request List; Tokyo Round; Trade Agreement; Trade Agreements Act of 1934;* and *Williams Commission.*

S

SAFEGUARDS. Temporary and selective measures explicitly designed to slow imports, such as increased tariffs, tariff quotas, or quantitative restrictions, to enable a particular industry to adjust to heightened competition from foreign suppliers. GATT Article XIX—entitled "Emergency Action on Imports of Particular Products"—recognizes a country's right to withdraw or modify concessions granted earlier, or to impose new restrictions, if a product is "being imported in such increased quantities...as to cause or threaten serious injury to domestic producers," and to maintain such restrictions "for such time as may be necessary to prevent or remedy such injury." Exporters have a complementary right under GATT not to be deprived arbitrarily of access to foreign markets. The United States and several developing countries pressed unsuccessfully for a code of conduct during the Tokyo Round to develop an enforceable "Multilateral Safeguard System" that would ensure that safeguard actions are not used for protectionist purposes, and negotiations in this area continued after the conclusion of the Tokyo Round. Safeguard actions are known in the United States as "Escape Clause" actions, and authority to take such actions was renewed and clarified by the U.S. Trade Act of 1974. See also *Adjustment; Codes of Conduct; Competitive; Concession; Escape Clause; Framework Agreement; General Agreement on Tariffs and Trade; Market Access; Protectionism; Quantitative Restrictions; Special and Differential Treatment; Tokyo Round;* and *Trade Act of 1974.*

SALES TAX. A tax levied on the exchange of goods and services at one or more stages in the process of distribution. See also *Distribution; Indirect Tax;* and *Value Added Tax.*

S

SANCTIONS. See *Embargo.*

SCHEDULE. See *Concession; Demand; Supply;* and *Tariff Schedules.*

SCHEDULE OF CONCESSIONS. See *Bound Rates; Concession;* and *Tariff Schedules of the United States.*

SCHUMAN PLAN. See *European Coal and Steel Community.*

SDR's. See *Special Drawing Rights.*

SECTION 22 (OF THE AGRICULTURAL ADJUSTMENT ACT OF 1933, AS AMENDED). Authorizes the U.S. President to impose quantitative restrictions on imports of agricultural products when such imports appear likely to affect price support programs operated by the U.S. Department of Agriculture. The President has imposed such quotas on imports of wheat and flour, cotton, lint, peanuts, cheese, butter and other dairy products. In 1956 the CONTRACTING PARTIES of GATT authorized a waiver of Article XI prohibitions against quantitative restrictions for U.S. actions under Section 22. Since that time, the United States has submitted an annual report to the CONTRACTING PARTIES on all relevant actions and the reasons for them. See also *Public Law 480; Quantitative Restrictions;* and *Waiver.*

SECTION 201 (OF THE TRADE ACT OF 1974). See *Escape Clause; Trade Act of 1974.*

SECTION 203 (OF THE TRADE ACT OF 1974). See *Escape Clause; Trade Act of 1974.*

SECTION 301 (OF THE TRADE ACT OF 1974). Provision of U.S. law that enables the President to withdraw concessions or restrict imports from countries that discriminate against U.S. exports, subsidize their own exports to the United States, or engage in other unjustifiable or unreasonable practices that burden or discriminate against U.S. trade. See also *Concession; Export Subsidies; Trade Act of 1974;* and *Unfair Trade Practices.*

SECULAR TREND. A consistent underlying economic tendency that lasts over a period of years, if not decades. See also *Economic Development; Progress;* and *Structural Change.*

SECURITY. A document giving title to property as collateral for a bank loan. Also saleable income yielding paper traded in a stock exchange, such as stocks and shares. See also *Broker; Capital Market; Commercial Paper; Loan; Property;* and *Spot Market.*

SECURITY CAPITAL. See *Risk.*

SELECTIVE QUOTAS. See *Quantitative Restrictions; Safeguards.*

SEMI-PROCESSED PRODUCT. See *Primary Commodity; Tariff Escalation.*

SENSITIVE PRODUCTS. Domestically produced goods considered economically and politically important in a country whose competitive position would be threatened if protection against the imports of similar goods were reduced. The steel and textiles industries in many developed countries, for example, employ large numbers of workers, often in communities that cannot in the short term offer alternative employment. For these reasons, there has been strong opposition to the reduction of tariff and other trade-restricting measures affecting sensitive products. See also *Adjustment; Competitive; Escape Clause; Generalized System of Preferences; Liberalization; Linear Reduction of Tariffs; Orderly Marketing Agreements; Protection;* and *Textiles.*

SERVICES. Economic activities—such as transportation, banking, insurance, tourism, telecommunications, advertising, the entertainment industry, data processing and consulting—that are normally consumed as they are produced, as contrasted with economic goods that are more tangible. Service industries, which are usually labor intensive, have become increasingly important in domestic and international trade since at least the 1920's. Services account for about two-thirds of the economic activity of the United States, and a rapidly increasing percentage of U.S. exports. Traditional GATT rules have not applied the same discipline to restrain the imposition of non-tariff barriers to trade in services that has been applied to international trade in goods. See also *GATT Ministerial Meeting of 1982; Goods; Insurance; Invisible Trade; Price; Structural Change;* and *Utility.*

SINGLE-COLUMN TARIFF. A tariff schedule listing only one duty rate for each imported product. The United States maintained a single-column tariff schedule until 1909, when special preferences were instituted for products imported from Cuba and the Philippines. See also *Column 1 Rates; Column 2 Rates; Preferences; Tariff;* and *Tariff Schedules of the United States.*

SMOOT-HAWLEY TARIFF ACT OF 1930. See *Tariff Act of 1930.*

SNPA. See *Substantial New Program of Action.*

SOCIAL OVERHEAD CAPITAL. See *Infrastructure.*

SOCIAL SECURITY CHARGES. See *Direct Tax.*

SOCIALIST ECONOMIES. See *State Trading Nations.*

SOFT LOAN. A credit providing for significantly easier repayment terms than credits that are normally obtainable from commercial banks. A soft loan frequently involves a grace period of several years and only a small servicing charge. See also *Credit; Interest; International Development Association; Least Developed Countries; Loan;* and *Official Development Assistance.*

SOUTH. See *Developing Countries.*

SOUTH-SOUTH TRADE. Trade between developing countries. See also *Developing Countries; Economic Cooperation Among Developing Countries;* and *Global System of Trade Preferences.*

SPECIAL AND DIFFERENTIAL TREATMENT (FOR DEVELOPING COUNTRY EXPORTS). The concept that exports of developing countries should be given preferential access to markets of developed countries, and that developing countries participating in trade negotiations need not fully reciprocate concessions they receive. This principle was first widely discussed during the Kennedy Round, leading to the adoption of Part Four of GATT, which obligated the developed countries to pursue trade policies that take into account the development needs of developing countries. The Tokyo Declaration subsequently proclaimed that exports of developing countries should receive particular benefits consistent with their trade, financial and development needs. Among proposals considered during the Tokyo Round negotiations for accomplishing this were: compensatory tariff reductions for exports of developing countries to offset any reductions in their margins of preference that might result from Tokyo Round tariff cuts; advance implementation of Tokyo Round tariff cuts affecting developing country exports; substantial reduction or elimination of tariff escalation; special provisions for developing country exports in any new codes of conduct covering non-tariff barriers; assurance that any new Multilateral Safeguard System would contain special provisions for developing country exports; and the principle that developed countries would expect less than full reciprocity for trade concessions granted to developing countries. The Framework Agreement concluded at the end of the Tokyo Round provides a legal basis for special and differential treatment in favor of exports from developing countries, and some of the codes of conduct negotiated in the Tokyo Round provided for such treatment. See also *Codes of Conduct; Concession; Framework Agreement; General Agreement on Tariffs and Trade; Generalized System of Preferences; Margin of Preferences; Market Access; North-South Trade; Preferences; Reciprocity; Safeguards; Tariff Escalation; Tokyo Declaration;* and *Tokyo Round.*

SPECIAL DRAWING RIGHTS (SDR's). Created in 1969 by the International Monetary Fund as a supplemental international monetary reserve asset. SDR's are available to governments through the Fund and may be used in transactions between the Fund and member governments. IMF member countries have agreed to regard SDR's as complementary to gold and reserve currencies in settling their international accounts. The unit value of an SDR reflects the foreign exchange value of a "basket" of currencies of several major trading countries (the U.S. Dollar, the German Mark, the French Franc, the Japanese Yen, and the British Pound). The SDR has become the unit of account used by the Fund and several national currencies are pegged to it. Some commercial banks accept deposits denominated in SDR's. See also *Currency; International Monetary Fund;* and *Reserve Currency.*

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS (STR). See *United States Trade Representative.*

SPECIFIC DUTY. See *Specific Tariff.*

SPECIFIC LIMITATIONS ON TRADE. Government measures that restrict imports or exports of a product during a given period to an explicitly stated volume or value, usually by requiring a "license" or other government authorization for each export or import transaction. See also *Boycott; Embargo; Exchange Controls; Export Quotas; Licensing; Non-Tariff Barriers; Quantitative Restrictions;* and *Tariff Quota.*

SPECIFIC TARIFF. A customs duty assessed as a stated monetary amount per unit of physical quantity, as so many cents a pound, bushel or yard, regardless of the value of the imported item. See also *Ad Valorem Tariff; Tariff.*

SPECULATIVE RISK. See *Risk.*

SPOT MARKET. A market in which goods or securities are traded for immediate delivery. The spot price is therefore the price for immediate delivery. See also *Forward Market; Market; Price;* and *Security.*

STABEX. See *Lomé Convention.*

STANDARDS. Technical specifications that lay down characteristics of a product such as size, quality, performance or safety. Standards may also cover terminology, testing methods, packaging, labeling or marking requirements. The Tokyo Round Agreement on Technical Barriers to Trade—sometimes known as the "Standards Code"—seeks to ensure that national standards are not used to impede trade. See also *Codes of Conduct; Non-Tariff Barriers; Packaging, Labeling and Marking Regulations; Quarantine, Sanitary, and Health Laws and Regulations;* and *Trade Agreements Act of 1979.*

STANDARDS CODE. See *Standards.*

STATE TRADING COMPANIES. Government owned or controlled enterprises that export and/or import goods and services. State trading companies exist in countries with "mixed economies"—in which privately owned enterprises also play an important economic role—as well as in socialist countries. See also *Public Sector; State Trading Nations;* and *Unfair Trade Practices.*

STATE TRADING NATIONS. Countries such as the Soviet Union, the People's Republic of China, and nations of Eastern Europe that rely heavily on government entities, instead of the private sector, to conduct trade with other countries. Some of these countries (e.g., Czechoslovakia and Cuba) have long been Contracting Parties to GATT, whereas others (e.g., Poland, Hungary and Romania) became Contracting Parties later under special Protocols of Accession. The different terms and conditions under which these countries acceded to GATT were designed in each case to ensure steady expansion of the country's trade with other GATT countries, taking into account the relative insignificance of tariffs on imports into state trading nations. See also *Council for Mutual Economic Assistance; East-South Trade; General Agreement on Tariffs and Trade; Group D; Non-Market Economy; Private Sector; Protocol of Accession; Public Sector;* and *State Trading Companies.*

STEEL. See *Sensitive Products; Trigger Price Mechanism.*

STOCKBROKER. See *Broker.*

STOCKHOLM CONVENTION. See *European Free Trade Association.*

STOCKPILES. See *Buffer Stocks; Strategic Stockpiles.*

STR. See *United States Trade Representative.*

STRATEGIC STOCKPILES. Accumulated stocks of raw materials or other commodities deemed essential to national defense and maintained so that the country's actual or potential supply of the goods stocked will not fall below the quantity likely to be required for a given period of national emergency. The U.S. Strategic and Critical Stockpiling Act of 1946 authorizes the U.S. General Services Administration to maintain strategic stockpiles, and to expand or reduce them, according to changing estimates of defense needs, while making every effort to phase purchases or sales so as to have minimum effects on world prices. Buffer stocks, in contrast with strategic stockpiles, are intended to stabilize prices and thus protect exporters against economic losses they would face when prices decline precipitously. See also *Buffer Stocks; Commodity.*

STRUCTURAL CHANGE. Secular trends in the principal elements of an economic system, including its patterns of production, consumption, trade and relative prices. Structural change can take place within national economies and is reflected in the ever wider and deeper linkages among them and the consequent increasing interdependence of the world economy. Expansion in the economy as a whole and temporary, cyclical shifts of its components, are not considered structural changes. Since the Industrial Revolution, structural change within most national economies has resulted principally from developments in comparative advantage associated with technological advance, improved infrastructure and changing consumer preference, factors that have characteristically reflected movement from subsistence to commercial agriculture, reduction in the percentage of the labor force engaged in agriculture, and increases in the relative significance of manufacturing (and, at a later stage, a further development toward service industries), changes in the relative economic importance of various industries, the rise and decline of specific economic activities in different countries and regions, and evolution in the composition of exports and imports. See also *Adjustment; Comparative Advantage; Competitive; Economic Development; Industrial Revolution; Infrastructure; Progress; Secular Trend; Services; Technology; Trade Diversion; Transfer of Technology;* and *Welfare.*

SUBSIDIARY. A company controlled by another company, usually through ownership of 50 to 100 percent of its shares or through other organizational or managerial arrangements. See also *Multi-National Corporation; Restrictive Business Practices;* and *Unfair Trade Practices.*

SUBSIDIES CODE. See *Countervailing Dutues; Export Subsidies.*

SUBSIDY. An economic benefit granted by a government to producers of goods, often to strengthen their competitive position. The subsidy may be direct (a cash grant) or indirect (low-interest export credits guaranteed by a government agency, for example). See *Competitive; Export Subsidies; Industrial Policy; Infant Industry Argument; International Arrangement on Export Credits;* and *Non-Tariff Barriers.*

SUBSTANTIAL NEW PROGRAM OF ACTION (SNPA). A comprehensive statement of economic measures to be taken by the international community to enhance the outlook for economic development in the Least Developed Countries, as agreed at an international conference held in Paris in August 1981. See also *Least Developed Countries.*

SUPPLY. The quantity of an economic good that sellers will make available at a given price at a certain time in a specific market. A supply schedule indicates the quantity of an economic good that might enter the market at all possible prices at a particular time. Supply in a market economy is principally determined by the response of many individual entrepreneurs and firms to their perceptions of opportunities for earning profits. See also *Demand; Entrepreneur; Goods; Market; Market Economy; Microeconomics; Price Elasticity of Supply; Private Sector;* and *Profit.*

SUPPLY ACCESS. Assurance that importing countries will have fair and equitable access at reasonable prices to supplies of raw materials and other essential imports. Such assurance might include explicit constraints against the use of the export embargo as an instrument of foreign policy. Requests for such assurance reflect the desire of countries to have a consistent supply of important raw materials at stable prices. See also *Embargo; Market;* and *Supply.*

SUPPLY SCHEDULE. See *Supply.*

SURPLUS. The amount of a commodity that cannot be absorbed in a given market at the existing price. See also *Market; Public Law 480.*

T

TARIF EXTÉRIEUR COMMUN. See *Common External Tariff.*

TARIFF. A duty (or tax) levied upon goods transported from one customs area to another. Tariffs raise the prices of imported goods, thus making them less competitive within the market of the importing country. After seven "Rounds" of GATT trade negotiations that focused heavily on tariff reductions, tariffs are less important measures of protection than they used to be. The term "tariff" often refers to a comprehensive list or "schedule" of merchandise with the rate of duty to be paid to the government for importing products listed, whereas the term "duty" applies only to the rate applicable to an individual tariff item. See also *Ad Valorem Equivalent; Ad Valorem Tariff; Bound Rates; Column 1 Rates; Column 2 Rates; Competitive; Compound Tariff; Concession; Conventional Tariff; Customs Area; Customs Classification; Double Column Tariff; Effective Tariff Rate; General Tariff; Harmonization; Levy; Linear Reduction of Tariffs; Market; Most-Favored-Nation Treatment; Nominal Tariff Rate; Price; Protection; Round; Specific Tariff; State Trading Nations; Tariff Act of 1930; Tariff Escalation; Tariff Quota; Tax; U.S. International Trade Commission;* and *Valuation.*

TARIFF ACT OF 1930. U.S. protectionist legislation that raised tariff rates on most articles imported by the United States, triggering comparable tariff increases by U.S. trading partners. The Tariff Act of 1930 is also known as the Smoot-Hawley Tariff, after the two legislators who sponsored it, and sometimes as the Grundy Tariff, after Joseph Grundy, president of the Pennsylvania Manufacturers Association, who was the chief lobbyist for it. See also *Beggar-Thy-Neighbor Policy; Column 2 Rates; Countervailing Duties; Imports; Protectionism; Reciprocity; Retaliation; Tariff;* and *Trade Agreements Act of 1934.*

TARIFF COMMISSION. See *U.S. International Trade Commission.*

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TARIFF ESCALATION. A situation in which tariffs on raw materials are nonexistent or relatively low, tariffs on semi-processed goods are moderate, and tariffs on manufactured goods are relatively high. Such "escalation"—which exists in the tariff schedules of many developed countries—amounts to greater protection of the manufacturing processes involved than is implied by the actual tariff rate and may therefore have the effect of discouraging the development of production facilities in developing countries. See also *Effective Tariff Rate; Primary Commodity; Production; Protection; Tariff; and Tariff Schedules.*

TARIFF HARMONIZATION. See *Harmonization.*

TARIFF QUOTA. Application of a reduced tariff rate, or zero duty, for a specified quantity of imported goods, or for goods imported during a given period. See also *Specific Limitations on Trade; Tariff.*

TARIFF SCHEDULES. Comprehensive lists of the tariffs a country applies to imported goods. See also *Single-Column Tariff; Tariff.*

TARIFF SCHEDULES OF THE UNITED STATES (TSUS). A comprehensive classification of goods specifying the duty that U.S. customs authorities assess against each imported item. See also *Bound Rates; Customs;* and *Tariff.*

TAX. A payment exacted on persons, corporations, and other economic entities by a government to help pay for government operations or to discourage the consumption of the goods or services taxed by raising their cost. Taxes are distinguished by their compulsory character and by the lack of correlation between the amount paid and the value of the public services financed by the taxes to the taxpayers. See also *Border Tax Adjustments; Direct Tax; Excise Tax; Indirect Tax; Road Tax; Sales Tax; Tariff;* and *Value Added Tax.*

TAX INCENTIVES. See *Industrial Policy.*

TEC. See *Common External Tariff.*

TECHNICAL BARRIERS TO TRADE. See *Non-Tarrif Barriers; Quarantine, Sanitary, and Health Laws and Regulations;* and *Standards.*

TECHNOLOGICAL DEVELOPMENT. The acquisition by a country's nationals of the knowledge, skills and organizational ability that enable them to produce goods and services more efficiently than they were able to prior to such acquisition. See also *Technology.*

TECHNOLOGY. Knowledge of the means and methods of producing goods and services, or the application of science to production or distribution, resulting in the creation of new products, new manufacturing processes, or more efficient methods of distribution. See also *Adjustment; Developing Countries; Distribution; Patent; Production; Structural Change; Trademark; Transfer of Technology;* and *World Intellectual Property Organization.*

TERMS OF TRADE. The ratio of prices (unit values) of a country's exports to the prices (unit values) of its imports. Some economists have discerned an overall deteriorating trend in this ratio for developing countries as a whole. Other economists maintain that whereas the terms of trade may have become less favorable for certain countries during certain periods—and even for all developing countries during some periods—the same terms of trade have improved for other developing countries in the same periods and perhaps for most developing countries during other periods. See also *Developing Countries; Export Prices; Secular Trend;* and *Unit Value.*

TEXTILES. The Multi-Fiber Arrangement Regarding International Trade in Textiles defines textiles as yarns, piece-goods, made-up articles, garments, and other products made of cotton, wool, man-made fibers, or blends thereof, in which any or all of those fibers in combination represent either the chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight for wool) of the product. Historically, the production of textiles has required more unskilled labor and less sophisticated (and hence cheaper) capital goods and technology than other manufacturing industries. The textiles industry has thus often been among the first industries to operate efficiently in many developing countries. The structure of the industry has changed in recent years as textiles manufacturers in developed countries and the newly industrializing countries have increasingly adopted more capital-intensive mass production methods, especially for the latest synthetic fibers and complex knit cloths. See also *Capital Goods; Efficiency; Industrial Revolution; Multi-Fiber Arrangement Regarding International Trade in Textiles; Sensitive Products;* and *Technology.*

THRESHOLD PRICE. A minimum price for grains and other agricultural products under the Common Agricultural Policy of the European Community. The threshold price is fixed at a level that will bring the selling price of grains up to the existing price level in the marketing region within the European Community where supplies are lowest. See *Common Agricultural Policy; European Community; Price; Restitutions;* and *Variable Levy.*

TIED LOAN. A loan made by a government agency that requires a foreign borrower to spend the proceeds in the lender's country. See also *Countertrade; Loan.*

TNC. See *Multi-National Corporation.*

TOKYO DECLARATION. Statement signed in September 1973 by Ministers of 105 countries that formally initiated the Tokyo Round of Multilateral Trade Negotiations. The declaration stressed the intent of the participants to give special priority to the trade interests of developing countries throughout the negotiations. See also *Framework Agreement; Special and Differential Treatment;* and *Tokyo Round.*

TOKYO ROUND. The Tokyo Round of Multilateral Trade Negotiations, formally initiated by the 1973 Tokyo Declaration, was the most comprehensive effort up to that time to eliminate, reduce or control non-tariff barriers that restrict non-agricultural trade, and was especially notable for having negotiated several codes of conduct designed to curtail the use of non-tariff barriers as instruments of protection. More countries participated in these negotiations than in any previous Round, including more than 20 developing countries that were not GATT members and several countries of Eastern Europe. The Tokyo Round was carried out in Geneva and concluded there in 1979. See also *Anti-Dumping Code; Case Law; Codes of Conduct; Customs Valuation Code; Dispute Settlement; Enabling Clause; Framework Agreement; Government Procurement Policies and Practices; Multilateral Trade Negotiations; Non-Tariff Barriers; Protection; Quarantine, Sanitary, and Health Laws and Regulations; Round; Safeguards; Standards; Tokyo Declaration; Trade Act of 1974; Trade Agreements Act of 1979;* and *Williams Commission.*

TOURISM. See *Services.*

TPC. See *Trade Policy Committee.*

T

TPM. See *Trigger Price Mechanism.*

TRADE ACT OF 1974. Legislation enacted by the U.S. Congress late in 1974 and signed into law on January 3, 1975, granting the U.S. President broad authority to enter into international agreements to reduce import barriers. The Act stated that its major purposes were: (1) to stimulate U.S. economic growth and to maintain and enlarge foreign markets for the products of U.S. agriculture, industry, mining and commerce; (2) to strengthen economic relations with other countries through open and non-discriminatory trading practices; (3) to protect American industry and workers against unfair or injurious import competition; and (4) to provide "adjustment assistance" to industries, workers and communities injured or threatened by increased imports. The Trade Act also granted the President authority to extend tariff preferences to certain imports from developing countries and set conditions under which Most-Favored-Nation Treatment could be extended to non-market economy countries that previously had not received MFN treatment from the United States. See also *Adjustment Assistance; Countervailing Duties; Dumping; Escape Clause; Generalized System of Preferences; Most-Favored-Nation Treatment; Safeguards; Section 301; Tokyo Round; U.S. International Trade Commission;* and *Williams Commission.*

TRADE AGREEMENT. A bilateral or multilateral treaty or other enforceable compact committing two or more nations to specified terms of commerce, usually involving mutually beneficial concessions. See also *Binding; Concession; General Agreement on Tariffs and Trade;* and *Round.*

TRADE AGREEMENTS ACT OF 1934 (AS AMENDED). Legislation that amended the Tariff Act of 1930 (Smoot-Hawley Tariff Act), providing authority for the United States to negotiate agreements with other countries for reciprocally beneficial tariff reductions. The resulting agreements were then applied to other countries through Most-Favored-Nation clauses. The original 1934 legislation, as extended by several further acts of the U.S. Congress, provided authority for U.S. participation in the first five "Rounds" of GATT trade negotiations, from 1947 through the Dillon Round. It was superceded by the Trade Expansion Act of 1962. See also *Bilateral Trade Agreement; Dillon Round; Negotiations; Peril Point; Reciprocity; Round; Tariff Act of 1930; Trade Agreement;* and *Trade Expansion Act of 1962.*

TRADE AGREEMENTS ACT OF 1979. Legislation authorizing the United States to implement trade agreements dealing with non-tariff barriers negotiated during the Tokyo Round, including agreements that required changes in existing U.S. laws, and certain concessions that had not been explicitly authorized by the Trade Act of 1974. Specifically, the 1979 Act incorporated into U.S. law the Tokyo Round agreements on dumping, customs valuation, import licensing procedures, government procurement practices, product standards, civil aircraft, meat and dairy products, and liquor duties. In addition, it extended the President's authority to negotiate trade agreements with foreign countries to reduce or eliminate non-tariff barriers to trade. See also *Anti-Dumping Code; Countervailing Duties; Customs Valuation Code; Dumping; Government Procurement Policies and Practices; Licensing Code; Non-Tariff Barriers; Standards; Tokyo Round; Trade Act of 1974; Trade Agreements;* and *United States Trade Representative.*

TRADE AND DEVELOPMENT. See *United Nations Conference on Trade and Development.*

TRADE CREATION. See *Trade Diversion.*

TRADE DIVERSION. A shift in the pattern of origin of a country's imports resulting from changes in trade policies or practices, which may or may not involve change in the overall volume or composition of the imports involved. Trade creation results when increased economic activity generates a larger total demand for imports. The establishment of a customs union will cause participating countries to import goods from other countries in the union in place of traditional imports from countries outside the union, but at the same time, greater economic efficiency may increase the total level of imports into the countries comprising the union. Trade theorists say the customs union will be beneficial to outside suppliers as well as participating countries if the "trade creation" resulting from the customs union exceeds the "trade diversion," because this would entail a more efficient allocation of productive resources. See also *Customs Union; Demand; Efficiency; Imports; Structural Change;* and *Welfare.*

TRADE EXPANSION ACT OF 1962. The legislative authority for U.S. participation in the Kennedy Round of Multilateral Trade Negotiations. The legislation itself heavily influenced the content and procedures of the Kennedy Round, especially by granting the U.S. President general authority to negotiate—on a reciprocal basis—reductions of up to 50 percent in U.S. tariffs. (This authority expired June 30, 1967, thus predetermining the concluding date of the Kennedy Round.) U.S. duties below five percent ad valorem, duties on certain agricultural commodities, and duties on tropical products exported by developing countries could be reduced to zero under the Act. The 1962 legislation explicitly eliminated the "Peril Point" provision that had limited U.S. negotiating positions in earlier GATT Rounds, and instead called on the Tariff Commission and other agencies of the U.S. Government to provide the President and his negotiators with information regarding the probable economic effects of specific tariff concessions. The Trade Expansion Act superceded the Trade Agreements Act of 1934, as amended. Some parts of the Trade Expansion Act were subsequently amended by the Trade Agreements Act of 1979. See also *Kennedy Round; Linear Reduction of Tariffs; Peril Point; Trade Agreements Act of 1934;* and *United States Trade Representative.*

TRADE FAIR. A market or trade exhibition, usually arranged under public or semi-public auspices, at which manufacturers and traders display their products to stimulate sales. Trade fairs were particularly popular in Europe during the Middle Ages, when they provided important large-scale markets. Since World War Two general trade fairs have served chiefly as international exhibitions of wares rather than as markets. Specialized trade fairs have played an important and increasing role in recent years as meeting places for buyers and sellers of specialized merchandise. See also *Demand; Distribution; Export Promotion; Market;* and *Supply.*

TRADE MISSION. Experts and/or businessmen sent by a government or by commercial interests in one country to encourage exports to the market of another country. See also *Distribution; Export Promotion; Exports;* and *Market.*

TRADE NEGOTIATIONS. See *Negotiation; Round;* and *United States Trade Representative.*

TRADE POLICY COMMITTEE (TPC). A senior inter-agency committee of the U.S. Government, chaired by the U.S. Trade Representative, that provides broad guidance to the President on trade policy issues. Members include the Secretaries of State, Treasury, Commerce, Agriculture and Labor. See also *United States Trade Representative.*

T

TRADEMARK. A mark or symbol secured by legal registration used by a manufacturer or trader to distinguish his goods from competing goods. See also *Commercial Counterfeiting; Intellectual Property; Property;* and *Technology.*

TRADING WITH THE ENEMY ACT. See *International Emergency Economic Powers Act.*

TRANSACTION VALUE. See *Customs Valuation Code; Valuation.*

TRANSFER OF TECHNOLOGY. The movement of modern or scientific methods of production or distribution from one enterprise, institution or country to another, as through foreign investment, international trade, licensing of patent rights, technical assistance or training. See also *Distribution; Production; Property; Structural Change;* and *Technology.*

TRANSFER PAYMENTS. Within a national economy, payments made by the government or the wealthier sectors of a population to the poorer people in the country, as through social security payments, unemployment benefits and widows' pensions. Such payments are not made in return for goods or services but to redistribute income. International transfer payments include grant aid by governments to developing countries and programs and activities of private voluntary agencies based in one country that bring financial benefits to people in another country, and are considered part of the current account in the balance of payments. See also *Additionality; Current Account; Direct Tax;* and *Official Development Assistance.*

TRANSIT ZONE. The area surrounding a port of entry in a coastal country that serves as a storage and distribution center for the convenience of a neighboring country—a land-locked country, for example—lacking adequate port facilities or access to the sea. A transit zone is administered so that goods in transit to and from the neighboring country are not subject to the customs duties, import controls or many of the entry and exit formalities of the host country. A transit zone is a more limited facility than either a free trade zone or free port. See also *Customs; Free Zone;* and *Port of Entry.*

TRANS-NATIONAL CORPORATION. See *Multi-National Corporation.*

TRANSPARENCY. Visibility and clarity of laws and regulations. Some of the codes of conduct negotiated during the Tokyo Round sought to increase the transparency of non-tariff barriers that impede trade. See also *Codes of Conduct; Government Procurement Policies and Practices; International Arrangement on Export Credits;* and *Non-Tariff Barriers.*

TRANSPORTATION. See *Services.*

TREATY OF FUSION. See *European Community.*

TREATY OF ROME. See *European Community.*

TRIGGER PRICE MECHANISM (TPM). A U.S. system for monitoring imported steel to identify imports that are possibly being "dumped" in the United States or subsidized by the governments of exporting countries. The minimum price under this system is based on the estimated landed cost at a U.S. port of entry of steel produced by the world's most efficient producers. Imported steel entering the United States below that price may "trigger" formal Anti-Dumping investigations by the Department of Commerce and the U.S. International Trade Commission. The TPM was in effect between early 1978 and March 1980. It was reinstated in October 1980 and suspended for all products except for stainless steel wire in January 1982. See also *Dumping; Export Subsidies; Sensitive Products; Subsidy;* and *U.S. International Trade Commission.*

TROPICAL PRODUCTS. Certain agricultural commodities produced by developing countries in the tropical zones of Africa, Latin America and East Asia, including cocoa, coffee, tea, spices, bananas and other tropical fruits, and tropical hardwoods. See also *Commodity.*

TSUS. See *Tariff Schedules of the United States.*

TURNKEY CONTRACT. A compact under which the contractor assumes responsibility to the client for constructing productive installations and ensuring that they operate effectively before turning them over to the client. By centering responsibility for the contributions of all participants in the project in his own hands, the contractor is often able to arrange more favorable financing terms than the client could. The responsibility of the contractor ends when he hands the completed installation over to the client. See also *Countertrade.*

TVA. See *Value Added Tax.*

U

U.S. INTERNATIONAL TRADE COMMISSION (USITC). Formerly the U.S. Tariff Commission, which was created in 1916 by an Act of Congress. Its mandate was broadened and its name changed by the Trade Act of 1974. It is an independent fact-finding agency of the U.S. Government that studies the effects of tariffs and other restraints to trade on the U.S. economy. It conducts public hearings to assist in determining whether particular U.S. industries are injured or threatened with injury by dumping, export subsidies in other countries, or rapidly rising imports. It also studies the probable economic impact on specific U.S. industries of proposed reductions in U.S. tariffs and non-tariff barriers to imports. Its six members are appointed by the President with the advice and consent of the U.S. Senate for nine-year terms (six-year terms prior to 1974). See also *Countervailing Duties; Dumping; Escape Clause; Export Subsidies; Imports; Peril Point; Tariff;* and *Trade Act of 1974.*

U.S. REVENUE ACT OF 1971. See *Domestic International Sales Corporation.*

U.S. STRATEGIC AND CRITICAL STOCKPILING ACT OF 1946. See *Strategic Stockpiles.*

U.S. TARIFF COMMISSION. See *U.S. International Trade Commission.*

U.S. TRADE POLICY COMMITTEE. See *Trade Policy Committee.*

UNCONDITIONAL MOST-FAVORED-NATION TREATMENT. See *Conditional Most-Favored-Nation Treatment; Most-Favored-Nation Treatment.*

UNCTAD. See *United Nations Conference on Trade and Development.*

UNCTAD/GATT INTERNATIONAL TRADE CENTER (ITC). See *International Trade Center UNCTAD/GATT.*

UNDERSTANDING ON NOTIFICATION, CONSULTATION, DISPUTE SETTLEMENT, AND SURVEILLANCE. See *Dispute Settlement; Framework Agreement.*

UNDERWRITER. An insurance company, investment banker, or other financial agent that accepts the risk of insuring specified goods, especially in shipping. See also *Capital Market; Insurance;* and *Risk.*

UNDP. See *United Nations Development Program.*

UNFAIR TRADE PRACTICES. Unusual government support to firms—such as export subsidies—or certain anti-competitive practices by firms themselves—such as dumping, boycotts or discriminatory shipping arrangements—that result in competitive advantages for the benefiting firms in international trade. See also *Boycott; Dumping; Export Subsidies; Restrictive Business Practices; Section 301;* and *Trade Act of 1974.*

UNILATERAL. An action taken by a single country, on its own initiative, and not in any way dependent upon, or conditional upon, actions of any other country or countries. See also *Bilateral; Multilateral.*

UNIT VALUE. The quotient showing the total value of a particular trade flow during a specified period divided by its volume. Unit values are often reflected in international trade statistics instead of prices. See also *Secular Trend; Terms of Trade.*

UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES. See *Substantial New Program of Action.*

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD). A subsidiary organ of the United Nations General Assembly that seeks to focus international attention on economic measures that might accelerate Third World development. The Conference was first convened (UNCTAD-I) in Geneva in 1964, and was held quadrennially up to 1976: UNCTAD-II, New Delhi, 1968; UNCTAD-III, Santiago, 1972; and UNCTAD-IV, Nairobi, 1976. UNCTAD-V met in Manila in 1979 and UNCTAD-VI in Belgrade in 1983. The UNCTAD Trade and Development Board, which exercises the powers of the Conference between its sessions, meets twice a year; and the main UNCTAD committees—which include those concerned with Commodities, Shipping, Manufactures, Invisibles and Financing Related to Trade, and the Transfer of Technology—meet several times between sessions of the Conference. Negotiations in UNCTAD normally take place principally between "Group B" and the "Group of 77," which separately determine their own positions through intra-group discussions prior to the negotiations. UNCTAD is supported by a permanent secretariat based in Geneva. UNCTAD has been an executing agency for UNDP technical assistance projects since 1968, and now administers such projects in ports management, regional economic integration, the transfer of technology, the improvement of customs procedures and other fields related to its programs and activities. See also *Common Fund; Economic Cooperation Among Developing Countries; Generalized System of Preferences; Group B; Group D; Group of 77; Integrated Program for Commodities; International Trade Center UNCTAD/GATT; Restrictive Business Practices;* and *United Nations Development Program.*

U

UNITED NATIONS DEVELOPMENT PROGRAM (UNDP). The arm of the United Nations that provides financial resources to support technical assistance activities designed to stimulate economic development in developing countries, normally through such specialized agencies of the United Nations system as the World Health Organization, International Labor Organization, and Food and Agriculture Organization, which serve as "executing agencies" for UNDP.

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE. See *Bretton Woods Conference.*

UNITED STATES TRADE REPRESENTATIVE (USTR). A cabinet-level official with the rank of Ambassador who is the principal adviser to the U.S. President on international trade policy. The U.S. Trade Representative is concerned with the expansion of U.S. exports, U.S. participation in GATT, commodity issues, East-West and North-South trade, and direct investment related to trade. As Chairman of the U.S. Trade Policy Committee, he is also the primary official responsible for U.S. participation in all international trade negotiations. Prior to the Trade Agreements Act of 1979, which created the Office of the U.S. Trade Representative, the comparable official was known as the President's Special Representative for Trade Negotiations (STR), a position first established by the Trade Expansion Act of 1962. See also *General Agreement on Tariffs and Trade; Negotiations; Trade Agreements Act of 1979; Trade Expansion Act of 1962;* and *Trade Policy Committee.*

USITC. See *U.S. International Trade Commission.*

USTR. See *United States Trade Representative.*

UTILITY. The ability of goods and services to satisfy human wants or desires. Since utility involves subjective appraisal and depends upon the personal tastes of the consumer, it cannot be measured by any standard yardstick. See also *Consumption; Demand; Goods; Price; Services;* and *Value.*

V

VALUATION. The appraisal of the worth of imported goods by customs officials for the purpose of determining the amount of duty payable in the importing country. The GATT Customs Valuation Code obligates governments that sign it to use the "transaction value" of imported goods—or the price actually paid or payable for them—as the principal basis for valuing the goods for customs purposes. See also *Customs; Customs Classification; Customs Valuation Code; Minimum Valuation; Tariff; Tariff Schedules; and Tokyo Round.*

VALUE. The intrinsic worth of specific goods or services, generally identifiable as the amount of money they can be exchanged for at any given time. See also *Money; Price;* and *Utility.*

VALUE ADDED TAX (VAT). An indirect tax on consumption that is levied at each discrete point in the chain of production and distribution, from the raw material stage to final consumption. Each processor or merchant pays a tax proportional to the amount by which he increases the value of the goods he purchases for resale after making his own contribution. The Value Added Tax is imposed throughout the European Community and EFTA countries, but the tax rates have not been harmonized among those countries. See also *Border Tax Adjustments; Consumption; Distribution; Harmonization; Indirect Tax; Sales Tax; Tax;* and *Value.*

VARIABLE LEVY. A duty that increases or decreases as domestic or world prices fluctuate, in order to ensure that the price of the imported product after payment of duty will equal a predetermined "gate" price. The variable levy on a product imported into the European Community, for example, equals the difference between the "threshold" price—one that is considered adequate for EC producers—and the lowest price (on a CIF basis) at which imports actually can be obtained. The amount of the levy is adjusted at regular intervals—daily in the case of grains, fortnightly for dairy products, and quarterly for pork and poultry. See also *CIF; Common Agricultural Policy; European Community; Restitutions;* and *Threshold Price.*

VAT. See *Value Added Tax.*

VENTURE CAPITAL. See *Risk.*

VISIBLE TRADE. Imports, exports and re-exports of merchandise. See also *Balance of Payments; Goods; Invisible Trade;* and *Trade.*

VOLUNTARY RESTRAINT AGREEMENTS (VRA's). Informal arrangements through which exporters voluntarily restrain certain exports, usually through export quotas, to avoid economic dislocation in an importing country, and to avert the possible imposition of mandatory import restrictions. Such arrangements do not normally entail "compensation" for the exporting country. See also *Compensation; Export Quotas; Export Restraints;* and *Orderly Marketing Agreements.*

VRA's. See *Voluntary Restraint Agreements.*

W

WAIVER. A formal exemption of a right or claim. A waiver in GATT is a formal agreement of the CONTRACTING PARTIES to relinquish or forego legal rights, or to suspend the application of specific GATT provisions. See also *General Agreement on Tariffs and Trade; Section 22.*

WEALTH. Capital, money, property, possessions, evidence of ownership, access to benefits, or anything else that has material value. See also *Capital; Money; Property;* and *Value.*

WEALTH TAX. See *Direct Tax.*

WEBB-POMERENE ACT. U.S. legislation enacted in 1918 that exempts associations of American firms engaged in export trade from U.S. anti-trust laws, so long as they do not restrain any U.S. competitor of the association. See also *Anti-Trust; Export Trading Company.*

WELFARE. State or degree of economic well-being. According to classical economists, advances in the overall welfare of a country are the proper objective of economic and trade policy. The term is associated with the work of Arthur Cecil Pigou, a British economist who conceived of the costs of production as including social costs. See also *Comparative Advantage; Economic Development; Efficiency; Imports; Infrastructure; Production; Progress; Structural Change;* and *Trade Diversion.*

WEST. See *East-West Trade.*

WILLIAMS COMMISSION. A prestigious panel appointed by President Nixon in 1970 to explore U.S. trade policy interests. The Commission's basic 1971 recommendation—that the U.S. government should initiate a major round of trade negotiations—ultimately led to the Trade Act of 1974 and the Tokyo Round of Trade Negotiations. See also *Tokyo Round; Trade Act of 1974.*

WILLIAMSBURG SUMMIT. A meeting in May, 1983 of the heads of state of seven major developed countries at Williamsburg, Virginia (U.S.A.), which concluded, inter alia, that international consultations should be initiated, looking toward a new GATT Round of trade negotiations and on conditions for improving the international monetary system. See also *General Agreement on Tariffs and Trade; Liberalization;* and *Round.*

WIPO. See *World Intellectual Property Organization.*

WOOLEN TEXTILES. See *Multi-Fiber Arrangement Regarding International Trade in Textiles; Sensitive Products;* and *Textiles.*

WORKING PARTY. A specialized intergovernmental body established by a higher body to study a particular set of issues and report its findings, and often recommendations, to the higher body. In GATT, for example, a Working Party may be designated by the CONTRACTING PARTIES to consider a specialized trade policy problem, such as the formation of a customs union. Its recommendations may include suggestions regarding actions that specific Contracting Parties might take. Such Working Parties are customarily open to all countries that wish to participate. See also *Contracting Party; Dispute Settlement; General Agreement on Tariffs and Trade;* and *Panel of Experts.*

WORLD BANK. The International Bank for Reconstruction and Development (IBRD), commonly referred to as the World Bank, is an intergovernmental financial institution located in Washington, D.C. Its objectives are to help raise productivity and incomes and reduce poverty in developing countries. It was established in December 1945 on the basis of a plan developed at the Bretton Woods Conference of 1944. The Bank loans financial resources to credit worthy developing countries. It raises most of its funds by selling bonds in the world's major capital markets. Its bonds have, over the years, earned a quality rating enjoyed only by sound governments and leading corporations. Projects supported by the World Bank normally receive high priority within recipient governments and are usually well planned and supervised. The World Bank earns a profit, which is plowed back into its capital. See also *Bretton Woods Conference; Capital Market; Developing Countries; International Development Association; International Finance Corporation;* and *Loan.*

WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO). A specialized agency of the United Nations system that seeks to promote international cooperation in the protection of intellectual property. WIPO administers the International Union for the Protection of Industrial Property (the "Paris Union"), which was founded in 1883 to reduce discrimination in national patent practices, the International Union for the Protection of Literary and Artistic Works (the "Bern Union"), which was founded in 1886 to provide analogous functions with respect to copyrights, and other treaties, conventions, and agreements concerned with intellectual property. See also *Copyright; Intellectual Property; Patent;* and *Technology.*

XYZ

YAOUNDÉ CONVENTION. See *Lomé Convention.*

YARNS. See *Multi-Fiber Arrangement Regarding International Trade in Textiles; Sensitive Products;* and *Textiles.*

United States Information Agency


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TECHNOSERVE

REPLICATION AND
DISSEMINATION
DEPARTMENT

Findings '86

DEMYSTIFYING "POLICY DIALOGUE"
How Private Voluntary Organizations Can Have an Impact on Host Country Policies

Thomas W. Dichter

Thinking about
International
Development

T E C H N O S E R V E

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How Private Voluntary Organizations Can Have an Impact on Host Country Policies

Thomas W. Dichter, Technoserve Inc.

Because PVOs can get close to the workings of the economy at the grassroots, they can bring convincing empirical data to the policy dialogue.

INTRODUCTION

In the thirty years that international development has existed as a discreet field of endeavor, only rarely have the diverse sectors within the field been in general agreement on a major topic. This is one of those times, and policy reform or "policy dialogue" is the topic. At the moment, a large number of aid agencies all believe that finding ways to alter host country policies is crucial to effective development work in the Third World.

Citing Africa's current food crisis as, at least, the partial result of unwise national economic policies, all now recognize the need for development practitioners to exert a positive influence upon a nation's policies. Whether the agency is the United States Agency for International Development (USAID) or the World Bank, the message is the same: at USAID, policy dialogue is called one of the four pillars of development; and at the World Bank, policy reform is seen as the cornerstone of effective, sustained development in sub-Saharan Africa.[1]

Private voluntary organizations (PVOs) also seem to agree. Reviewing statements made by PVOs on African development, the Working Group on Africa of InterAction—a national association of private voluntary organizations in development—found that ten of the sixteen saw policy reform as a priority, and three more implied its importance.

But, so far, PVO concurrence has not translated into much action, and it looks as if most PVOs will be content to pay policy reform no more than lip service. Neglect of policy reform, at a time when PVOs are devoting an ever greater share of their resources to third world development, is unfortunate. Indeed, if we can judge from our own experience at Technoserve, it is also misguided. PVOs need to become involved in policy reform even as they continue to work on the local level, a view that we intend to support, at the same time as we also try to uncover some of the sources, legitimate and otherwise, of PVO resistance.

WHY MANY PVOs SIDESTEP POLICY DIALOGUE

Experience has made many PVOs wary of policy dialogue and while PVOs sense that it may be very desirable, it is also seen as not very possible. Indeed, rating themselves in a major 1985 survey, also conducted by InterAction, most American PVOs insisted that although the need for an influence upon African policies, outlooks and programs was great, their own abilities were unequal to the job.

An effective role in policy dialogue depends on working at both the "top" and the "bottom" in development.

Claims that policy reform is beyond the PVOs' area of competence are common after many years spent in the field in less that ideal circumstances. With the frustrations of field service comes a certain amount of cynicism and, after awhile, development professionals acquire a litany of complaints:
bureaucrats are seen as frantically pursuing too many goals, confusing national issues and personal ones, calling for "dash" and other incentives in order to operate, being too attached to tribal values to remain objective and on and on until, after awhile, the development practitioner disparages "the system." Though not quite analyzed, "the system" is now simply corrupt, nepotistic, inept.

Significantly, it is a short step from this attitude to the comfortable assumption that, should one get involved with "the system" (in the guise of its bureaucrats and officials), one will risk becoming part of the "corruption." From this vantage, policy dialogue is a rather unsavory endeavor, and "not the business of PVOs." PVOs, the sentiment goes, belong amidst the poorest of the poor on a people-to-people basis. To exchange—even supplement—the grassroots with the government, is to forget one's main constituency and to "sell out" or, less drastically, risk being tainted by too much contact with the government officials who make policy.

Connected to this mind-set, also, is what we can only call a hangover from the sixties: the fear that policy reform in the hands of some donors can be policy coercion —the imperialist calling the tune for the native pipers to play. But even though this danger does exist and the fear is, therefore, a legitimate one, to focus upon possible dangers is to miss very real benefits. Despite the problems associated with policy dialogue, its importance for PVOs to the success of sustained development is irrefutable.

WHY PVOs SHOULD ENGAGE IN POLICY DIALOGUE

Development takes place within complex systems, and local grassroots activity is but one part of the whole. To work in a vacuum and raise corn (for example) when one's government has put all its money on potato subsidies doesn't make any sense. Instead, one must recognize and adopt a systems approach to development. With a systems approach, professionals can more clearly perceive, and act upon, the complex interrelationships that exist between a nation's programs, policies and institutions. They can, moreover, improve their ability to judge whether or not the will to support policy reform in a given sector exists on the government's part.

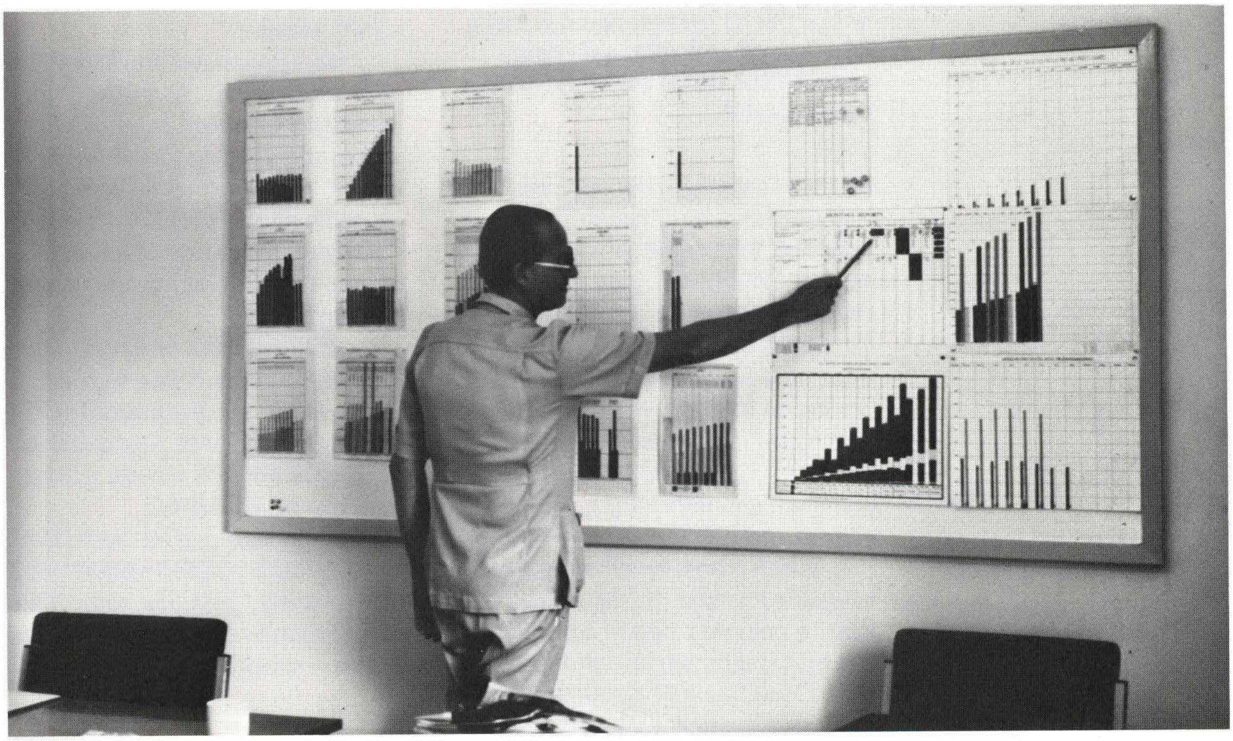
PVOs should then be involved in policy reform because there isn't any real choice. To some extent, successful development depends upon it, and also PVOs are, ironically, the very ones who can make a difference, since they are uniquely positioned for the task at hand. Having spent long periods of time in the field, they have a stake in understanding what goes on out there and a chance to acquire data that others in development (including, surprisingly, a nation's own policy makers) do not have. This means that PVOs can bring to policy dialogue a very valuable, empirically derived, extensive data source.

The data should be put to work and lead PVOs to place a foot in both camps—the beneficiary camp at the grassroots and the world of governments and major donors at the top. But, before this happens, PVOs will have to shed their sense that policy dialogue is too awesome in practice and too morally questionable in theory. And to do this, an overhaul of some academic views, equally debilitating, is in order.

THE ACADEMIC VIEW OF THE CONSTRAINTS ON POLICY DIALOGUE

It is not only PVOs who find policy dialogue awesome. The fact is that the assumptions made by social and political scientists to account for the shortcomings of Third World bureaucracies are not so far removed from the ways PVOs explain their experiences. To be sure, the language is different, but the lament of the practitioner that "we can't do anything with these people" is matched by the academic world's three standard explanations for the shortcomings of the Third World bureaucrat and his/her policy making machinery.

The first explanation is a psychological one.[2] The Third World bureaucrat is seen as a split being, marginally placed between the traditional world that gave him birth



and the modern world that later schooled him. Caught between the two, the bureaucrat too often finds himself stymied, and he behaves in erratic, inconsistent, ineffective ways.

The second explanation is ecological.[3] It transfers the burden of proof from the bureaucrat to his social environment, identifying the environment itself as "split." This view discovers in society a built-in "dysfunctionality" or, at least, a poor "integration" between the traditional and modernizing sides of Third World life.

The third explanation one might call the organizational. It finds fault, not so much with the bureaucrat or his environment, but with his organization and the level of skills to be found there. Either the skills needed to do the work are absent, or what skills people do have are lost because there is an inability to organize them in a concentrated way.

WHAT'S WRONG WITH THE STANDARD VIEW OF THE CONSTRAINTS ON POLICY DIALOGUE

All these views overlap and are ways to describe, if not influence, behavior. The anthropologist, for example, might translate "corruption" into the language of culture. He would then describe the bureaucrat who takes some form of "bribe" as having behaved "particularistically." This means that the bureaucrat is guided by personal relationships, rather than more generalized precepts of conduct.

When a high-level bureaucrat is unable to make decisions and forge a coherent policy, a political scientist might talk about the "functional load" carried by the bureaucrat. And another social scientist, trying to explain the apparent unwillingness of a policy maker to follow up on an agreement, points out that the policy maker has learned the rhetoric of national interest, but still feels, and acts upon, the stronger pull of his own tribal allegiance.

The problem with these explanations is that they explain away, and leave us with no room in which to change. They are, if only unwittingly, defenders of what is. Whether we rely upon the field worker who called a bureaucrat "corrupt," or an anthropologist who claims the bureaucrat is showing characteristic "particularistic" behavior, the message is the same. There isn't much to be done about it.

These explanations are also somewhat beside the point because they look only at policy implementation and ignore the more central question of how the policy came into being in the first place. In this respect, also, the academic and the field worker are alike. Both hold dated views.

To stress policy implementation, rather than the making or remaking of policy, is a throwback to the nineteen sixties. In the sixties, it was common to hear high-level Third World bureaucrats candidly say: "We know what needs doing, the problem is how to get it done."

But now, after twenty to thirty years of independence for many "new states" (as, for example, they used to be called in Africa not so long ago), there is a track record that can be consulted.

It suggests that we were not entirely clear headed about "what needs doing," and that some Third World failures are failures of policy, and not simply implementation.

Data which poorly reflects reality may be a more important cause of poor policy formation than any other.

LESS JARGON, MORE COMMON SENSE, or, without useful data, "good guys can make bad policies"

The Third World just isn't what it used to be. The one fact we can count on (and yet, it is one we often ignore) is that the Third World continues to change. This alone would be strong reason to place less faith in academic talk of societal "dysfunction" and "marginal" beings. In even thirty years the tension between traditional and modern byways has softened; and, certainly, a degree of effective implementation has been learned by many bureaucrats.

Therefore, the time has come to adopt a more mundane and commonsensical view. Rather than remain mired within fatalistic explanations, we can simply acknowledge that the system is subject to the rather ordinary limitations of human beings. These beings are probably no more malevolent or power-hungry than the rest of us. It isn't, especially, their environment, their culture or their insecurities which bind them. Much of the time, they are simply misinformed or very poorly informed. Is it possible that, in the eighties, poor policy may be more a function of policy makers not having good data than of anything else?

To be sure, much data and "fact" gathering now takes place but, even so, not enough useful data reaches the right people. In fact (and here we acknowledge a bias), it may well be that some of the usual sources of data—governments and large multilateral aid agencies with hefty budgets for data collection and analysis—are less valuable than the prestige attached to them would suggest. The problem with this kind of data is that it often relies upon secondary sources, rather than actual field research. Even when fact finding missions visit a country, the visits often do not last longer than six weeks, and tend to come up with more abstractions than empirical data.

Accurate data, however, depends upon first-hand experience, and it depends upon time. The humble PVO, which works in one place over a long period of time and takes care to document all its work and observations, has an enormous potential to build a highly reliable data resource.

RELIABLE DATA AND EFFECTIVE POLICY DIALOGUE—THREE INSTANCES

1. Henequen Fiber

In El Salvador, Technoserve worked with several community-based, agricultural co-ops whose activities centered on the growing of henequen, a fiber used mainly for sacks. Once the initial investment is made, henequen is relatively easy to maintain in a productive state because it will grow in soils that will not support other crops. But, in El Salvador, farmers had been unable to extract a market-ready fiber. Their machines were inefficient, and they had been forced to rely upon third parties for a contract fee.

Technoserve searched for ways to make it technically and financially feasible for the farmers to extract a market-ready fiber. After having made a business analysis, Technoserve helped design henequen processing equipment made from local materials. This enabled the farmers to do their own efficient processing of a marketable fiber—a critical move forward for them.

So far so good. But, although the project was a local success, at the national level, policy decisions were being made which seriously threatened the earnings of these newly commercialized farmers. The government began allowing the importation of substitute and synthetic fibers, and local sack manufacturers stopped buying from native producers.

Armed with an intimate knowledge of all aspects of the production and marketing of henequen fiber and its careful collection of financial and other data on the commodity, Technoserve helped reverse this policy. Seven henequen producing co-ops (including the three with whom we had been working) were encouraged to take concerted action. They formed a lobby which, together with Technoserve's own hard data and reputation for professional work, persuaded government officials to change the synthetic imports policy.

Note: Here, officials did not crumble under pressure from so-called interested parties. Instead, once pertinent information was effectively made available to them, officials acted logically in the national self interest—something cynics think is impossible.

2. Savings and Credit

Recognition of the major role domestic savings can play in national development is now widespread[4] and can be illustrated by Technoserve's experience in Kenya. After having provided management assistance to various savings and credit societies in Kenya for several years, Technoserve earned a reputation for producing results, and was asked to come to the assistance of the Kenya Union of Savings and Credit Societies (KUSSCO).

KUSSCO is the foremost association of savings and credit societies in Kenya and the largest such union in Africa. Working with KUSSCO, Technoserve standardized accounting systems for all savings and credit societies in Kenya. This, and prior work, involved direct contact with the Ministry of Cooperative Development, and led to

The Third World Policy maker may be more hungry for solid data than we often think.

several major policy changes:

For one, the Ministry adopted the loan policy Technoserve had worked out with the Harambee Savings and Credit Society as the model for a standardized, nationwide Loans Policy. For another, the Ministry adopted standardized savings and credit society by-laws based upon the ones fashioned for Harambee, and (again using data supplied by Technoserve) it also revised Kenya's payroll system, making all Kenyan-linked savings and loans societies part of a central monthly payslip. This, in turn, helped the societies themselves reconcile monthly accounts, and led to more efficient detection of loan defaulters.

Change did not stop at banking. Given its understanding of the intricate details of savings and credit societies, as well as its grasp of Ministry dynamics, Technoserve was also able to influence tax policy in Kenya. Recognizing that Kenya's savings and credit societies were taxed on the interest earned from internal member loans, Technoserve and KUSSCO were able to persuade the government that such income, produced from mutual trading among co-op members, should not be taxable. The government of Kenya acknowledged this internationally accepted general principle of co-ops and, as a direct result, more money is now privately available for national development.

3. Cattle Ranching

Also, in Kenya, the work Technoserve had done with local ranching groups and the valuable data therein collected since 1975 have proved to be a continuing influence upon government ranching policies. Beginning with our management assistance to five ranches which formed a cooperative, Technoserve's involvement in ranching projects has run the gamut from livestock production, range management, management training and accounting systems to livestock pricing, purchasing and marketing. We've collected data on ranching in semi-arid areas that is reliable and accurate. It is used by the Development Planning Division of the Ministry of Agriculture and Livestock Development in its annual review of milk, cattle and beef prices.

The Ministry also makes use of break-even analyses of different enterprise scenarios which Technoserve has developed. These scenarios are analytic, computerized models in which pricing assumptions vary, in order to determine the point where different kinds of producers will have the greatest incentive to produce. Scenarios are (again) not based upon abstractions, but upon empirical data constantly updated to reflect current local reality. They might include the example of a large-scale producer, assuming no expansion, and continuing production with an existing herd; the example of a small holder, selling milk through a cooperative to Kenya Cooperative Creameries with an 80% payout and loan servicing for stock purchases; and the example of a small holder selling most of his milk on the informal market.

HAVING THE DATA IS ONLY THE START

It may here be objected that having good data is not enough and that, as Oscar Wilde once said, "even what is true can be proven." Cannot data be used to serve the donor's own agenda and be (as we noted much earlier in describing PVO reluctance to take on policy reform), a form of quid pro quo, a "you want our aid, you change your policy"?

Rhetorical questions. Data can, of course, be distorted to serve an ideology and all policy dialogue is, in some sense, an attempt to influence. But, that does not mean that donor nations will distort, or that they too cannot allow sound data rather than their pocketbooks, to wield the influence.

The mistake is in making an "a priori" connection between donorship and leverage—a connection made in a major USAID-commissioned 1983 study, "Influence of Donors on Domestic Economic Policies." In a sub-section entitled "Influence, Leverage, Dialogue and Conditionality," authors Anne O. Krueger and Vernon W. Ruttan discuss "constructive" leverage, but never quite let go of the notion that there is a sizeable quid pro quo element to the exchange between donor and recipient.

For PVOs to influence policy, they must develop reputations as experts and professionals in their fields.

Yet, as the examples from Technoserve show, it is possible to approach policy dialogue on the basis of professionalism and reliable data. These alone can move policy makers to change. Even Krueger and Ruttan, when they wish to pinpoint what makes for the effective exercise of constructive leverage, stress how essential it is that "both the donor and the recipient country bring substantial professional capacity and experience to the policy dialogue."

For us, that "substantial professional capacity" should—we repeat—include understanding and using a systems approach, and having the capacity to both collect reliable data and then to analyze it without prejudice.

Data cannot be prejudged and, of course, which facts one uses, how many of them, and when they are mustered are important too. If empirical data is bypassed in favor of an ideal macroeconomic theory, the results can backfire (as we think happened when the IMF put pressure on beneficiary nations to institute austerity programs—cf India's 1966 devaluation and Ghana's 1971 devaluation). And the same would be true if only local conditions were consulted.

Always, it is the entire system that must be taken into account, and not least in this system are the men and women whose policies are based, not so much on greed, malevolence and other evils, but on what they think and know at the time they are called upon to act.

Like the rest of us, these men and women are not omniscient. They can use help, and who influences them and with what information is key. The time when Africa, for example, depended unduly on the values of a few charismatic leaders seems to be over, and time is now ripe for PVOs to play an effective role in policy reform.

SOME KEYS TO EFFECTIVE PVO PARTICIPATION IN POLICY REFORM

Technoserve's experience makes clear that, despite barriers within the environment, PVOs can influence policy. But (need we say it?), they have to know what they are talking about. Without knowing a nation's players, the parts of its system and how they interrelate, policy reform or influence should not even be attempted.

The knowledge required doesn't come from books or interviews with local officials. It comes from being directly involved in a nation's development over time. For this experience there are no substitutes or shortcuts. With very rare exceptions, time and experience are the dues all effective PVOs pay.

If a professional commitment of this magnitude is made, there is every reason to believe that the data PVOs amass will command the attention and respect of policy makers, and that some beneficent changes in a nation's policies will take place.

But let us be very clear here. This will not happen unless two fundamental tendencies change. 1) PVOs must not bury their heads in the sand and leave policy to "those bureaucrats in the capitol." To the extent that we have had a "holier than thou" attitude about governments and those who work closely with them, we have been doing our constituents a disservice. 2) PVOs must begin to focus more; to deepen rather than broaden their reach. There are no shortcuts to the kind of authority than can change policy. To be listened to in a given field (be it primary health, enterprise development, education, population) requires a long term, full and professional commitment. Dabbling in a little of everything, taking up something "on the side," amateur status, good intentions, and even good contacts won't do anymore. If these tendencies change (and there are solid signs that they are) then PVOs will be uniquely situated to open and enter policy making doors.

These keys to the process, put in the form of a checklist, might be helpful:

- Gaining an image as a serious and professional development organization based upon successful experience.
- Having a comparative advantage in an area of technical expertise.
- Being around long enough to inspire trust. This can be achieved by commitment to indigenization of key staff members, or very long term assignments of expatriate staff (five or more years).
- Developing the capacity to collect, analyze and present data that carry authority—data which, for the most part, speak for themselves. This means a fundamental commitment to taking on staff who have "harder," more finely honed skills than those "generalist," human-resources type skills many PVOs now offer.
- Being unafraid to cultivate interlocutors in relevant national government ministries. Far from being ruled out, formalized partnerships at these levels should be encouraged.
- Becoming politically savvy —understanding and knowing the key players in a system.
- Possessing a true understanding of the opportunities and constraints surrounding a given program sphere; in short, a systems orientation to development.

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[1]See the World Bank's major 1984 position paper, "Towards Sustained Development in Sub-Saharan Africa."

[2]Pye, Lucian, *Politics, Personality and Nation Building: Burma's Search for Identity.* New Haven, Yale U. Press, 1962.

[3]Price, Robert M., *Society and Bureaucracy in Contemporary Ghana.* Berkeley, U. of Calif. Press. 1975.

[4]e.g., See Keith Marsden of The World Bank writing in *The Wall Street Journal,* 6/3/85.

REPLICATION & DISSEMINATION PROGRAM

Technoserve's Replication and Dissemination Program combines research with an effort to document our experience and apply the results in a number of new settings.

The fundamental thrust for R & D activities remains strongly consistent with that of the history of Technoserve to date—continued self-examination and learning so that our work of improving the lives of low-income people can become more effective.

The papers in our *FINDINGS '86* series as well as the *CASE STUDY* series are meant to share our experience and stimulate debate and dialogue with others who are concerned with Third World problems.

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General Editor: Thomas W. Dichter

Findings '86

A Primer of Successful Enterprise Development—I Principles

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Demystifying "Policy Dialogue"

Who Runs The Show?

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Effectiveness in Enterprise Development needs to be understood in the context of the evolution of a new ethos about Third World Development in general.

PERSPECTIVES, HISTORICAL & CULTURAL

Development, as a field of endeavor with that name, is no more than four decades old. The Marshall Plan, as the first modern age, massive, managed "development" effort, marks the beginning of many organizations in the field today. But even the Marshall Plan was not Development with a capital "D." International Development, as planned and managed assistance to the Third World, did not really begin until the 1960s.

There are four major categories of organizations involved in international development, namely:

- Bilateral Government agencies (e.g. USAID, CIDA of Canada)
- Multilateral Organizations and agencies (e.g. the World Bank)
- Private Voluntary Agencies (e.g. CARE, Technoserve)
- Private, for-profit contractors which implement projects of the Bilateral or Multilateral agencies.

Each has evolved over time and the details of that evolution reveal many differences from one agency to the next. A very broad picture however, is worth sketching, even at the expense of fine distinctions.

It begins in the 1950s, a period during which the emphasis was basically RELIEF. After that, the major periods in the history of western development assistance emerge as follows:

- 1960-1975. Basically large scale CAPITAL INVESTMENT in infrastructure and AGRICULTURAL SCHEMES with some experimentation in small scale grassroots work;
- 1975-1982. The age of disenchantment with large scale top down projects; the beginning of "new directions"; the hey day of "appropriate technology" and the small scale, but a strong continuation of capital investment and also of relief;
- 1982-1985. The era of re-thinking and of ACCOUNTABILITY; policy reform, institutional impact, sustainability, replicability, cost effectiveness, become new emphases.

A brief peek forward to the immediate future might suggest the following:

• 1985-1990 The SYNCRETISTIC era. Practicality dictates; many different beliefs about development are combined; polemic decreases. Reduced tendency to go from one extreme to the other.

Each category of organizations in development has, of course, had a greater or smaller role to play in the periods described above. Private Voluntary Agencies (PVOs), our subject here, began like the rest, primarily as relief agencies formed after major wars or conflicts. In the 1960s, with the advent of what came to be called community development, some began working at the local community level. The major thrust in those years was essentially the idea of doing good things for the poor. In general, this meant a combination of giving people something (a latrine, a clinic, a new kind of plow), and telling them how it worked, or how and why to use it. It was assumed that well-motivated Westerners could give communities the elements of modern hygiene, or agriculture, or education, and that such gifts would lead people to better living conditions. As it turned out, this approach was rather one-dimensional, one-directional, and after some time showed few permanent results. Nonetheless, the seeds for the later grassroots basic human needs approach were planted.

In the 1970s, the integrated community development approach began to be used: a more sophisticated approach which saw correctly that aspects of a community's life were inseparable, and thus intervention was needed all around. Additionally, a self-consciousness had arisen which made PVOs aware of previous tendencies to ethnocentricity (in which a project would simply reflect the aid giver's values, ways of working and technologies), and hence it became important to find out what the project beneficiaries perceived as their needs.

A kind of syllabus of development sectors began to arise which had become rather standard by the end of the 70s. A large PVO might then have a program department with sections devoted to Primary Health, Family Planning, Environment, Women in Development, Adult Literacy, Nutrition, Water, and Income Generation (later called enterprise development). This "portfolio" approach to development was, nonetheless, tied together in a more or less uniform ideology—an ethos which said that the key to economic development was to reach the poor at the grassroots. This ethos was decidedly and increasingly anti trickle down and anti big.

With the 80s came a new spiral in the historical process; an examination of and concern for effectiveness. A few PVOs began raising hard questions about prior performance. Some self-examination began to reveal a fairly typical historical phenomenon—the tendency to carry things too far as a reaction to a perception of earlier mistakes. For example, the integrated approach to community development was recognized as being unmanageable, in reality. It was also acknowledged that simply asking people what they want often leads to wish lists and waste. Similarly, we began to see that not everything small is appropriate, nor is everything big inappropriate. Practicality—the concern for what works in the real world—began to push ideology somewhat to the side.

Today, many U.S. PVOs with a serious concern to be effective are trying more and more to respond to the demand (from all donor quarters, but particularly strongly from USAID) for measurable success, institutional impacts, and now sustainability and replicability. We could describe the significant changes in PVO ethos (again quite grossly) as follows:

OLD ETHOS	NEW ETHOS
Generalist	Specialist
Community as an ideological badge	Community as a locus for action
Accountability for effectiveness hidden behind amateur status and "good intentions"	Accountabilty comes out from behind as PVOs become more professional
Low technical capacity	Higher technical capacity
Ideological homogeneity in PVO community is expected	Ideological heterogeneity in PVO community is accepted

TECHNOSERVE

Technoserve is an unusual PVO in several ways. For 18 years, it has specialized in one area: enterprise development. Its staff is composed of highly trained technical specialists. We deal exclusively in know-how, rather than things or money. We give only know-how; not credit, not food, not tractors. We apply our specialty in a single arena—agriculture. We have a demonstratable record of successful project interventions—defined as successful by the latest criteria. These projects continued to operate after our intervention was over, and are still running. They are run by the community and yet are still viable as businesses. Finally, project interventions in the same agricultural commodity sector have been replicated both regionally within the country and internationally, across countries.

We have received some money from The US Agency for International Development to research and disseminate our findings on what works and what does not in our field of enterprise development, and at the same time to explore new avenues and methods of replication.

The donor and Technoserve both share some basic presumptions about the goals of development assistance. We agree that the purpose of development and of enterprise development as a specialty is to assist low income people in the Third World to improve their lives; to gain more control over their lives, and become less dependent. And we agree that this goal should be reached with a concern for:

- Both short and long term effectiveness;
- Stewardship—responsibility for others' money.

After examining our successes and failures over the past 18 years, we find that there are some surprisingly fundamental elements which explain success. In fact some are truisms, which makes it all the more

The following summary of Technoserve's ten principles for enterprise development, is an attempt to articulate what guides our actions. The object here is self-analysis and public discussion. This, we say, works for us, and here is why we think it does.

surprising how often they are absent. They do not constitute a methodology or a body of procedure as much as they represent, in our opinion, something prior: the sine qua non of enterprise development. They are, at one and the same time, lessons learned and essentials of enterprise development.

I. KNOWING WHO YOU ARE

Understanding and coming to terms with your organization's underlying ideology, values and philosophy seems to be a key to effectiveness. There is a capacity to act more efficiently and in concert that is gained by clarity of values. An organization which does not know "who it is" is likely to spend costly time dealing with more internal disagreement than is healthy. This hampers action.

In Technoserve's case there is a relatively clearly held orientation to development. The organization values the ideal of helping others, holds to a high standard of professionalism, considers it important to look at what history tells us about development, among other things.

Technoserve's ideological biases are:

• Pro-business and the principles which underlie business enterprises.

• That free enterprise, market-oriented economies are best suited to economic growth.

• That people are at heart acquisitive and are motivated when rewards are perceived to be proportional to efforts.

Technoserve does not believe:

• That all political power seeks to oppress the poor.

• That egalitarianism is an instinct that is natural to poor people, or any other for that matter.

Technoserve's methodological biases are:

• There are limits to "doing good."

• People can only help others up to a point.

• Deep social changes cannot be directly engineered. If you believe, for example, that you are "engineering" the creation of social bonds by helping to build an enterprise in a community, you will be disappointed.

There are many PVOs at the other end of the spectrum of values and ideologies from where we are. The main thing is that they are clear about those values. This is a key to effectiveness. Those PVOs which lack such clarity seem also to be relatively ineffective in fostering sustained development.

II. FOCUS

There are three levels of focus which may form another key to effectiveness. These can be stated as three questions: *Where, Who, How?* Generally, we have found that professionalism and overall effectiveness are enhanced by having made some choices that limit the scope of one's work. Therefore an organization needs to figure out where it will work, with whom, and how. That kind of focus leads naturally to efficiency, cost effectiveness, replicability, long-term learning, and long-term impact beyond the original target population. Focus enhances expertise and the knowledge of what your capacities are.

In our case we have made the following choices:

Where?

The agricultural arena. History seems to say that economic growth begins with agricultural health. When agriculture is working, nations and civilizations are freed to develop in other ways. Agriculture seems to be an a priori part of economic and social development. Therefore, we apply our work in the agricultural sector, not in urban areas and not in industry.

Within that sector, we tend to focus on certain commodity sectors (e.g., cattle, dairy, sugar), so that we will gain expertise that can be efficiently used. In Kenya, for example, we have worked in cattle ranching for over ten years. In El Salvador, we have worked in feed mill projects and coffee cooperatives many times. In Ghana, we have experience in rice, sugar and palm oil. In Panama, pigs and vegetables have comprised a major part of our assistance.

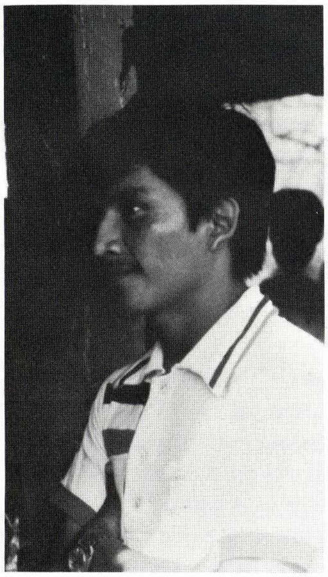
Who?

Farmers. Not any farmer, but rather those who belong to (or want to start) rural enterprises. The enterprises we work with must be community based; that is, have a minimum number of people in the community sharing the equity of the enterprise. In effect, we focus on enterprises of medium scale, believing that greater economic linkages and greater impact are achieved with that scale. Medium scale is defined differently in each country, but generally means more than 25 members (the largest enterprises we work with have over 1000 shareholders or members).

How?

By training people. To put this in perspective, many PVOs who work with farmers, provide them with tools, seeds, or with credit, seeing these as essential to increased productivity. We see productivity as fundamentally dependent on business and management skills. Those are the skills that enable people to get credit on their own with which to buy the tools and seeds they need. These are the skills that enable people to plan for the future, to influence their environment rather than simply react to it. These skills enable people to look at alternatives and make decisions, adding an element of control in their lives which they may never have had before. Moreover, they are exerting that control in the economic rather than the political sphere, which means they are gaining power within the system—fighting fire with fire.

This view is very much geared to our human focus. Because we work with groups of farmers, and not the individual peasant, providing business and management skills makes sense, as opposed to working with the individual peasant who has very limited resources,



which then may require giving credit and tools. So we have evolved a process of enterprise development which integrates all aspects of the agricultural enterprise: organization of the enterprise as a business, planning, financial controls, agronomy, market analysis, administrative controls and management development.

There are two other aspects of our work which are important to single out. We generally work quite intensively with these groups, and do so over a relatively long period (3 to 5 or more years). We have found that the skills we want to transfer are ones that take time to master and are best learned "on the job."

III. ECONOMIES OF SCALE

Our concern for long term efficiency and cost effectiveness leads us to an exploration of the question of economies of scale. This is a complex matter, for while it appears self-evident that there are economies of scale in our work, defining scale is problematic. We believe that paying attention to this issue and keeping it in mind is another key to effectiveness.

Historically, Technoserve evolved towards the medium scale, in part as a function of the skills we wanted to transfer. A single small farmer may be an entrepreneur in the limited technical sense, but he is not necessarily a business. A medium scale enterprise, with a substantial investment in land, equipment, livestock, and expectations of a large turnover in sales, cannot be managed adequately using the same back-of-the-envelope techniques that the small individual farmer may use. While the latter may need credit to improve his lot, the enterprise needs a more complex array of interventions in order to become viable. As these skills require some training, and thus have a significant price attached to them,

A group owned farm enterprise must reach a certain size before it can take optimum advantage of modern business skills.

and as the transfer of those skills often requires intense interaction over time, there is a clear economy of scale in applying them only to larger groups.

We see the major economies of scale attendant to our way of working, in the following way:

• Economic linkages established by a medium sized enterprise can have positive effects on other enterprises, through a demonstration effect.

• A successful, larger scale enterprise has wider socio-economic multiplier effects. More jobs are created, more income generated.

• Institutions and policy making agencies are more likely to take notice of a larger successful entity than of a smaller one. Thus the possibilities of more widespread institutional change or policy reform are greater.

• Larger enterprises necessarily produce larger quantities of whatever commodity is being raised or grown. Hence, if records are well kept, the data on production reflect larger sums and are statistically more significant. This increases the potential to influence policies regarding that commodity.

We recognize that project scale is not static, and should not be viewed as such. Indeed, if economic entities are successful, they will likely show growth in one or more of their aspects. By keeping economy of scale in mind as a key criterion for effectiveness, an organization can easily adjust to such changes in scale.

For example, one of the ironies we have found in this respect is that, as a large enterprise becomes larger and more successful, it begins to be possible for that enterprise to pay full price for the same services that it had been receiving before from a PVO for less than full price. Even though that enterprise would have acquired the ability to perform many of these functions on its own, it may want now to contract for some monitoring or limited business services from outside. The challenge for an organization like Technoserve, which cannot afford to give services for nothing to an entity that can pay for them, is whether to fill this gap in the market by spinning off a service unit that would operate at profit. That would provide a flow of income to the non-profit side which would, in turn, enable the PVO itself to move towards greater self-sufficiency.

IV. RECOGNIZING THE TRUE MARKET AND BEING "MARKET-DRIVEN"

What we call the "true" market for a PVO's services are the actual needs of the intended beneficiaries of the project or program. We oppose this to the "false" market, which is often the donors' or the PVO's perception of what needs doing. For example, we would argue that, in general, it is better in the long run for a PVO to respond to its own perception of the needs than respond to a "second hand" perception of those needs as defined by a major donor. In crude practical terms, this would mean trying to drum up business on one's own first and seeking funding for implementation later, rather than responding first to funding opportunities and then trying to match the organization to the funding source's project criteria.

Of course such distinctions between "true" market and "false" market are often spurious and arbitrary—who is to say that the donors' perceptions of what is needed are

Being able to say "no" to project opportunities is a function of knowing which projects fit the organization's capacities.

wrong and the PVO's perceptions right, or even that the beneficiaries' perceptions are right? But the distinction between real and false market remains a valid one when we think about the deeper issue of PVO focus and knowing who it is (hence what it can do). The tendency to respond always to the donor's offerings of funding can inevitably lead to a dissolution of focus and specialization. This, in turn, over the long run, can lead to ineffectiveness. PVOs who worry about the degree to which their work is funded by one donor (e.g. USAID) are right to do so.

We have found that by keeping pretty close to a set of project selection criteria and judging new program opportunities by a similar set of criteria, we are increasingly able to use our skills better and more efficiently. We also have better control over the variables we ourselves use to define success.

In practice, this often means starting up a new program using our own unrestricted funds and then, once started, seeking continuation funding. This also means that we often say no to funding opportunities that come along, if the proposed program or project do not fit our predefined criteria.

V. PARTICIPATION

Today, one of the most agreed upon keys to development project effectiveness is participation of the beneficiaries. If we are to truly understand the "true" market for what we have to offer, that understanding must begin with the beneficiaries' perceptions of their needs. But we must be very careful here in not carrying the notion of participation too far, or giving it too much weight in the effectiveness calculus.

There is effective participation and ineffective (or even counterproductive) participation. We would chart the two as follows:

EFFECTIVE	INEFFECTIVE
Participation has its limits. Beneficiaries do not know all that is best for them.	Participation done for its own sake—total acceptance of beneficiaries' definition of needs.
Participation seen as a practical matter. It is insurance that project will be sustained.	Participation seen as a political "act," for the sake of raising consciousness.
Participation is sought primarily of those who want to or can be convinced to participate.	Participation of everyone in the community is sought, to the point of forcing it.
Participation is more valuable during the project design phases and evaluation phases than during the day to day decision making of actual implementation.	Participation thought of as monolithic—takes place all through project.

Consciously asking the question: "What is the opportunity cost of a given project or program?" is a key component of project selection.

The conclusion is that participation must be tempered by the questions: Who is to participate? How much participation? When?

Participation is only part of the process. It seems to work best if it is participation for a rather specific purpose, like putting together an enterprise. It should also not be confused with egalitarianism. In fact, participation in our experience seems to work when it is organized and managed by community leaders or by project personnel. Participation, we find too, cannot be successfully done if done quickly. It takes time to get to know people and the subtleties involved in establishing trust are often ones that require getting close to people, knowing their language, and most important, sticking around.

VI. OPPORTUNITY COST

One of the most interesting keys to effectiveness is the application of the concept of "Opportunity Cost." Surprisingly, there has been very little discussion or understanding of this very simple precept in the PVO community. In our experience, Opportunity Cost has been a central criterion of project selection and an overall guide to planning.

The concept is simple: every opportunity for engaging in any action has a cost, which may be high or low. That cost is related to the fact that if one decides to do "A," then by definition, one cannot do "B" at the same time. The sounding board against which to measure that cost is the purpose and goal orientation of the organization, in combination with its available resources (money or personnel).

This concept is particularly important for non-profit organizations which may have less control (in theory at least) over the expandability and fungibility of their resources, or fewer ways to manipulate those resources than do for-profit organizations.

For example, when we consider assistance to a new group of farmers who want to get together to start a commercial rabbitry, we ask ourselves what is the opportunity cost of this assistance? Given our staff and our resources in that country, could we achieve the same impact by any other means, by doing another project? Could we do more with those resources over the same time period by way of helping more low income people?

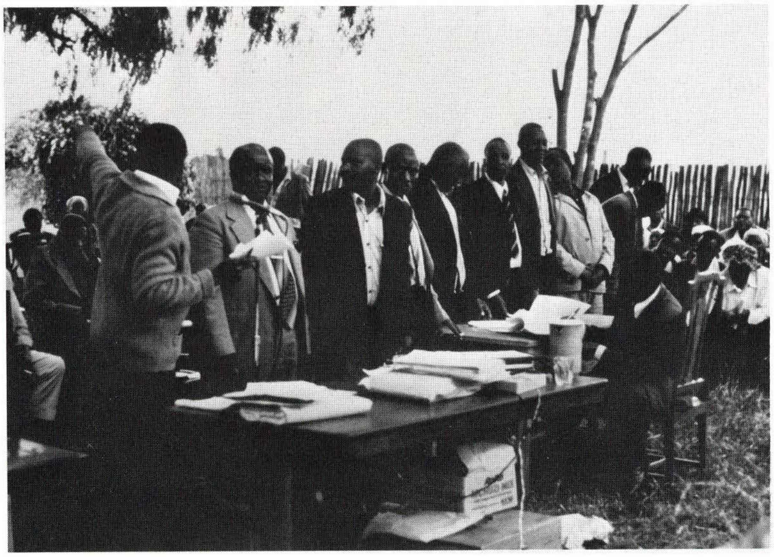
By asking the question: "What is the opportunity cost of engaging in this new activity?," an organization provides for itself an internal check and balance system which helps to ensure project and program effectiveness.

VII. ENTERPRISE VIABILITY

For PVOs engaging in enterprise development, whether defined as small scale, microenterprise, or medium scale, we believe that a key characteristic of effectiveness is the degree to which the enterprise is rendered economically viable. This means that ultimately the outputs must be greater than the inputs. However uncomfortable this "bottom-line" approach may be, it is the only real check against the delusion that, because one is assisting the enterprise, one is engaged in enterprise development. If the enterprise cannot stand on its own after the intervention, cannot make a profit, then it is not a viable enterprise. There may be social reasons to keep it afloat but not economic ones.

SOCIAL-CENTERED	BUSINESS-CENTERED
High degree of social conscience	High degree of social conscience
Tends to micro end of the size scale	Tends to middle of the size scale
Tends to see poverty as more a function of social injustice than of economics	Tends to see poverty as more a function of economics than of social injustice (or at least 50-50)
Emotionally anti big business	Neutral or positive vis-a-vis big business
Uncomfortable with capitalism though in favor of it in general	Comfortable with capitalism; if anything, somewhat uncritical of it
Accepts intangible benefits	Prefers tangible benefits
Prefers the term "income generation"	Prefers the term "profit"
Prefers the term "enterprise"	Prefers the term "business"
Prefers calling projects "projects"	Prefers calling projects "businesses" or enterprises
Uses "equity" to mean social equality	"Equity" is business term meaning assets held by owners in a business
Values community development skills on staff somewhat more than technical and business skills	Values technical and business skills much more than community development skills
Anti trickle-down theory	Neutral on trickle-down theory
Willing to compromise short term business viability for long term social gain	Less willing to compromise short term business viability for long term social gain
Tends to see individual empowerment as preceding enterprise viability	Tends to see individual empowerment as a result of enterprise viability

We recognize, however, that there is a wide range of approaches to this question of viability of the enterprise. The differences have to do with whether the PVO is basically business-centered or socially-centered. These may be seen as cultural characteristics of the organization.



VIII. CARE IN STAFF SELECTION

A key characteristic of effective enterprise development organizations is the care with which staff are hired. While it is a cliché to say that an organization is its people, it is one of those truisms that is too often dismissed in practice.

Long term effectiveness flows from committed staff: people who will stick with the organization, apply their learning over time, become experts. Low turnover of staff (as a function of organizational care in hiring rather than as a function of organizational staleness) is a key to effectiveness.

Along with this goes a commitment to a high percentage of local national staff in positions of responsibility. An overseas program of a U.S. PVO will have a better chance at all the elements of effectiveness we defined earlier if its staff has the depth of local knowledge and the permanence that only local people can provide.

IX. A SYSTEMS APPROACH TO GRASSROOTS WORK WITH ENTERPRISES

PVOs have long claimed that they have a special ability to work "at the grassroots," because of their philosophies, relatively small size, and relatively lower overheads. The presumption has been that this is where social and economic change must begin, and so this area, one where major players in the development field have not set foot, is the legitimate and fruitful territory of the PVO. It is also considered the right place to work for moral reasons, because it is at the grassroots, among the poor and often disenfranchised, that the most help is needed.

The problem with grassroots work, however well-intentioned, is that the fruits of it can so easily end up in a vacuum, isolated and inconsequential in the larger scheme of things. It may help to cure some of the symptoms, but does not often cure the disease. Ironically, practitioners of pure grassroots projects can suffer from precisely the ailment they are trying to correct: being ignored, isolated and disenfranchised.

Agricultural subsistence is a part of the larger economic system only in the most technical, almost negative sense. Subsistence farmers live in a country, but neither participate in its output nor draw from it. The need is to create agricultural enterprises that are productive beyond mere subsistence. These have the potential to become real elements in a larger system. When grassroots work is conceived of in this way, it is impossible to ignore the need to work in more than one direction—both the "bottom" and the "top" must be actively influ-

Enterprise development is not something to be dabbled in; it is "hardball."

enced for effective and lasting change to take place.

We have found that by developing enterprises at the grassroots while, at the same time, working with institutions at or near "the top," over time, significant changes in policy can be fostered. These changes have enormous potential economic effects on an entire commodity sector. In effect, by viewing grassroots agricultural production as part of a larger system, and by mustering data over time in a particular commodity area and bringing that data to the attention of policy makers and institutions which intervene in policy, we are able to play a role that is an intricate combination of grassroots development, institution building and replication, all at once.

In short, the pay-off of sustained and focused work in a commodity system is precisely that which the major donors are looking for in the eighties: results which are self-sustaining, relatively low-cost and replicable.

X. A GOOD BALANCE OF CAUTION AND RISK TAKING

In enterprise development in particular, a PVO is dealing with something that is risky by its very nature. There are some significant differences between a PVO starting agricultural enterprises in the Third World and starting a business in the "normal" way.

The normal business takes the risks and spreads them at arm's length among banks and other suppliers of capital. If the business fails, the "owner," through various legal mechanisms, can still come out of the experience with his/her personal assets more or less intact. The banks can write off the loss. But in our business, being a PVO, we are using other people's money to do good rather than investing it for them for profit, and we are also asking low-income people to put up substantial amounts of their own meager assets as equity in the enterprise (in fact this is a pre-condition to our help). When there is failure, it is not failure "at arms length." It is quite palpable and serious.

We are not suggesting that our task is technically more difficult, but rather that we carry a greater burden of responsibility not to fail. This means that we must balance caution and risk-taking very carefully. One of the first elements of caution is the recognition that rural enterprise development is "hardball"—it is not something to be done on the side or something that one dabbles in. It requires a major committment of organizational resources over considerable time. It means having a permanent core staff, rather than hiring people on contract for short term assignments. It means sticking with an enterprise, even if it looks like a less than perfect choice has been made. It means seeing the job through, even though some resources of the organization may be tied up for longer than planned. It means constant adjustment and flexibility.

We feel strongly that the effort is worth it. Successful enterprises can add real money to a rural economy, as Technoserve has shown in its work with agrarian reform co-ops in El Salvador. They can create permanent employment, as we demonstrated in Panama. And they can put systems in place which mean significant additional credit through properly operating savings and credit societies, such as the ones Technoserve has assisted in Kenya.

To be effective in enterprise development, it is essential to see the nature of the task clearly. To take it on unprepared is not only likely to result in ineffectiveness, but is likely to cause harm to those one intends to help.

REPLICATION & DISSEMINATION PROGRAM

Technoserve's Replication and Dissemination Program combines research with an effort to document our experience and apply the results in a number of new settings.

The fundamental thrust for R & D activities remains strongly consistent with that of the history of Technoserve to date—continued self-examination and learning so that our work of improving the lives of low-income people can become more effective.

The papers in our *FINDINGS '86* series as well as the *CASE STUDY* series are meant to share our experience and stimulate debate and dialogue with others who are concerned with Third World problems.

TECHNOSERVE R&D PUBLICATIONS

General Editor: Thomas W. Dichter

Findings '86

A Primer of Successful Enterprise Development—I Principles

A Primer of Successful Enterprise Development—II Practice

Demystifying "Policy Dialogue"

Who Runs The Show?

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Norwalk, CT 06851
Telephone: (203) 852-0377
Telex: 965-981

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

June 20, 1990

Mr. Takashi Tanaka
President
Bank of Yokohama, Ltd.
Tokyo, Japan

Dear Mr. Tanaka:

I returned to Washington from Europe earlier this week to find your very nice letter of May 31st and the watermarked pictures done by the Printing Bureau of the Ministry of Finance. Mrs. Conable and I were most impressed with the quality of the watermarking, and have put the pictures in front of windows to get their full effect.

I wish you well in your new position, and expect there will be many opportunities in the future for our paths to cross. I look forward to all such opportunities.

Best personal wishes.

Sincerely,

Barber Conable

+LM

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/05/31 DUE DATE : 90/06/15
LOG NUMBER : 900612001 FROM : Takashi Tanaka
SUBJECT : Thanking BBC for his ltr. and expressing appreciation. Also encl watermarked picture as a small token of his appreciation.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

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________ PLEASE HANDLE
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✓ ✓ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
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COMMENTS :NOTE: The watermarked picture is with CP/MF.

May 31, 1990

Mr. Barber B. Conable
President
International Bank for Reconstruction
and Development

Dear Mr. Conable:

Thank you very much for your kind letter. I resigned the President of the Export-Import Bank of Japan on May 22 and am waiting to take up my new assignment as the President of the Bank of Yokohama, Ltd. at the end of June.

I would like to express my heartiest appreciation to you, Mr. Conable, for the support and cooperation that you and your colleagues at the World Bank have given me and the EXIMBANK during my four years' service at the EXIMBANK. The co-financing arrangement between the World Bank and the EXIMBANK, especially, that was realized thanks to your strong initiative, has become one of the major tools to contribute to alleviating the debt problem of the Third World countries. I sincerely hope that our such efforts will lead to the sustained growth of the world economy.

My successor as the President of the EXIMBANK, Mr. Mitsuhide Yamaguchi, whom you know very well as the former Chairman of the Overseas Economic Cooperation Fund, has a significant and distinguished career in the Ministry of Finance. I am personally delighted with his appointment and would appreciate it very much if you would extend the same support and cooperation to him as before.

Even though I am going to challenge my new career in the private sector, I wish you would allow me to keep the long-cherished friendship with you in the years to come.

I am sending you a watermarked picture elaborated especially by the Printing Bureau of the Ministry of Finance (They are improving their watermarking technology for printing counterfeit-proof bank notes and government bonds). Please accept this small token of my appreciation and put it in front of your window.

Wishing you best of luck and looking forward to seeing you again in the near future, I remain,

Sincerely yours,

T. Tanaka

Takashi Tanaka

3:00

MH
JV

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 88/07/08 DUE DATE : 00/00/00
LOG NUMBER : 880708006 FROM : J. Grenfell
SUBJECT : Briefing: Mr. Conable's meeting with Mr. Francois Xavier-Ortoli, President/Dir. General of TOTAL on July 13, 1988.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

___________ APPROVED
___________ PLEASE HANDLE
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___________ PLEASE DISCUSS WITH ___________________________
___________ PLEASE PREPARE RESPONSE FOR ________________ SIGNATURE
___________ AS WE DISCUSSED
___________ RETURN TO ___________________________

COMMENTS :cc: Mrs. Haug (has her copy), JV (for follow file).

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 11, 1988

TO: Mrs. Marianne Haug, EXC

FROM: M.V. Dehejia, CENVP

EXTENSION: 30631

SUBJECT: AFRICA MANAGEMENT SERVICES COMPANY (AMSCO) - Mr. Conable's Meeting with Francois Ortoli President, TOTAL

I understand Mr. Francois Ortoli, President of TOTAL will be calling on Mr. Conable on July 13 and it is possible that he may ask about the current status of AMSCO.

The African Management Services Company (AMSCO) is being promoted by IFC as an UNDP project along with various aid institutions (CDC, IFU, USAID, Caisse Centrale, etc.) and some 60 to 70 private sector companies. TOTAL is one of 12 to 15 French companies that have shown an interest in joining AMSCO. TOTAL has been very supportive during the preparatory stage of the project and has worked closely with IFC during the past year.

Mr. Conable may wish to confirm to Mr. Francois Ortoli that AMSCO continues to be an important project for IFC and that a strong French private sector presence is welcome.

The project was approved by the IFC Board in September 1987 (IFC/R87-119). Since then, a great amount of work has been done to move the project along. Attachment 1 indicates the current status of financial commitments; these were reconfirmed at a meeting of sponsors held in Copenhagen last week under IFC's Chairmanship. Other points of interest are:

i. UNDP's Project Advisory Committee approved the project last May; final approval is expected shortly.

ii. The African Development Bank will go to its Board in August 1988 for final approval.

iii. The private sector companies are being formally contacted to join the project; a number have already given written commitments.

iv. AMSCO will be headquartered in Amsterdam; formal inauguration of AMSCO is expected to take place in Fall 1988.

V. An international search is currently underway to identify the CEO of AMSCO.

MVD:blm

P-1867

Conditional Funding Commitments to AMSCo
(as at April 27, 1988)

	EQUITY	MANAGEMENT LOAN FUND	MANAGEMENT DEVELOPMENT FUND	TOTAL
		(US$ million)		
A. COMMITMENTS IN PRINCIPLE				
ADB	1.40	-	-	1.40
IFC	1.40	-	-	1.40
IFU (Denmark)	0.50	-	-	0.50
UNDP	-	-	3.38*	3.38*
FINNFUND (Finland)	0.275	-	-	0.275
FINIDA (Finland)	-	0.50*	-	0.50*
Belgian Government/SBI	0.35	0.35	0.35	1.05
ODA (UK)	-	0.30	-	0.30
CDC (UK)	0.35	-	-	0.35
AID (USA)	-	2.50	-	2.50
Italian Government	-	-	0.50	0.50
Swiss Government	-	-	0.50	0.50
Netherlands Government/FMO	0.50	0.50	0.50	1.50
Caisse Centrale (France)	0.50	-	-	0.50
BMZ (Germany)	-	1.20	-	1.20
Private Companies	2.30	-	-	2.30
Sub-total (A)	7.575	5.35	5.23	18.155
B. PROBABLE COMMITMENTS				
BOAD (W. Africa)	-	0.25	-	0.25
DANIDA (Denmark)	-	1.00*	-	1.00*
DEG (Germany)	0.50	-	-	0.50
Swedish Government	-	-	0.25	0.25
Private Companies	0.75	-	-	0.75
Sub-total (A & B)	8.825	6.60	5.48	20.905
C. UNDER CONSIDERATION				
French Government	-	-	1.00	1.00
Irish Government	-	0.25	-	0.25
European Development Fund	-	-	2.00	2.00
NDAP (Norway)	-	0.50	0.50	1.00
CIDA (Canada)	-	1.00	1.00	2.00
Swedfund	0.50	-	-	0.50
Private Companies	0.90	-	-	0.90
Sub-total (C)	1.45	1.75	4.50	7.70
GRAND - TOTAL (A+B+C)	10.255	8.35	9.98	28.555

Notes: (i) * indicates partly tied or directed funds:

(ii) Copies of correspondence regarding conditional commitments from major donors/subscribers are attached.

Conditional Funding Commitments to AMSCo of US$50,000 per Company From Private Sector Organizations (as at April 27, 1988)

A. COMMITMENT IN PRINCIPLE

+ UNEFICO (Switzerland)
+ DPDC (Denmark)
Maurer Textiles (Switzerland)
SOPEX (Belgium)
Dyno Industrier (Norway)
+ Jaakko Poyry Oy (Finland)
Equator Bank (USA)
+ Ekono Oy (Finland)
* Tate & Lyle Agribusiness (UK)
+ Carl Bro (Denmark)
Kloeckner (Germany)
Lummus Int'l (USA)
Standard Chartered Bank (UK)
Mehta Group (India)
Barclays Bank (UK)
ITM Group (Zambia)
* International Business Machines (USA)
Comcraft International (UK/India)
La Farge Coppee (France)
Pechiney (France)
CFDT (France)
SBBM (Belgium)
* Philips (Netherlands)
* Buhler Brothers (Switzerland)
DAF/Leyland (Netherlands)
* Total CFP (France)
* Tetra Pak (Sweden)
* Modi Group (India)
* Nestle (Switzerland)
* Bata Shoe Co. (Canada)
+ BCEOM (France)
+ Partex-CPS (Portugal)
Lawson's Corp. (Nigeria)
J. Akin George & Co. (Nigeria)
* Somdiia (France)
Crown Agents (UK)
* Pasilac-Danish Turnkey Dairies (Denmark)
* Heineken (Netherlands)
* Agrip (Hungary)
* Bouygues (French)
Union Miniere (Belgium)
CDF International (France)
Lyonnaise des Eaux (France)
BRGM (France)
B.N.P. (France)
ACCOR (France)
Peugeot (France)

Sub-total: No. of Companies: 46; Amount: US$2.30m.

B. PROBABLE COMMITMENT

Johnson & Johnson (USA)
Hoechst A. G. (Germany)
* Packages Ltd. (Pakistan)
Lonrho (UK)
Mobil Oil (USA/France)
Royal Volker Stevin (Netherlands)
CHANIC (Belgium)
General Woods & Veneer (Canada)
F.L. Smidth (Denmark)
United Milling Systems (Denmark)
Bank Belgolaise (Belgium)
* British American Tobacco (UK)
* ENBI (Switzerland)
* Parsons & Whittemore (USA)
+ SODECI (France)

Sub-total: No. of Companies: 15; Amount: US$0.75m.
Total A+B: No. of Companies: 61; Amount: US$3.05m.

C. UNDER CONSIDERATION

Lonrho (UK)
Cargill (USA)
Scancem (Norway/Sweden)
Daimler Benz (Germany)
Siemens (Germany)
Tata (India)
* Stork (Netherlands)
Socfinco (Belgium)
R.T.Z. (UK)
+ Coopers & Lybrand Assoc. (UK)
Mitsubishi (Japan)
* HJ Heinz (USA)
* CPC (USA)
Peugoet (France)
Hojgaard & Schultz (Denmark)
Ahold (Netherlands)
RABO Bank (Netherlands)
Mechim (Belgium)

Sub-total: No. of Companies: 18; Amount: US$0.90m.
Total A+B+C: No of Companies: 79; Amount: US$3.95m.

D. TO BE APPROACHED

Tulip/KLM (Netherlands)
Dennison (Canada)
Grand Metropolitan (UK)
Trafalgar House (UK)
British Electric Traction (UK)
James Finlay (UK)
Norsk Hydro (Norway)
Banque Bruxelles Lambert (Belgium)
Dalgety (UK)
Hawker Siddeley (UK)
African Lakes Corp. (UK)

* Indicates that the company is a member of the Industry Council for Development (ICD).
\+ Indicates that the company is a consultancy firm.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

July 8, 1988

TO: Mr. Barber B. Conable, President

THROUGH: Frank Vogl, Acting Director, EXT

FROM: Julian Grenfell, EXTDR

SUBJECT: Your Meeting with Mr. François Xavier-Ortoli July 13, 1988

1. You have agreed to meet with Mr. Ortoli, President/Director-General of TOTAL, on July 13, 1988. Mr. Ortoli is, as you know, a former cabinet minister (in the Presidencies of de Gaulle and Pompidou) and President of the Commission of the EEC from 1973 to 1977. He became Chief Executive Officer of the TOTAL Oil Group in October 1984. He is 63 years old, was born in Corsica, and received both his secondary and university education in Hanoi. A fuller biographical note is attached.

2. He is meeting with Alan Greenspan and Michel Camdessus during his visit.

3. Our Industry and Energy Department (Ms. Jean Becherer) has prepared the following as a briefing:

- In 1985 the Petroleum Projects Division of the Energy Department began a determined effort to develop a strong working relationship with the international oil and gas companies. While a significant number of contacts with companies during the period were initial encounters, this was hardly true with TOTAL.

- Since the early 1980s, the World Bank energy group developed reliable and relatively frequent communication with executives and representatives of TOTAL, particularly through its Washington Office (Philip Saint-Andrew) and through Bank staff encounters with TOTAL regional representatives in Africa, Indonesia, Argentina, and Colombia. It is likely that, among European oil and gas companies, only with Shell and BP does the Bank have more frequent contacts.

- The Bank has financed only two petroleum projects in which oil companies (Unocal and Occidental) are major, operating partners but has made loans to help governments establish joint partnerships or to prepare for private sector involvement.

(Attached is the recently released Energy Series Paper No. 7 which describes the Bank's activities in oil and gas as well as the other energy sectors which you may wish to hand to Mr. Ortoli. There is no reference to TOTAL in it.)

- TOTAL has been approached by Bank staff about their interest in possible LPG distribution projects because of their expertise in that area. The company's assistance has also been sought, specifically in Africa, where it maintains strong political connections.

- Two instances of TOTAL/Bank cooperation concern Indonesia and Argentina. In Indonesia, Bank staff discussed the company's interest in domestic LPG distribution. For various reasons neither TOTAL nor the government jointly pursued. In Argentina, Bank officials met with TOTAL to consider the possibility of financing the first phase of development of a discovery offshore southern Argentina near the strait of Magellan. Because of the change in Bank policy toward this type of project, a Bank loan was never made although TOTAL continued with its plans.

- There may have been misunderstandings in certain developing countries over specific issues or actions by either party, but nothing that harmed the relationship between the Bank and TOTAL.

cc: Mrs. M. Haug, EXC
Mr. F. Aguirre-Sacasa, EXTDR, o/r

Attachments

J.Grenfell/avs

FRANCOIS-XAVIER ORTOLI

Francois-Xavier Ortoli, Inspecteur General des Finances, was born in Ajaccio, Corsica on February 16, 1925. He completed both his secondary education and university studies in law in Hanoi.

Mr. Ortoli played an active part in the fight for the liberation of Indochina from the Japanese, for which he was awarded three decorations, the Medaille Militaire, the Medaille de la Resistance and the Croix de Guerre. After the war, he was admitted to the Ecole Nationale d'Administration in Paris in 1947 from which he graduated cum laude, resulting in his automatic assignment to the Ministry of Finance as an Inspecteur des Finances upon his graduation in 1948. Following assignments from 1951 to 1953 as a technical advisor in the Ministry of Economic Affairs and the Ministry of Information, Mr. Ortoli became deputy director, then director of commercial policy of the State Secretary of Economic Affairs.

In 1958, Mr. Ortoli was appointed as the Director-General of the Interior Market of the European Economic Commission, a post he occupied until 1961, when he returned to Paris upon his appointment as head of the Interministerial Committee for European Economic Cooperation. He was appointed by Prime Minister Georges Pompidou to his cabinet and in 1962 Mr. Pompidou designated him as his Chief of Staff.

In 1966 and 1967 Mr. Ortoli served as High Commissioner for Planning. In 1967, General de Gaulle, as President, appointed Mr. Ortoli to his cabinet, first as Minister of Equipment and Housing, then as Minister of Education and finally as Minister of the Economy and Finance, a post equivalent to the Secretary of the Treasury in the United States. Appointed as Minister of Industrial and Scientific Development by President Georges Pompidou, he held the post from 1969 to 1972.

On January 1, 1973, Mr. Ortoli became the President of the Commission of the European Economic Community, the executive body of the EEC, for a term of four years, after which he served as Vice-President of the Community for Economic and Financial Questions until October 1984.

Mr. Ortoli was appointed as Chief Executive Officer of the Total Oil Group, TOTAL Compagnie Francaise des Petroles, on October 26, 1984.

Mr. Ortoli holds honorary doctorates from the Universities of Oxford and Athens. He has been a Member of the French National Assembly from the Department du Nord and Counsellor-General for the district of Lille-Ouest. His decorations include Commander of the Legion d'Honneur and Commander of the Ordre National du Merite in France as well as numerous awards from other nations.

June 1988

JV(FF)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 88/07/07 DUE DATE : 00/00/00
LOG NUMBER : 880711001 FROM : Philip Saint-Andrew
SUBJECT : TOTAL Compagnie Francaise Des Petroles - Encls. summary which shows cooperation between WB and TOTAL. Looking forward to mtg.
OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

_____ APPROVED
_____ PLEASE HANDLE
__✓__ FOR YOUR INFORMATION
_____ FOR YOUR REVIEW AND RECOMMENDATION
_____ FOR THE FILES
_____ PLEASE DISCUSS WITH _____
_____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
_____ AS WE DISCUSSED
_____ RETURN TO _____

COMMENTS :cc: Messrs. Aguirre-Sacasa and Shakow
Note: Mtg. with Mr. Saint-Andrew and Mr. Conable is scheduled for Wednesday, July 13 at 3:00 pm.

URGENT

TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES
SOCIETE ANONYME AU CAPITAL DE F 1.804.044.100
R.C.S. PARIS B 542 051 180

FRANCE
TELEPHONE: 1.47.43.80.00
TELEFAX: 1.47.43.73.27
TELEX: 611992 CFP

SIEGE SOCIAL
5, RUE MICHEL-ANGE
75781 PARIS CEDEX 16

U.S.A.
TELEPHONE: 202-822-8365
TELEFAX: 202-822-0945
TELEX: 248988 CFP

2000 PENNSYLVANIA AVE., NW
Suite 7150
WASHINGTON, D.C. 20006

The Honorable Barber B. Conable
President
The World Bank
1818 H Street, NW
Washington, DC 20433

July 7, 1988

C056-880707

Dear Mr. Conable:

Pursuant to my letter to you dated June 7, 1988, requesting an appointment on behalf of the Chairman of the Board of Directors of our company, I would like to thank you for your kind acceptance.

Although I forwarded to you at that time TOTAL C.F.P.'s latest annual report which highlights our company's profile, it now seems appropriate to summarize some of the most significant accomplishments in the longstanding cooperation between the World Bank and TOTAL CFP.

I trust that the attached summary will enable to better appreciate TOTAL C.F.P.'s close cooperation with your institution and look forward to having the pleasure of meeting you.

Sincerely yours,

Philip P. Saint-Andrew
Director, International Affairs

Attachment

COOPERATION BETWEEN THE WORLD BANK AND TOTAL C.F.P.

1977-1985	India ONGC-IBRD Bombay High Development Krishna Godavari Twinning Agreement--TOTAL Co-operator
1981-1985	Argentina YPF-IBRD La Plata Refinery Conversion Twinning Agreement--TOTAL Co-operator
1987-present	Argentina YPF-IFC Hydra Development TOTAL operator, Deminex and Bridas partners
1987	Hungary OKGT-IBRD Exploration, production TOTAL provides technical assistance
1987	Colombia IFC Loan bail-out PETROCOL's Upper Magdalena property purchased by TOTAL C.F.P.
1984-1988	MIGA-IBRD Support and participation in private sector input
1986-present	AMSCO-IBRD Leading private sector involvement through Industry Council for Development (ICD)

PRINCIPAL CURRENT PROJECTS UNDER CONSIDERATION

Nigeria Energy IFC-IBRD
LPG extraction/separation plant

Nigeria Agriculture IFC
15,000 acre farm development

Argentina Energy IFC
Ara gas and condensate field development

Pakistan Energy IFC
S.I.T.E. Nooriabad power plant - B.O.T.

Bangladesh Energy IBRD
LPG distribution

India IBRD
Oil India gas field development
Twinning agreement

Algeria IBRD
Sonatrach oil and gas recovery
Twinning agreement and co-financing

Guinea-Conakry IBRD
Privatization of distribution

Ghana IBRD
Technical assistance for exploration

Indonesia IBRD
LPG distribution

ADDITIONAL COOPERATION BETWEEN WORLD BANK AND TOTAL C.F.P.

Energy supply in West Africa subregion

Petroleum supply rationalization in Africa subregions

Indonesia gas development and price structure

Numerous structural adjustment projects

TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES
SOCIETE ANONYME AU CAPITAL DE F 1.804.044.100
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2000 PENNSYLVANIA AVE., NW
Suite 7150
WASHINGTON, D.C. 20006

The Honorable Barber B. Conable
President
The World Bank
1818 H Street, NW
Washington, DC 20433

June 7, 1988

C035-880607

Dear Mr. Conable:

On January 1, 1981, TOTAL Compagnie Francaise des Petroles opened an office of representation in Washington in order to coordinate our company's relations with the World Bank and other international organizations. At that time, A. W. Clausen and our Executive Vice President Louis Deny, at a meeting in Washington, agreed on the need for a plan of close cooperation, which now appears to have been quite successful.

I am taking this opportunity to request of you, in your capacity as President of the World Bank, an appointment on behalf of the Chairman of the Board of Directors of our company, Mr. Francois-Xavier Ortoli, on July 13 or 14, to discuss international development matters.

Mr. Ortoli is scheduled to arrive in Washington late in the morning of July 13 from Paris via New York, and is due to meet with Michel Camdessus and Alan Greenspan before leaving early in the afternoon of the fourteenth.

I am taking the liberty of enclosing with this letter for your review a brief biographical sketch of Mr. Ortoli as well as our Company's latest annual report.

I would be deeply grateful to you if your schedule permits a meeting with Mr. Ortoli, and I would be pleased to coordinate meeting arrangements with your staff.

Sincerely yours,

Philip P. Saint-Andrew
Director, International Affairs

Enclosures

INDUSTRY AND ENERGY DEPARTMENT WORKING PAPER
ENERGY SERIES PAPER No. 7

Recent World Bank Activities in Energy

June 1988

The World Bank Industry and Energy Department, PPR

Recent World Bank Activities in Energy

June 1988

Prepared by:

Industry and Energy Department
Policy Planning and Research
World Bank

ABSTRACT

The International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the International Finance Corporation (IFC) together comprise the World Bank Group. They share the common objective of raising the standards of living, promoting substantial economic development, and alleviating poverty in the developing countries by channeling financial resources to them and by providing policy and technical advice. Energy serves as one of the foremost catalysts for economic development and expenditures for energy are an important part of developing countries budgets. The Bank therefore channels significant resources to the energy sector.

In order to increase understanding of the Bank's involvement in energy, this paper describes the role of the Bank in energy and then summarizes its recent lending program in energy.

Some of this information has been published previously in the informal Energy Development Information Note Series. However, the intent of this paper is to combine these materials for ready reference for Bank staff and to serve as background information in answering queries from companies, governments and other entities outside of the Bank.

CONTENTS

ANNEXES

I. INTRODUCTION

Energy serves as one of the foremost catalysts for economic development and energy-related investments comprise a significant portion in the portfolios of even the poorest developing countries. In the light of this phenomenon, the efforts of development institutions as intermediaries in the financing of energy projects cannot be understated. This paper explains the role of the World Bank Group in energy and, specifically, the projects it has undertaken in the oil, gas, and electric power subsectors. The project listings are based on compilation by the Energy Development Division.[1/]

The World Bank is the single most important official source of external capital for energy development in the developing countries. Bank annual energy lending (including credits from the International Development Association) has quadrupled from $1 billion in fiscal 1977 to about $4 billion in fiscal 1987 and its energy lending has totalled over $37 billion over the past 40 years. In the Bank's approach to project financing, it has emphasized the review of sector objectives, priorities, and investment options.

The first part of the paper describes the role of the World Bank in energy and, in doing so, it first gives a brief summary of the Bank and its types of energy loans. It discusses the Bank's energy role, including policy formulation, structural adjustment and sector loans, power sector operations, coal, oil and gas operations, and the Energy Sector Management Assistance Program (ESMAP). The paper finally points out how firms can collaborate with the Bank and, to help in this understanding, it summarizes the cycle that a project goes through from the very first steps to its completion.

The Annexes contain information on oil, gas and power projects, and energy sector loans, specifically, their corresponding project descriptions, loan amounts, and fiscal years of Board approval.

1/ This paper was prepared by Kay McKeough, Nigel Green, Jose Escay and Jean Becherer.

II. THE WORLD BANK AND ITS ENERGY ROLE

THE BANK AND ITS AFFILIATES

The World Bank Group comprises the International Bank for Reconstruction and Development (IBRD) and its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC). Their common objective is to raise the standards of living and promote economic development in developing countries by channelling financial resources and policy and technical advice to them. The President of the Bank also heads the International Center for the Settlement of Investment Disputes.

IBRD LOANS

The IBRD is owned by the governments of some 150 countries and its capital is subscribed by its member countries. It finances its lending operations from its own borrowings in the world capital markets, retained earnings and the flow of repayments on its loans. IBRD loans generally have a grace period of three-to-five years and are repayable over fifteen-to-twenty years. The interest rate the IBRD charges is the same on all of its loans but it is not fixed; it is related to its cost of borrowing and changes semi-annually. The current rate for first half 1988 is 7.72%. Currently, IBRD lending amounts to about $14 billion per annum.

IBRD decisions to lend must be based on economic considerations and prospects for repayment. Specific projects are subject to detailed evaluations of the economic merits, financial feasibility, technical soundness, and the social and environmental impacts. Loans are made to a government or payment must be guaranteed by the government of the country in which the investment is made. The Bank's loans finance part of the foreign exchange element of the host country's portion of a project. Unlike export-import banks, the use of Bank loans are not tied to purchases of goods and services in any particular member country and most large contracts for goods and services are subject to international competitive bidding.

IDA CREDITS

The International Development Association (IDA) provides assistance for the same purposes as the IBRD, but primarily in the poorer developing countries with an annual per capita gross national product of less than $790 (in 1983 dollars). Ninety percent of the IDA money goes to countries with less than $400 per capita. More than fifty countries are currently eligible. About one-half of IDA's resources of some $3 billion per annum are currently lent to countries in sub-Sahara Africa. The terms of IDA credits, which are made only to governments, are interest free with ten-year grace periods and forty to fifty-year maturities. In countries which are eligible for both, the Bank tends to provide IBRD loans rather than IDA credits for most energy sector development; however, there are still a few countries that obtain IDA credits for investment in the energy sector. In any case, IDA usually insists that onlending terms from governments to revenue-producing energy operations be based on market rates of interest.

IFC LOANS

The IFC promotes growth in the private sector of the developing countries, helps mobilize domestic and foreign capital for this purpose, and stimulates the flow of private capital into projects. Legally and financially, the IFC and IBRD are separate entities with separate staffs, but the IFC draws upon the Bank for administrative and other services.

The IFC can raise financing either directly through syndication of its loans, or by virtue of its participation in the project, can attract parallel financing from international capital markets. The IFC will finance a private energy company's share in a project regardless if its partner is private or government-owned or it can provide financing to a joint venture if the majority share of the joint venture is private. The IFC can take an equity position, provided that it is not a majority position in the project. IFC's total exposure in a project cannot exceed 25%. Government guarantees are not required.

In oil and gas projects the IFC can reduce the risk exposure of a private oil company and provide lending confidence to other private investors, especially in countries where it is difficult to raise capital. The interest rates charged by the IFC are higher than either the Bank's rate or the prime rate and are more in line with commercial lending.

THE BANK'S ENERGY ROLE

About one-fifth of total Bank lending is directed for energy, and lending for energy development has increased over the past seven years. Some $3.7 billion in Bank and IDA energy loans were approved in fiscal 1987 and cumulative energy lending has exceeded $37 billion. Besides its traditional lending for energy projects, the Bank is diversifying its lending instruments by providing increasing amounts for structural and sector adjustment loans and sector investment loans. The Bank also has increased its energy policy and advisory role, partly through advising on energy sector strategies and undertaking comprehensive energy assessments. The Bank is involved in natural gas and petroleum, electric power, coal, household and renewable energy, conservation and energy efficiency.

Through its non-financial assistance, the Bank can serve as a catalyst to induce development of the countries' energy resources. It suggests strategies to help governments put together least cost investment programs and to improve the investment climate for development of energy resources, recommends organizational change and system improvements, reviews the regulatory framework, assists with the selection of specialty consultants, and discusses pricing and resource allocation policies. The Bank has made a particular effort to encourage countries to open up the energy sector for investment to private companies and to use outside technical expertise when necessary. The Bank usually provides for technical assistance in its lending, whether for projects or sector adjustment.

STRUCTURAL ADJUSTMENT AND SECTOR LOANS

The Bank is placing greater emphasis on policy and institutional reforms and economic efficiency by lending for structural and sector adjustment aimed at improving macroeconomic or sectoral issues and programs, such as pricing, taxation and investment. The Bank also provides sector investment loans aimed at bringing investments in line with economic priorities and ensuring that they are efficiently operated and maintained. These can be supported by finance for broad categories of equipment, materials, services and civil works related to the sectoral program.

Sector adjustment lending has become an increasingly important instrument in the Bank's lending initiatives and these loans now amount to about 15 percent of total Bank and IDA commitments. Sector adjustment lending is designed to support sectoral programs of policy and institutional change, including restructuring of capacity, and to increase resource mobilization and efficiency in resource allocation.

The Bank has been increasing its policy-based energy sector loans, and as much as one-third of future energy lending may be of this type. Unlike the Bank's traditional project loans, funds from sector loans are not always earmarked for specific components of an investment program or for a specific project, and, in fact, they can be used for general imports or other expenditures. When lending either for energy projects or general sector investment, the Bank will support policies that lead to efficient development of the sector. It therefore voices concern with policies such as the role of the government, pricing, the regulatory framework, the environment, efficient usage of energy, and demand management. A key issue is the appropriate framework for sector investments including sound investment policies, ownership issues, organizational structure and institutional efficiency.

POWER SECTOR OPERATIONS

More than two-thirds of the Bank's energy lending is directed to electric power which amounts to about $2.5 billion per year and over $18 billion in the past eight years. Most of these loans and credits, representing about 10% of the total power investment in developing countries, was used to finance specific investment projects. Major power investments are sometimes included in more general energy sector loans. Consistent with the Bank's role as lender of last resort and taking advantage of the essentially untied nature of Bank loans and credits, transmission and distribution, including rural electrification, now absorb about one-half of the Bank's power lending. Transmission and distribution receive Bank support because substantial co-financing and bilateral assistance are directed to discrete, large investments such as generation projects, thus reducing the need for Bank assistance for these projects. The remainder of the Bank funds cover generation projects of all types, including thermal coal, hydropower, oil/gas thermal, geothermal, technical assistance, rehabilitation and similar activities including cogeneration. The Bank has not been called upon to finance a nuclear plant, but it does cooperate with the IAEA in reviewing the economic and financial aspects of development programs which may include nuclear power.

The Bank is concerned with the overall structure and policies of a country's power sector; as a condition of its participation, the most important changes requested by the Bank generally concern rates and tariffs, financial structure, and operational efficiency improvement such as reduction of system losses and better metering, billing and collection procedures. The Bank will also provide assistance so that these objectives can be achieved and it cooperates in the support of planning, training, and improved operational performance.

The Bank's principal objective of institution building in the power sector is to create both the environment and the ability for power entities to become managerially self sufficient. The Bank promotes the establishment of well-focused financial policies, encouraging continuity and self sufficiency as well as technology transfer and training. Environmental impacts, especially resettlement issues, are of concern to the Bank in lending for these projects.

Bank policies encourage autonomy and the participation of the private sector where appropriate. The Bank can assist in organizing cofinancing both from public or private sources. Also, through the implementation of appropriate pricing policies, the Bank helps to mobilize local resources for expansion.

COAL OPERATIONS

The Bank remains active in coal mining projects. They are often associated with a power plant project, the reserves being developed to serve as a fuel source for a power plant or with a power plant being located adjacent to the coal mine as part of an integrated project. Most of the production from the projects in which the Bank is involved is used in industrial and power plants; the coal can be for domestic consumption or for export. The Bank will lend for coal exploration, including the delineation of the deposit and for coal mine development. These projects can include the requisite infrastructure as well as provisions for ameliorating environmental impact.

OIL AND GAS OPERATIONS

The Bank funds exploration, promotion, exploration/appraisal and petroleum development projects including the downstream and infrastructure. Bank support for a project may also add stability to contractual terms and can alleviate concerns by lenders about non-commercial risks.

The Bank has in the past financed exploration promotion projects in areas where no significant exploration had taken place or where no company held leases or was negotiating a contract. These projects were designed to provide the host country assistance in attracting private sector risk capital for exploration. The projects included the acquisition, collection and/or reinterpretation of geological and geophysical data and the appropriate packaging of such data. There were usually provisions for training.

Exploration/appraisal projects usually include the acquisition and evaluation of geological, geophysical, and geochemical data. They can include exploration and appraisal drilling programs, but the Bank usually finances them as joint ventures between national oil companies private sector partners or in preparation for private sector involvement. The Bank will consider financing a "farm-in" by a national oil company.

Petroleum development projects support the production of oil and gas from known reserves. They normally include the drilling of development wells and the installation of infrastructure, pipeline facilities and possibly storage and export terminals. Whereas petroleum development is usually financed by international oil companies and borrowings on capital markets, the Bank will finance certain projects which are unable to attract private participation and yet are economically viable. These include natural gas development both upstream and downstream, rehabilitation and/or secondary recovery from producing fields, early production facilities, and heavy oil development as well as common carrier pipelines and facilities and refinery rehabilitation and upgrading. These projects are generally undertaken in the context of supporting present or future private sector investment.

The Bank is emphasizing assistance for energy supplies for the domestic market which could not be financed by export earnings, with special application to natural gas. A project could include non-associated gas field development, gas treatment facilities, gas transmission and distribution systems, LPG processing plant, pipeline, storage and export terminal facilities. The Bank could also finance the power and fertilizer plants that would utilize the gas. Even if it is not involved in the upstream or transmission phases, the Bank may lend for municipal distribution projects that generally involve the construction of a new system or the rehabilitation and expansion of existing systems.

If it appears that participatory Bank funding for a project might be desirable, it can speed up the process and create a better understanding if the international private company participant talks to the Bank staff on an informal basis at the preliminary stages. (The National Oil Company however must approach the Bank to begin the official project evaluation process). The company's analysis of a project can be useful to the Bank in its own appraisal and the two can proceed in tandem. It is also beneficial to the Bank for its planning to know what financing and services the private company participant will provide and vice versa. Delays could be experienced if the borrower seeks Bank assistance only after the project planning is well underway.

ENERGY SECTOR MANAGEMENT ASSISTANCE PROGRAM (ESMAP)

In 1980 the Bank, in conjunction with the United Nations Development Programme (UNDP), introduced the Energy Assessment Program. It was designed to provide the energy policymakers of the developing countries with a reliable and comprehensive survey of their nations' energy sectors emphasizing policy decisions and priorities that needed to be addressed. The issues included energy supply options, demand management options such as pricing policies and energy efficiency in the subsectors, the linkages between the energy sector and the macroeconomy, the planning capacities of energy agencies and the coordination between the various national energy institutions. By mid-1988 assessment reports should be completed on 70 countries.

The assessment program has proven to be a useful tool for developing countries to identify essential projects in the energy field. Subsequently, in 1983 the Energy Sector Management Assistance Program (ESMAP) was instituted to supplement the assessment proposals facilitate implementation of energy policy recommendations and to help stimulate investment. The range of program activities includes household energy strategy, charcoal production, cooking stoves, new and renewable energy, forestry management, biomass, gas utilization, and petroleum management. Energy efficiency studies, including the power, transport and industrial sectors are an important part of the program. ESMAP provides preinvestment evaluations, institutional development training, subsector management services, fuel substitution and pricing services and aid coordination. More than 130 activities have been completed or are ongoing under the program.

The two programs are an international effort; in addition to support by the UNDP and the World Bank, country donors provide some seventy percent of ESMAP funding. Major country donors include the Netherlands, Canada, Switzerland, Norway, Sweden, Italy, Australia, the United Kingdom, Denmark, France, Finland, Ireland, Japan, New Zealand, Iceland and the USA.

Through the ESMAP follow-up activities, the Bank alerts prospective investors to available projects and investment opportunities. Over $500 million in projects originally identified under ESMAP activities have been financed by either private enterprise or multilateral and bilateral donors, including the Bank.

COLLABORATION WITH THE BANK

The Bank together with the borrower identifies priority projects and activities to be undertaken with Bank assistance. The Bank becomes involved early in the process to assure that key development issues and activities are addressed, i.e. compatibility with economic development plans, existence or creation of efficient implementing agencies, sound procurement policies, and the achievement of adequate rates of return.

The Bank's project lending staffs are organized by region under a Senior Vice President for Operations: LAC (Latin American and the Caribbean), EMENA (Europe, North Africa and the Middle East), Africa and Asia. Each of the regions has between four and six country departments, with one responsible for Bank operations in from one to fifteen countries. Within these country departments, there is a division handling energy, coupled with either industry, infrastructure or transport operations. These energy divisions are responsible for all energy sector loans and energy projects and they provide the guidance on the energy component of structural adjustment loans. Each region (LAC, EMENA, Africa and Asia) is supported by a Technical Department that includes energy specialists that provide technical support to the energy divisions in that region.

In addition, the Industry and Energy Department within the Senior Vice Presidency for Policy, Planning and Research provides a central energy policy and research function as well as prepares the ESMAP studies. The Department also serves to direct outside inquiries to the proper project or technical staff in Operations.

PROJECT CYCLE

The phases of a World Bank loan project comprise:

1. Identification - Concerned with selecting (identifying) projects that appear suitable for World Bank financing; includes feasibility studies to identify and prepare preliminary design of technical and institutional alternatives, and to compare respective costs and benefits; also entails sector review or analysis by World Bank to gain understanding of development strategy of the country and energy's role in such development.

2. Preparation - Involves a preparatory phase of close collaboration between the Bank and the borrower to consider technical, institutional, financial and economic conditions necessary to achieve a particular project's objectives. All important issues should be identified and, if possible, addressed fully in this phase. The Bank sends a pre-appraisal mission to ascertain aspects that need attention before a formal appraisal mission is undertaken.

3. Appraisal - After project has taken shape and preparation studies are near completion, the Bank reviews all aspects of the project, which may take 3-5 weeks in the field (appraisal mission). The appraisal lays the foundation for implementing the project and evaluating it when completed; appraisal covers technical, institutional, economic and financial aspects. An appraisal report is then written which serves as basis for negotiations with the borrower for the loan.

4. Negotiations - The Bank and borrower endeavor to agree on the measures necessary to ensure the success of the project; these agreements are converted into legal obligations. After negotiations with the borrower and after the loan documents have been drawn up, the project is presented to the Executive Directors for approval, and the country undertakes its own formalities for loan approval. Next the loan is signed. Legal documents ensure that the Bank and borrower are in agreement on broad objectives, specific actions necessary to achieve them and on a detailed schedule for project implementation.

5. Implementation and Supervision - After a loan is signed, the borrower implements the projects with the assistance of the Bank as supervisor and provider of technical assistance. The borrower makes progress reports on the project.

6. Evaluation - Following final disbursement of World Bank funds for a project, a completion report and (on a selective basis) an independent audit is performed.

Annex I
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A SUMMARY OF BANK OIL AND GAS PROJECTS (BY FY)

The following list summarizes by fiscal year the Bank (including IDA) oil and gas projects approved for lending in the sixteen-year period FY72-87.

FY72-87 WORLD BANK GROUP LENDING FOR OIL AND GAS

FY	No. Projects	Oil & Gas	Tech. Assist.	Sector Lending	Total
		----------------$ Millions		------------------	
72	1	32.0	0.0	0.0	32.0
73	1	59.4	0.0	0.0	59.4
74	0	0.0	0.0	0.0	0.0
75	3	129.0	0.0	0.0	129.0
76	0	0.0	0.0	0.0	0.0
77	1	150.0	0.0	0.0	150.0
78	0	0.0	0.0	0.0	0.0
79	4	109.9	2.5	0.0	112.4
80	13	276.0	11.0	0.0	287.0
81	12	642.0	7.5	0.0	649.5
82	20	1,049.4	27.3	0.0	1,076.7
83	20	1,073.2	6.6	0.0	1,079.8
84	15	635.3	39.2	0.0	674.5
85	12	835.6	47.6	0.0	883.2
86	8	198.0	51.1	0.0	249.1
87	9	354.3	0.0	325.0	679.3
72-87	119	5,544.1	192.8	325.0	6,061.9
% Share		91.5	3.1	5.4	100.0

FY72-87 WORLD BANK GROUP LENDING FOR OIL AND GAS (BY COUNTRY)

LATIN AMERICA AND THE CARIBBEAN

ARGENTINA

	(ln amt-million)	(project amt-million)1/
Oil and Gas Engineering Ln 1880-AR (FY80)	$27.0	$49.6

To improve information on countrywide oil and gas reserves as basis for a rational program of field development, to assist YPF in locating favorable geological structures in the Northwestern Basin and to assist the government in studying the optimum development and utilization of the country's natural gas resources.

Oil and Gas Credit Ln 2031-AR (FY82)	$100.0	500.0

To provide long-term financing for about seven exploration and development subprojects and to help develop Banco Nacional de Desarrollo (BANADE) institutional capacity to appraise and supervise oil and gas subprojects.

Refinery Conversion Ln 2032-AR (FY82)	$200.0	$878.9

To assist YPF to achieve a better balance in the product mix in the two main refineries, specifically to convert the surplus low-value residual fuel oil into higher value lighter refinery products, to enable reduction of imports of light and middle distillates and to strengthen YPF'S internal management and help increase operational efficiency.

Refinery Supplemental (FY86)	$116	

To provide supplemental financing for the refinery conversion project, (LN 2032-AR).

1/ Total cost as appraised.

Gas Utilization and Technical Assistance Ln 2592-AR (FY85)	$180	$802.6

To increase production of natural gas and associated liquids by improving gas production facilities, specifically financing the expansion of liquid recovery facilities at Campo Duran in Northern Argentina and the enlargement of the gas processing plant at Campo Duran, and to build two pipelines.

BOLIVIA

Gas and Oil Engineering Ln S025-BO (FY80)	$16.0	$41.8

To establish by 1982 whether there are sufficient reserves of natural gas in the provinces of Santa Cruz, Chuquisaca, and Tarija to enable YPFB to cover the future requirements of Bolivia's expanded domestic market and gas exports to Brazil, as well as the existing contracts with Argentina, and to help the initial phase of a secondary recovery program in the Monteagudo oil field.

Vuelta Grande Cr 1719-BO (FY86)	$15	$47.9

To increase liquid hydrocarbon production and maintain self-sufficiency in petroleum supplies by completing the development of the Vuelta Grande retrograde gas condensate field in the south, the installation of a gas recycling plant, and the laying of gathering and injection lines.

COLOMBIA

Petroleum Project I Ln 2476-CO (FY85)	$130.0	$980.0

To help finance enhanced oil recovery at Ecopetrol's Casabe oilfield in the Middle Magdalena valley in central Colombia, to help Ecopetrol to develop other fields, and to construct in association with private oil companies a 290-kilometer pipeline along the norther border with Venezuela.

COSTA RICA

Petroleum Sector Ln 2019-CR (FY81)	$3.0	$3.9

To support efforts to explore and evaluate the country's petroleum resources and to develop a policy for the energy sector.

ECUADOR

Emergency Petroleum Reconstruction Project Ln 2803-EC (FY87)	$80	$101.9

To help finance reconstruction of the Trans-Ecuadorian crude oil and LPG pipeline to restore oil production and exports following the earthquakes that damaged major sections of the LPG pipelines. To enhance capacity to deal with the crisis, its aftermath, and emergency preparedness.

GUYANA

Petroleum Exploration Promotion Cr 1208-GU (FY82)	$2.0	$2.3

To provide for the services of specialists by the Ministry of Energy and Mines to help the government in preparing a promotional program to attract foreign oil companies.

HONDURAS

Petroleum Exploration Promotion Ln 1861-HO (FY80)	$3	$3.6

To support the government's efforts to discover petroleum by encouraging foreign oil companies to explore the most promising offshore areas.

JAMAICA

Petroleum Exploration Promotion Ln 2017-JM (FY81)	$7.5	$8.4

To help provide the technical and financial means to enable the Petroleum Corporation of Jamaica to play a major role in the comprehensive evaluation of the country's offshore oil reserves.

PANAMA

Energy Planning and Promotion Ln 1954-PAN (FY81)	$6.5	$8.0

To assist in accelerating petroleum exploration, improving energy planning and investigating the potential for the development of energy alternatives.

PERU

Petroleum Production Rehabilitation Ln 1806-PE (FY80)	$32.5	$50.7

To improve the financial situation and the technical capability of Petroperu by increasing oil production in the short-term by carrying out seismic surveys in the northeastern and central jungle areas and by updating and completing a feasibility and basic engineering study for secondary recovery projects.

Oil Production Enhancement Ln 2195-PE (FY83)	$81.2	$241.2

To ensure that Peru will not become a net importer, the intent of this project is to increase PetroPeru petroleum production by 40 million barrels over ten years.

Refinery Engineering Ln 2117-PE (FY82)	$5.3	$7.3

To review refinery operations and study ways of reducing operating costs through energy conservation, concentrating on the two refineries, La Pampilla and Talara.

URUGUAY

Refinery Rehabilitation Ln 2802-UR (FY87)	$24.4	31.7

To provide equipment and services to revamp and modernize the process units of the aging refinery in Montevideo; to stengthen through technical assistance the petroleum procurement, operations planning and control, and accounting budget systems of the Administracion National de Combustibles, Alcohol Y Portland; and to fund a study on pricing and crude import tariff systems.

AFRICA

BENIN

Petroleum Sector Technical Assistance Cr 1207-BEN (FY82)	$8.0	$10.0

To provide technical assistance to strengthen the government agency responsible for petroleum exploration and development, especially in the development of the Seme oilfield.

Seme Oil II Cr 1503-BEN (FY84)	$18.0	$45.3

To launch the second phase of the development of the Seme oilfield, some 15 kilometers off its southeastern coast, in order to fully develop proven oil reserves and to confirm possible additional reserves.

CONGO

Petroleum Sector Technical Assistance Cr 971-COB (FY80)	$5.0	$5.6

To provide assistance to the Ministry of Mines and Energy to strengthen its capacity to supervise exploration and development of petroleum resources and the distribution of products.

DIJIBOUTI

Geothermal Cr 1488-DJI (FY84)	$6.2	$16.6

To assess geothermal energy reserves in order to confirm suitability for commercial exploitation, along with technical assistance to strengthen the country's geothermal research institute and for power studies conducted by the Electricite de Djibouti to determine technical and economic feasibility of incorporating geothermal power into its overall system.

EQUATORIAL GUINEA

Petroleum Sector Technical Assistance Cr 1304-EG (FY83)	$2.4	$2.7

To provide consultants to assist the country in strengthening the administration of the petroleum sector and in establishing an energy sector information system.

ETHIOPIA

Petroleum Exploration Promotion and Geothermal Cr 1386-ET (FY83)	$7.0	$9.5

To attract foreign oil companies to renew exploration efforts in the country and to establish the feasibility of geothermal energy development.

GAMBIA, THE

Energy Project Cr 1187-GM (FY82)	$1.5	$1.7

To assist the government in developing a strategy for accelerating hydrocarbon exploration, improving power distribution and making better use of its forest resources for energy.

GHANA

Petroleum Exploration Cr 1373-GH (FY83)	$11	$12

To accelerate petroleum exploration through collecting, processing and evaluating seismic data, particularly in the Tano offshore area, and to provide exploration promotion assistance to the government.

Refinery Rehabilitation Cr 1446-GH (FY87)	$6.9	$18.3

To finance the preparation of detailed plans to rehabilitate the government-owned Ghanaian Italian Petroleum Company Ltd. refinery located at Tema; to improve its energy and operating efficiency; and to improve the national petroleum distribution system, focussing on reducing ocean freight losses and upgrading the crude oil handling system at Tema harbor as well as at the refinery.

Petroleum Production and Distribution Cr 1819-GH (FY87)	$15	36.3

To supplement the near complete Tema refinery project by improving the system of procurement of crude oil and bulk marketing of the products to better coordinate them with the refining operation carried out by the Ghanaian Italian Petroleum Company and by rehabilitating the supply and distribution facilities of the Ghanaian Oil Company (GOIL).

GUINEA

Petroleum Exploration Exploration Cr 1438-GUI (FY84)	$8.0	$12.4

To assist the Ministry of Mines and Geology in identifying the country's oil potential so as to encourage exploration by international oil companies and to train the Ministry staff to interpret seismic work and geological field studies and to develop strategy.

GUINEA-BISSAU

Petroleum Exploration Promotion Cr 1095-GUB (FY81)	$6.8	$6.9

To promote the resumption of offshore hydrocarbon exploration by strengthening the capacity of the National Corporation for Petroleum and Mineral Research and Exploration (Petrominas) to evaluate and gather further geological and geophysical data, to negotiate exploration contracts with oil companies and to devise a petroleum accounting system.

Petroleum Exploration Promotion II Cr 1334-GUB (FY83)	$13.1	$23.3

As a follow-up project, to collect some 4,000 kilometers of new seismic data in shallow offshore areas.

IVORY COAST

Petroleum Exploration Ln 2189-IVC (FY82)	$101.5	$1,223.0

To help the development of the country's offshore petroleum resources by a consortium of oil companies headed by Phillips Petroleum Company by financing part of Petroci's share in the consortium's expenditures.

KENYA

Oil Product Pipeline Ln 1173-KE (FY75)	20.0	82.9

To save railroad transportation costs by constructing a 452 kilometer refined products pipeline from Mombassa to Nairobio.

Petroleum Exploration Promotion Ln 2065-KE (FY82)	$4.0	$5.3

To prepare a petroleum exploration promotion program through technical and legal assistance, training and an aeromagnetic survey.

Geothermal Exploration Cr 1486-KE (FY84)	$24.5	$34.3

To help accelerate the development of local energy sources and to define more clearly the country's geothermal potential in the regions of Olkaria and Eburru, including technical assistance for studies on the organization of the country's institutions for geothermal development, the potential domestic natural gas markets and oil shale deposits.

Petroleum Exploration II Technical Assistance Cr 1675-KE (FY86)	$6.0	$9.6

To strengthen the National Oil Corporation of Kenya, Ltd's capabilities for promoting the exploration program; to provide a training program, and to conduct a petroleum products supply study.

LIBERIA

Petroleum Exloration Promotion Ln 1907-LBR (FY81)	$5.0	$6.1

To undertake 2,500 kilometers of seismic surveys of Liberia's offshore to be interpreted and integrated with available data; to assist the Ministry of Lands and Mines with exploration; and to provide technical assistance.

Second Petroleum Technical Assistance Cr 1580-LBR (FY85)	$2.6	$3.4

To provide assistance to enable the Bureau of Hydrocarbons to adopt effective policies and to manage geological and geophysical data and to acquire and analyzing new onshore and offshore data.

MADAGASCAR

Petroleum Exploration Promotion Cr 1016-MAG (FY80)	$12.5	$14.6

To support the government's efforts to develop a domestic supply of hydrocarbons and to improve planning of the energy sector.

Tsimiroro Heavy Oil Exploration Cr 1298-MAG (FY83)	$11.5	$18.0

To provide funds for gathering data on the Tsimiroro deposit in order to attract investment from private oil companies as well as for an engineering study for a future pilot plant at Tsimiroro and a related study on the feasibility of upgrading heavy oil.

MALI

Petroleum Exploration Promotion Cr 1134-MLI (FY81)	$3.7	$4.0

To help monitor exploration by oil companies and interpret the results of such exploration; to investigate known oil shale deposits; and to elaborate a national energy policy.

MAURITANIA

Petroleum Exploration Promotion Cr 1175-MAU (FY82)	$3.0	$3.2

To employ experts for exploration promotion purposes and to help finance a joint study of the sedimentary basin shared with Senegal.

MOZAMBIQUE

Technical Assistance and Rehabilitation Cr 1806-MZ (FY87)	$20	$31.8

To rehabilitate the physical facilities of the Electricity Company of Mozambique and the National Petroleum Supply Company, to provide vehicles and equipment to the two organizations, and to provide operational support for three years in managing transport fleets and in operating power and petroleum handling facilities. Technical assistance will be provided to design and implement management and financial systems.

NIGERIA

Gas Technical Assistance Sector Ln 2390-NIR (FY84)	$25	$33.0

To help formulate and implement the country's national gas policy, prepare the first major infrastructure project in the gas sector and strengthen the country's capacity to develop gas resources; more specifically, assistance for the basic engineering of the Escravos-Lagos pipeline gas system, procurement, a training program for the national oil company (NNPC) staff, and technical services to help NNPC conduct studies on future gas supply expansion for price and marketing strategies.

SENEGAL

Petroleum Exploration Promotion Cr 1323-SE (FY83)	$9.5	$25.2

To study onshore and offshore seismic data for promotion and provide technical assistance to Societe des Petroles du Senegal (Petrosen) and to the Directorate of Mines and Geology.

SOMALIA

Petroleum Exploration Promotion Cr 1043-SOM (FY80)	$6.0	$7.2

To assist in compiling and evaluating geophysical and geological data, updating the legal framework and devising a exploration promotion strategy along with training and foreign fellowships in the Ministry of Mineral and Water Resources to strengthen energy planning capabilities.

Afgoy Gas Development Cr 1464-SOM (FY84)	$18	$24.5

To carry out the first phase of a two-stage program to develop gas reserves at Afgoy in the southeast and to prepare the second stage of the development of Afgoy (which will include the construction of a pipeline to Mogadishu); to help the government to determine its investment requirements and options in the power sector; to determine the demand and economic uses for natural gas, and to formulate a gas pricing policy.

SUDAN

Petroleum Technical Assistance Cr 1513-SU (FY85)	$12	$13.3

To finance the hiring of experts to help collect and evaluate geological and geophysical data; train local staff; assist with the economic analysis and monitoring of contracts; design and carry out a number of geological and geophysical studies; and study policy issues including the use of domestic oil and gas resources.

TANZANIA

Songo Songo I Cr S027-TAN (FY80)	$30.0	$33.0

To assess the hydrocarbon potential in the Songo Songo island area with onshore and offshore drilling and to help strengthen the Ministry of Water, Energy and Minerals' capability in energy sector planning and policy formulation.

Songo Songo II CR 1199-TAN (FY82)	$20.0	$44.8

Second phase of a program to explore for oil and to confirm the extent of the gas reservoir in Songo Songo.

Petroleum Technical Assistance CR 1604-TAN (FY85)	$8.0	$11.0

To relieve the bottlenecks and reduce waste in the distribution of the country's petroleum products, in the longer term to lay the groundwork for rationalizing the distribution system and for developing a strategy for the use of indigenous gas resources and to maintain gas exploration efforts by the private sector.

UGANDA

Petroleum Exploration Promotion Cr 1561-UG (FY85)	$5.1	$6.1

To attract oil companies to explore for exploration mostly in the western part of the country and to assist in setting up the new Petroleum Unit in the Geological Survey and Mines Department.

ZAIRE

Petroleum Exploration Cr 1409-ZR (FY84)	$4.5	$5.3

To expand petroleum exploration in small fields in the Coastal Basin and to hire technical experts for the Department of Mines and Energy to improve the availability of reliable statistical information and to improve their technical capabilities.

ZAMBIA

Refinery Modification Engineering Ln 2151-ZA (FY82)	$5.1	$5.8

To provide engineering services to determine the most appropriate process for ensuring the refinery's ability to meet the demands of the market, taking into account Zambia's potential for using excess capacity in the refinery to meet the requirements of neighboring Zimbabwe, Malawi, and Botswana, which have no operating refineries.

Petroleum Exploration Promotion Ln 2152-ZA (FY82)	$6.6	$8.1

To support the government's first effort to survey its sedimentary basins and to interpret survey data and to establish a petroleum unit in the Ministry of Mines to handle the petroleum exploration promotion project.

Tazama Pipeline Cr 1627-ZA (FY86)	$3.1	$4.1

To carry out a survey to determine the rehabilitation needs of the 1700 kilometer Tazama oil pipeline, which runs from the port of Dar es Salaam, Tanzania to the refinery in Ndola in central Zambia.

ZIMBABWE

Petroleum Fuels Study Cr 1296-ZIM (FY83)	$1.2	$1.4

To determine the least cost of securing petroleum fuel supplies considering the following options: importing gasoline and diesel oil, refining crude oil at a refinery operated by PETROMOC in Mozambique, rehabilitating the CAPREF refinery at Peruka or importing products from Zambia's INDENI refinery.

ASIA

BANGLADESH

Bakhrabad Gas Development Cr 1091-BD (FY81)	$85.0	$164.0

As part of the effort to develop the Bakhrabad gas field in the Comilla district in eastern Bangladesh, to complete five wells, a gas transmission pipeline from the Bakhrabad field to Chittagong and a gas distribution system to supply major consumers; and to provide technical studies and training.

Energy Efficiency and Refinery Rehabilitation Cr 1357-BD (FY83)	$28.5	$36.0

To increase the capacity utilization of the refinery facilities in Chittagong by 15%, and to initiate a national energy conservation program which will include feasibility studies for the potential uses of natural gas.

Petroleum Exploration Promotion Cr 1402-BD (FY84)	$23.0	$25.5

To further the government's efforts to stimulate interest among foreign investors to resume petroleum exploration by providing support to the Bangladesh Oil Gas and Minerals Corporation (Petrobangla) in the technical, accounting, and legal areas, leading to three promotional campaigns.

Second Gas Development Cr 1586-BD (FY85)	$110	$239.4

To appraise the main gas fields in Kasilasthila, Rashidpur, and Beani Bazar in Northeastern Bangladesh to provide a preliminary basis for their long-term development; to build a north-south pipeline of 117 miles from the Kailashtila gas field to the main gas transmission grid in Ashuganj if the appraisal results are encouraging; to provide distribution facilities to small local consumers along the pipeline route; and to design and install gas and condensate treatment facilities at three sites and construct a 10-mile condensate line.

Refinery Modification/LPG Cr 1749-BD (1987)	$47	$81.3

To provide for refinery modification at the facilities of Eastern Refinery Limited and forLPG recovery, storage and distribution.

CHINA

Petroleum I Daqing Oilfield Ln 2252-CHA (FY83)	$162.4	$674.3

As a vehicle for introducing modern technology into China's petroleum industry, to drill 615 oil wells and 206 water injection wells, to study and update current field practices; to carryout seismic surveys; to established three operationally-oriented research laboratories and a computer center; and to upgrade skills of oil industry personnel.

Petroleum II Zhong Yuan Oilfield Ln 2252-CHA (FY83)	$100.8	$499.8

To continue the process of introducing modern technology to the Chinese petroleum industry; to develop the South and East Wenliu fields in the Zhongyuan basin about 500 kilometers south of Beijing; to provide training and computer facilities, and to construct a liquefied petroleum gas plant to process one million cubic meters per day of associated gas by 1986.

Petroleum III Karamay Petroleum Ln 2426-CHA (FY84)	$100.3	$753.5

To explore the potential of the Karamay oilfield located in the Junggar Basin in northeast China, along with seismic and drilling work, and studies of geological risks, the potential demand for natural gas from the South China Sea, the design of pilot projects for thermal recovery of heavy oil and refining methods.

Weiyuan Gas Field Technical Assistance Ln 2580-CHA (FY85)	$25.0	$30.0

To provide reservoir and production data on the Weiyuan gas field located in the southern part of the Sichuan Basin in central-south China, to update information obtained through less sophisticated methods, and, in the long-term, to assist the South West Mining District to develop a more systematic approach to the rehabilitation of gas fields with technologically complex production problems.

Liaodong Bay Petroleum Appraisal & Technical Assistance — $30 — $83.8
Ln 2708-CHA (FY86)

To assist in the appraisal of Bohai Oil Corporation's oil and gas condensate discovery in Liaodong Bay in northeast China, in the planning and financing of an optimum program for developing the discovery, and in strengthening the Corporation's capabilities in offshore petroleum operations by providing technical assistance and training.

INDIA

Bombay High I — $150.0 — $571.0
Ln 1473-IN (FY77)

To help finance the development of the Bombay High and Bassein oil and gas fields located near Bombay to include the construction of facilities required to produce up to 140,000 bpd of oil and 2.2 mmcm/d of natural gas from the two fields and the facilities to process, transport, store and deliver the oil and natural gas from these fields at full production.

Second Bombay High Offshore Development — $400.0 — $858.2
Ln 1925-IN (FY81)

To complete the development of the southern and central areas of the Bombay High fields and thus help it to achieve a production rate of 240,000 bpd by mid-1982.

Refineries Rationalization & Energy Conservation — $200.0 — $1085.7
Ln 2123-IN (FY82)

To expand the capacity of four refineries; to install secondary processing facilities to convert fuel oil into higher value products; to expand petroleum tankage and distribution facilities; and to finance facilities to reduce energy requirements and control pollution.

Krishna-Godavari Petroleum Exploration — $165.5 — $633.8
Ln 2205-IN (FY83)

To assist the Oil and Natural Gas Commission (ONGC) to focus and accelerate its exploration activities in specific areas of the Krishna-Godavari basin.

South Bassein Gas Development — $222.3 — $701.5
Ln 2241-IN (FY83)

To develop the South Bassein field located in the Arabian Seas consisting of four offshore platforms for drilling, processing, gas flaring, and living quarters for the 125 personnel, a submarine pipeline from South Bassein to Umrat and a buried pipeline from Umrat to the Hazira fertilizer complex, and finally pipelines to be built from the South Bassein processing platform to the existing Bombay High gas and crude oil transmission lines.

Cambay Basin Petroleum Ln 2403-IN (FY84)	$242.5	$954.3

To increase the production of oil and gas from the onshore Cambay Basin, located in Gujaral State in western India.

Oil India Ltd. Ln 2785-IN (FY87)	$140	$584

In assisting Oil India Ltd., the project comprises application of production improvement and gas reinjection schemes and associated gas supply network in the partially depleted Assam oil fields, exploration in OIL's new gas-prone exploration area in Rajasthan and for deep gas in the Kumchai area of the State of Arunachal Pradesh, and strengthening OIL's technical and institutional capabilities through technical assistance, training and purchase of equipment for research and development.

INDONESIA

City Gas Distribution LN 2690-IND (FY86)	$34	$86

To develop the gas distribution network and enable industrial consumers to switch from liquid fuels to natural gas by strengthening Perusahaan Umum Gas Negara (PGN), the gas utility, adding to the existing PGN network in Jakarta, Bogor and Medan to encourage small and medium-sized industries to use natural gas, repairing or replacing defective pipelines, providing technical assistance and training programs for PGN staff, establishing a program to help industrial users convert their plants to natural gas, and finally helping to finance studies on appropriate fuel prices and on liquefied petroleum gas.

NEPAL

Petroleum Exploration Technical Assistance CR 1260-NEP (FY82)	$9.2	$10.9

In order to attract foreign oil companies to undertake petroleum exploration, to finance a reconnaissance seismic survey of 800 line-kilometers in the Terai Basin to identify the most prospective sections, to help the government in subsequent negotiations with oil companies, and to provide geophysics courses and on-the-job training to the Department of Mines and Geology.

PAPUA NEW GUINEA

Petroleum Exploration Technical Assistance Cr 1279-PNG (FY83)	$3.0	5.6

To help finance support for the Government in their effort to promote oil and gas exploration.

PHILIPPINES

Geothermal Exploration Ln 2203-PH (FY83)	$37.5	$69.4

Executed by the Philippine National Oil Company (PNOC), to determine through exploratory drilling the commercial viability of geothermal prospects at Bacon-Manito and Palinpinon; to provide a basis for facilitating geothermal agreements with the private sector; and to prioritize areas for exploration and subsequent development, including other uses of geothermal steam.

Petroleum Exploration Promotion (two loans) Ln 2201/2202-PH (FY83)	$13.5 $24.0	$69.4 (combined)

For use of the Bureau of Energy Development and PNOC, to finance aeromagnetic surveys, offshore seismic reconnaissance surveys and integrated geological studies designed to increase the geologic understanding of petroleum prospects; to finance onshore seismic studies and possible exploratory drilling in PNOC areas in Mindoro, Cotabato and Cebu where small discoveries, insufficient to attract foreign investors may be made; and to interest private oil companies in joint venture exploration agreements with PNOC.

THAILAND

Natural Gas Development Engineering Ln S-10-TH (FY79)	$4.9	$5.7

To help finance the first phase in the development of the country's natural gas potential which comprises preparatory work for the construction of a gas pipeline by 1981; includes services for engineering, financial and project management as well as training advisory assistance to the Natural Gas Organization of Thailand.

Second Natural Gas-Pipeline Ln 1773-TH (FY82)	$107.0	$514.0

To support a project to construct a pipeline system to transport gas from the offshore Unocal field and to distribute it to industrial consumers, chiefly power generating stations in South Bangkok and Bang Pakong, 60 km southeast of Bangkok; to provide special studies (refinery expansion, gas utilization and energy conservation) for a framework for a comprehensive energy strategy for Thailand.

LPG Project Ln 2184-TH (FY82)	$90.0	$600.0

To construct a 350 million standard cubic feet per day capacity gas plant complex at Rayong on the east coast to be fed by natural gas from the Unocal fields in the Gulf of Thailand, also included are technical assistance, transfer pipelines, a marine terminal, jetty bulk storage and distribution facilities at the main complex, central bulk storage and distribution facilities in Bangkok and Laem Chaband and at five regional centers throughout the country to facilitate marketing of products.

Bangchak Oil Refinery Restructuring Ln 2548-TH (FY85)	$85.0	$143.8

To rehabilitate the Bangchak Oil Refinery near Bangkok, including energy-saving equipment and an anti-pollution plant, flood protection and a study to determine what modifications or expansions may be needed in Thailand's refineries to balance domestic demand and supply of petroleum products.

Energy III (Sirikit Petroleum) Ln 2639-TH (1986)	$33	$432.0

In an effort to develop the Petroleum Authority of Thailand (PTT) as an effective joint venture partner with international oil companies, PTT is being assisted in its acquisition of 25% share in the development of the Sirikit and Sirikit West oilfields in northern Thailand, particularly to carryout further exploration in the same concession area. Institutional technical assistance and training for PTT is included.

EUROPE, MIDDLE EAST, AND NORTH AFRICA

EGYPT

Gulf of Suez Gas Ln 1732-EGT (FY79)	$75.0	$167.0

To help finance gathering, processing, and transporting associated gas from oilfields in the Gulf of Suez to be used principally as fuel for electric power generation and cement manufacture and as a feedstock for a fertilizer plant.

Cairo Gas Distribution Ln 1024-EGT (FY80)	$50.0	$155.0

To help finance the construction of a high-pressure gas pipeline, an odorizing unit, four pressure-reduction stations, a distribution network of medium density polyethylene pipes and related connection services, external and internal installation of pipes in households and related services; the gas to be used to supply a gas distribution network for domestic consumers in four districts of Cairo and to provide fuel to two gas turbine plants.

Western Desert Exploration Ln 1928-EGT (FY81)	\$25.0	\$32.5

As part of an exploration project in the Western Desert, to provide seismic survey, drilling, testing and data processing and technical assistance.

Abu Qir Gas Development Ln 2103-EGT (FY82)	\$90.0	\$189.0

To double gas production from the Abu Qir gas field, located offshore in the Mediterranean Sea 35 miles from Alexandria, the project would provide for an offshore production platform with nine gas wells, a utility platform, ancillary facilities, submarine pipelines and onshore facilities for gas separation, gas dehydration, a condensate stabilization unit, a slug catcher, a flare system, a liquefied petroleum gas plant, and two truck loading stations.

HUNGARY

Petroleum I LN 2398-HUN (FY84)	\$90.0	\$519.7

To help arrest the decline in domestic oil and gas production through a series of priority investments in exploration, field development, rehabilitation and enhanced oil recovery. Technical assistance is provided.

IRAN

National Iranian Oil Co. Pipeline Ln 805-IRN (FY72)	\$32.0	\$46.0

To help finance the expansion of Iran's pipeline system carrying oil products from production centers to internal markets.

JORDAN

Energy Development Petroleum Exploration Comp. Ln 2371-JO (FY84)	\$5	\$68.0 (including power)

To asset power-subsector development, as well as contribute to petroleum exploration and the improvement of energy efficiency and planning. The petroleum exploration component of the loan amounted to \$5 million.

MOROCCO

Petroleum Exploration Ln (FY80)	\$50.0	\$90.0

To complete exploration of current producing areas as well as assess the petroleum potential of unexplored basins. Technical assistance is provided for exploration management.

Petroleum Exploration and Appraisal Ln 2271-MOR (FY83)	$75.2	$106.2

To help accelerate the exploration and development of Morocco's petroleum potential by completing the exploration of producing areas where marginal prospects still exist which may be developed economically and assess the petroleum potential of basins yet unexplored and develop leads which could attract foreign investments. (Second loan provided to confirm commerciality of Meskala gas find in the Essaouri basin in 1981).

Oil Shale (FY82)	$20.0	$25.7

To construct and operate a test station to analyze shale, evaluate alternative reporting processes and prepare a feasibility study for commerciality.

PAKISTAN

Fourth Sui Northern Gas Ln 1102-PAK (FY75)	$60.0	$103.2

To help finance the building of a pipeline to transport gas for fertilizer production at Multan, Lahore and in the northwest.

Toot Oil and Gas Development Cr 867-PAK (FY79)	$30.0	$73.0

To increase domestic production through expansion of output from the Toot field, located in the Potwar Basin of northern central Pakistan, through an oil drilling program including eight wells and through assistance to the Oil and Gas Development Corporation (OGDC) in strengthening its operational capabilities; also to provide the means for evaluating the potentials of the recently discovered Dhodak field.

Refinery Engineering And Energy Efficiency Ln 2218-PAK (FY83)	$12.0	$16.0

To provide preparatory work for a hydrocracker project in Karachi, to allow secondary processing of domestic fuel oil, and to support industrial energy conservation measures.

Sui Northern Gas Pipeline V Ln 2324-PAK (FY83)	$43.0	$196.8

To expand the Sui Northern Gas Pipeline system to transmit and distribute an additional 70 million cubic feet of gas daily, including the installation of a gas purification facility, construction of about 430 miles of high pressure transmission pipelines, installation of five turbine/compressor units in existing compressor stations, service lines for some 25,000 new connections to the system each year between 1984 and 1986 and new and upgraded telecommunications facilities for the Sui Northern Gas Pipelines Limited.

Petroleum Exploration Ln 2351-PAK (FY84)	$51.5	$107.1

To encourage joint-venture exploration by both domestic and foreign private oil companies by drilling six exploratory wells on natural gas prospects in the Potwar basin in northern Pakistan and by using seismic profiles totalling about 3,000 kilometers to identify new exploration areas.

Toot Oil and Gas II Ln 2374-PAK (FY84)	$30	$63.8

To accelerate oil and gas production in the Toot oilfield southwest of Islamabad in the Punjab province and to strengthen the technical capabilities of the national oil company, the Oil and Gas Development Corporation, specifically for specialized technical services.

Energy Sector (Petroleum Sector comp.) Ln 2552-PAK (FY85)	$178.0	$2,038.6

Implemented by the Oil and Gas Development Corporation (OGDC), SNGPL and other entities to explore, appraise and perform limited drilling in an area of 435 square miles in northern Potwar under an existing joint venture agreement and in the Badin block, covering 3402 square miles in Sind in the south.

Petroleum Joint Venture Ln 2553-PAK (FY85)	$55.0	$282.3

To perform exploration/appraisal work in two areas with new joint ventures as well as technical assistance to the Ministry of Petroleum and Natural Resources.

Refinery Energy Conservation and Modernization Project Ln 2842-PAK (1987)	$21	$51

To enable National Refinery Ltd. to improve its refinery efficiency, reduce energy consumption, increase crude oil processing capacity and train staff.

PORTUGAL

Petroleum Exploration Ln 2024-PO (FY81)	$20.0	$26.0

Concentrating on six blocks in the onshore portion of the Luysitanian Basin a geological structure on Portugal's western coast, to help Petroleos de Portugal (PETROGAL) evaluate the potential of its concession areas, to improve its current exploration strategy, and to strengthen its overall technical capabilities in petroleum exploration.

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN (PDRY)

Petroleum Exploration Promotion Cr 1216-YDR (FY80)	$9.0	$10.0

To assist the Petroleum Exploration Department with a 15-month seismic survey providing seismic profiles over a large portion of the onshore area where petroleum potential exists.

ROMANIA

Videle/Balaria Enhanced Oil Recovery Ln 2148-RO (FY82)	$101.5	$454.2

To introduce the in-situ combustion process to two fields, Videle and Balaria, located 45 kilometers west southwest of Bucharest, which includes drilling of about 91 wells for air injection and oil production and the construction of 24 oil and gas separation centers, a central oil treatment, storage and pumping facility for handling emulsions, a facility to treat water before reinjection and air injection facilities, and approximately 1300 kilometers of pipelines for air and water injection, gas supply and fluid collection and disposal.

TUNISIA

Natural Gas Pipeline Ln 1864-TUN (FY80)	$37.0	$88.0

To construct about 330 kilometers of buried pipelines and 170 kilometers of branch lines to transport gas from the Algeria/Italy Intercontinental Gas Pipeline to Tunis, Sousse, Gafsa and Tadjerouine; and to determine the feasibility of expanding domestic gas usage.

TURKEY

Bati Raman Enhanced Oil Recovery Engineering Ln 2013-TUN (FY79)	$2.5	$3.0

To evaluate enhanced oil recovery techniques.

Petroleum Exploration Ln 1916-TUN (FY81)	$25.0	$45.0

To conduct regional and basin geological studies which will integrate existing geological, geophysical, and well data in southeastern Turkey in order to identify priority areas for seismic surveys and subsequent exploratory drilling and also to provide technical assistance.

Bati Raman EOR Field Demonstration Ln 1917-TUN (FY81)	$62.0	$102.0

To finance a field demonstration test of carbon dioxide injection into the oil reservoir as a means of enhanced oil recovery to be carried out in 10% of the Bati Raman reservoir that will require the drilling of wells at the Dodan gas field to produce CO2 gas, construction of a 75-kilometer-long pipeline to transport the gas, the drilling of five additional wells at Bati Raman and the preparation of 30 wells to handle CO2 injection and oil production, and to assist in the expansion of production from the newly discovered northern extensions of the Raman oil field through the drilling and completion of 18 new production wells.

Thrace Gas Exploration Ln 2327-TUN (FY83)	$55.2	$98.9

To assess the hydrocarbon potential of the Thrace basin in western Turkey with approximately 1800 line-kilometers of seismic surveys and 11 exploration wells along with geological, sedimentological and development studies to determine the optimum method of development.

Sector Adjustment Ln 2856-TUN (1987)	$325 (some oil and gas)	$325

To support Turkey's medium-term energy sector reform program, which aims at improving the efficiency of public sector energy production and facilitating private sector participation in the energy sector. (Contains some oil and gas elements).

YEMEN ARAB REPUBLIC (YAR)

Petroleum & Geothermal Exploration Promotion Cr 1216-YAR (FY82)	$2.0	$2.4

To reactivate private oil companies' interest in undertaking further exploration by developing a comprehensive report on the petroleum geology of the Red Sea basin and by confirming the potential of exploitable geothermal reservoir in the Dhamar-Radaa area of the Yemen highlands; in addition to provide assistance for a feasibility study to evaluate the economics of a pipeline system for the supply, storage, and transportation of petroleum products from the ports of Hodeidah and Mocha.

Technical Assistance to the Petroleum Sector Cr 1702-YAR (FY86)	$12	$17

To provide technical assistance to the Oil and Mineral Resource Ministry in the development of technical abilities in the petroleum sector.

Geothermal Exploration Ln (FY84)	$13.0	$15.3

To drill approximately four deep exploratory wells, and to provide for technical assistance, consultancy services, training on further exploration and development.

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC

Petroleum Exploration Promotion CR 1050-YDR (FY80)	$9	$10

To support a 15-month seismic survey to accumulate high-quality data and uncover prospects sufficiently attractive to oil companies to undertake exploration; and to provide technical assistance to Petroleum Exploration Department for survey work and training.

YUGOSLAVIA

Naftagas Pipeline Ln 916-YU (FY73)	$59.4	$130.4

To construct gas pipelines; to introduce large-scale use of natural gas in Vojvodina, Servia and Bosnia-Herzegovina; and to develop a national oil pipeline to transport crude to inland refineries and neighboring countries.

Naftavod Ln 1173-YU (FY75)	$49.0	

To help in financing the building of an oil pipeline and an oil receiving port, transportation and storage facilities to inland refineries and to Eastern Europe.

First Petroleum Sector		
Ln 2595-YU (FY85)	$55.0	$371.4
Ln 2596-TU	$35.0	$167.1
Ln 2597-YU	$ 2.5	$ 14.0

To support gas exploration and development by three independent Yugoslav petroleum enterprises, INA-Naftaplin in Croatia, Nafta-Gas in Vojvodina, and the Energoinvest Refinery at Bosanski Brod in Bosnia-Herzegovina, during 1986-89, including the expansion of exploration activities to the more complex and deeper areas acceleration of exploration by promoting to international petroleum companies areas that have good prospects but are not yet productive, strengthening the capabilities of Yugoslav companies to develop gas reserves under high pressure and temperature, introduction of underground gas storage to help meet seasonal demand, and technical assistance and training for staff of INA-Naftaplin and Nafta-Gas.

A SUMMARY OF BANK POWER PROJECTS (BY FY)

The following table summarizes by fiscal year the Bank (including IDA) power projects approved for lending in the eight-year period FY80-87. The table also shows the breakdown by type of power system component:

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

FY	No. Projects	Hydro	Oil/Gas Thermal	Coal Thermal	Geo-thermal	Trans. Dist.	Rural Elec.	Sector Lending	Tech. Assist.	Total
		$ Millions								
80	25	780.9	52.0	835.2	37.6	564.3	87.0	0.0	35.3	2,392.3
81	17	845.6	5.0	65.0	0.0	225.9	124.9	0.0	56.6	1,323.0
82	21	106.8	165.3	698.5	0.0	708.2	395.3	0.0	47.1	2,121.2
83	15	495.0	38.8	256.0	44.4	680.8	29.6	0.0	40.4	1,585.0
84	24	1,125.9	178.2	493.0	0.0	540.2	238.7	0.0	75.3	2,651.3
85	19	335.5	0.0	300.0	0.0	1,546.1	0.0	0.0	68.7	2,250.3
86	26	379.9	618.2	284.8	0.0	803.7	77.6	500.0	122.7	2,786.9
87	25	542.0	214.4	561.8	0.0	1,315.3	0.0	325.0	66.7	3,025.0
80-87	172	4,611.6	1,271.9	3,494.3	82.0	6,384.5	953.1	825.0	512.8	18,135.2
% Share		25.4	7.0	19.3	0.5	35.2	5.3	4.5	2.8	100.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY80										
Kenya	Olkaria Geothermal	Drilling of production wells; construction of gathering system, 30 MW station (2 x 15 MW) and associated 132 kV transmission.	-	-	-	37.6	-	-	2.4	40.0
Madagascar	Andekaleka Hydro	Supplementary financing for FY79 project.	9.0	-	-	-	-	-	1.0	10.0
Sudan	Third Power	Installation of fifth 40 MW unit at Roseires hydro; transmission system reinforcement; installation of 40 MW of diesel and 60 MW of oil-fired steam (thermal financed by ODA).	45.0	-	-	-	13.6	-	6.4	65.0
Nigeria	Lagos Distribution	Expansion of 132 kV and 33 kV subtransmission system and Lagos distribution system including 300 MVA additional distribution transformer capacity.	-	-	-	-	97.0	-	3.0	100.0
Senegal	Power Engineering and Technical Assistance	Financing of organizational, accounting, planning and headquarters building design studies.	-	-	-	-	1.5	-	1.8	3.3
Fiji	Second Power	Increasing height of Monasavu dam (Power I) by 15 meters; construction of diversion works; installation of 2 x 20 MW additional capacity.	15.5	-	-	-	-	-	-	15.5
Indonesia	Ninth Power	Installation of second 400 MW unit at Suralaya and coal and ash facilities for units 1 and 2; construction of about 1,000 km of single circuit 500 kV transmission lines and 1,500 MVA of substation capacity for Java EHV network.	-	-	175.0	-	73.5	-	4.5	253.0
Korea	Gejeong Power	Construction of 1,000 MW (2 x 500) coal-fired station including coal handling facilities and 160 km of double circuit 345 kV transmission lines to Seoul.	-	-	114.2	-	-	-	0.8	115.0
Malaysia	Ninth Power	Construction of the Bersia and Kenering hydro projects totalling 192 MW capacity and associated transmission.	50.0	-	-	-	-	-	-	50.0
Thailand	Khao Laem Hydro	Construction of 300 MW (3 x 100 MW) peaking station and associated transmission.	79.9	-	-	-	-	-	0.1	80.0
Thailand	Second Rural Electrification	Electrification of 7,878 villages in 27 provinces.	-	-	-	-	-	74	1.0	75.0
India	Singrauli II Thermal	Installation of coal-fired 1,400 MW (2 x 200 plus 2 x 500) at Singrauli and associated 400 kV transmission.	-	-	297	-	-	-	3.0	300.0
India	Farakka Thermal	Installation of 600 MW (3 x 200 MW) and associated 400 kV transmission facilities at Farakka.	-	-	249	-	-	-	1.0	250.0
Pakistan	Third WAPDA Power	Extension of 220 kV, 132 kV and 66 kV transmission systems including additional substation capacity of about 4,800 MVA.	-	-	-	-	44.0	-	1.0	45.0
Sri Lanka	Sixth Power	General expansion of the 132 kV transmission system and distribution systems.	-	-	-	-	19.5	-	-	19.5
Egypt	Third Power	Increasing by 270 MW (4 x 67.5 MW) Aswan hydro capacity; installation of third 300 MW unit at Shoubrah El Kheima Thermal Station; expansion of distribution systems including 250 MVA additional transformer capacity.	57.0	52.0	-	-	9.0	9.0	-	127.0
Cyprus	Fifth Power	Expansion of the transmission and distribution system.	-	-	-	-	16.0	-	-	16.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY80 (Con't)										
Turkey	Karakaya Hydro	Construction of the 1,800 MW (6 x 300 MW) Karakaya project on the Euphrates River and associated 400 kV transmission.	120.0	-	-	-	-	-	-	120.0
Argentina/ Paraguay	Yacyreta Hydro	Construction of the 20-unit 2,700 MW Yacyreta hydro project on the Parana River and associated works.	208.5	-	-	-	-	-	1.5	210.0
Brazil	CEEE Distribution	General expansion of 138 kV and 69 kV transmission systems and the distribution system including supply to 35,000 urban low income consumers and 12,000 rural consumers.	-	-	-	-	108.5	4.0	1.5	114.0
Colombia	Bogota Distribution	General expansion of the 115 kV subtransmission and distribution systems to supply about 200,000 new consumers including 57,000 low income households.	-	-	-	-	85.5	-	1.5	87.0
Colombia	Guadalupe Hydro	Construction of the 3-unit 213 MW Guadalupe station and expansion of the transmission and distribution systems.	71.0	-	-	-	-	52.8	1.2	125.0
Honduras	El Cajon Hydro	Construction of a concrete arch dam, two 200 meter long pressure shafts, and 292 MW (4 x 73 MW) underground power station.	125.0	-	-	-	-	-	-	125.0
Panama	Fifth Power	General expansion of the subtransmission and distribution systems.	-	-	-	-	22.8	-	0.2	23.0
Uruguay	Fifth Power	General expansion of the subtransmission and distribution systems.	-	-	-	-	20.6	-	3.4	24.0
		FY80 total for 25 Projects	780.9	52.0	835.2	37.6	564.3	87.0	35.3	2,392.3
		% Share	32.6	2.2	34.9	1.6	23.6	3.6	1.5	100

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

	Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
				$ Millions							
FY81											
	Swaziland	Power III	Construction of a 40 meter high rockfill dam and 20 MW hydro power.	9.8	-	-	-	-	-	0.2	10.0
	Guinea	Power I	Rehabilitation and expansion of power distribution.	-	-	-	-	20.5	-	8.0	28.5
	Ivory Coast	Power I	Provide electricity supply to the rural area.	-	-	-	-	-	29.4	3.6	33.0
	Indonesia	Power X	Construction of 700 MW (4 x 175 MW) Saguling hydro facility, including construction of rockfill dam.	248.5	-	-	-	-	—	1.5	250.0
	Thailand	Power Subsector Project	Financing of subprojects in EGAT's FY80/86 power development program: hydro and T & D.	80.0	-	-	-	19.6	-	0.4	100.0
	Jordan	Power IV	Extension of urban distribution network and electrification of 50 villages.	-	-	-	-	15.2	9.0	0.8	25.0
	Romania	Power IV	Financing of part of 1980/85 investment program consisting of hydro and thermal plants plus T&D.	60.0	-	65.0	-	-	-	-	125.0
	Tunisia	Power III	Implementation of part of a 5-year Rural Electrification Program.	-	-	-	-	-	40.6	0.9	41.5
	Yemen, Arab Republic	Power II	Expansion and connection of the distribution networks in 17 villages.	-	-	-	-	-	11.9	0.1	12.0
	Barbados	Power I	Expansion of the existing transmission and distribution network.	-	-	-	-	4.9	-	1.1	6.0
	Brazil	Second Power Transmission Project	Expansion of high voltage transmission facilities in Southern states.	-	-	-	-	123.0	-	2.0	125.0
	Brazil	Electric Power System Coordination	Installation of a supervision and coordination center and provision for communication links between systems.	-	-	-	-	42.0	-	12.0	54.0
	Guyana	Technical Assistance	Financing of optimization studies to help Guyana develop renewable energy sources.	-	-	-	-	0.7	-	7.3	8.0
	Peru	Power Engineering	Feasibility studies to ensure timely preparation of of hydro and thermal power projects.	4.8	5.0	-	-	-	-	15.2	25.0
	Colombia	Guavio Hydro	Construction of the Guavio hydro plant; a rockfill dam, plus tunnels, substations and transmission.	357.6	-	-	-	-	-	1.4	359.0
	Colombia	Village Electrification	Rehabilitation of distribution networks plus providing electricity for 120 villages.	-	-	-	-	-	34.0	2.0	36.0
	Colombia	Playas Hydro	Construction of a 65 meter earthfill dam; 200 MW underground power station plus transmission.	84.9	-	-	-	-	-	0.1	85.0
			FY81 Total for 17 Projects	845.6	5.0	65.0	-	225.9	124.9	56.6	1,323.0
			% Share	63.9	0.4	4.9	-	17.1	9.4	4.3	100

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

	Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
				$ Millions							
FY82											
	Zaire	Shaba Power System Rehabilitation	Repair and replacement of parts and equipment in four generating stations and for the transmission network in the Shaba region.	12.0	-	-	-	-	-	7.0	19.0
	Nigeria	Power VI	Interconnection of Igbin thermal power station with national 330 kV grid and with 132 kV Lagos subtransmission network; continuation of strengthening of the distribution network of 23 cities; management and consulting services for NEPA.	-	-	-	-	93.5	-	6.5	100.0
	Sierra Leone	Technical Assistance	Rehabilitation of existing thermal generation and distribution facilities, improvement of power sector institutions and completion of preparation of Bumbuna hydro project (rehabilitation financed by OPEC).	0.6	-	-	-	-	-	4.4	5.0
	Togo/Benin	Hydro Engineering Credit	Completion of design studies for Nangbeto hydroelectric scheme; preparation of tender documents and evaluation of bids; technical/management consulting services for CEB, CEET, and SBEE.	2.0	-	-	-	-	-	1.8	3.8
	Indonesia	Power XI Transmission and Distribution	Distribution system for Jakarta, Bogor, Tangerang and Bekasi involving construction of overhead lines, underground cables and substations. Management/consulting services.	-	-	-	-	169.0	-	1.0	170.0
	Laos	Nam Ngum III Hydro	Installation of a fifth turbine-generator unit of 40 MW with associated equipment and facilities.	13.2	-	-	-	-	-	1.8	15.0
	Malaysia	Rural Electrification I	Construction of 275 kV and 132 kV transmission lines and associated step-down transformer substations; construction of several mini-hydro-schemes and rural electrification.	26.0	-	-	-	16.3	44.0	-	86.3
	Bangladesh	Ashuganj Thermal	Construction of a 300 MW (2 x 150 MW) steam power plant at Ashuganj with associated 230/132 kV substation and 48 km of 230 kV double circuit transmission line between Ashuganj and Ghorasal.	-	92.0	-	-	-	-	-	92.0
	Bangladesh	Rural Electrification	Installation of new distribution network and rehabilitation of existing distribution system in seven rural areas.	-	-	-	-	-	40.0	-	40.0
	Burma	Power I	Construction of 414 km of 230 kV and 229 km of 132 kV single circuit lines, expansion and construction of stations, consulting/management services.	-	-	-	-	74.0	-	6.0	80.0
	India	Korba II Thermal	Construction of 1,500 MW (3 x 500 MW) coal-fired steam units with 1,100 km of 400 kV transmission lines.	-	-	398.5	-	-	-	1.5	400.0
	India	Ramagundam II Thermal	Construction of 1,500 MW (3 x 500 MW) coal-fired steam plants with associated 1,400 km of 400 kV transmission lines.	-	-	300.0	-	-	-	-	300.0
	India	Rural Electrification III	Expenditure on 3,580 REC schemes and 110 system improvement schemes; construction of a Central Institute for Rural Electrification.	-	-	-	-	-	304.2	0.3	304.5
	Sri Lanka	Mahaweli Transmission	Construction of 125 km of 220 kV double circuit and 38 km of 132 kV single circuit lines with associated substation; supply and installation of miscellaneous network equipment; training/technical consulting services.	-	-	-	-	35.4	-	0.6	36.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

	Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
				$ Millions							
FY82 (Con't)											
	Sri Lanka	Power VIII Diesel	Construction of an 80 MW diesel power station at Sapugaskanda.	-	42.2	-	-	-	-	0.5	42.7
	Jordan	Aqaba Thermal	Construction of sea water cooled steam power station at Aqaba consisting of two 130 MW heavy-oil-fueled generating units and accessories, associated transmission lines and consultancy services.	-	35.0	-	-	-	-	-	35.0
	Yemen, P.D.R.	Village Electrification	Construction of a 6.6 MW (3 x 2.2 MW) diesel station at As Shihr with associated network system to supply electricity to five towns and 13 villages; training/consultant services.	-	-	-	-	-	7.1	7.1	7.5
	Brazil	ELETROBRAS Distribution	Purchase and installation of subtransmission, substations and associated transformers, distribution and low voltage transmission lines including consumer connections and general service equipment.	-	-	-	-	182.7	-	-	182.7
	Ecuador	Transmission I	Integration of INCEL's subsidiaries and some municipal systems into the National Interconnected system through 230/138 transmission network and extension of services to 250,000 new customers.	-	-	-	-	93.1	-	6.9	100.0
	Jamaica	Power III	Rehabilitation of boilers and turbine generators, improvement of boiler-feed water treatment system and construction of 25 miles of 69 kV transmission line and substation.	-	7.4	-	-	19.0	-	4.1	30.5
	Peru	Power VI	Construction of Yuracmayo dam, implementation of Electrolima distribution program, feasibility studies and final designs of hydro power plants.	53	-	-	-	25.2	-	3.0	81.2
			FY82 Total for 21 Projects	106.8	176.6	698.5	-	708.2	395.3	45.8	2,131.2
			% Share	5.0	8.3	32.8	-	33.2	18.6	2.1	100

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

	Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
				$ Millions							
FY83											
	Botswana	Power I	Construction of coal-fired, pit-head, three by 30 MW steam generating station, 385 km, 220 and 132-kV transmission line, a system control center, consultant services, tariff and organization study and training.	-	-	32.2	-	-	-	0.3	32.5
	Kenya	Power IV - Olkaria - Third Unit	Extend the existing geothermal station and install a a 15-MW unit.	-	-	-	12.0	-	-	-	12.0
	Zimbabwe	Power I	Construct two 220 MW coal fired unit as an extension of a mine-side power station with 350 km of 330-kV transmission line to the grid, consulting services, a tariff structure and pricing study and training component.	-	-	99.0	-	-	-	6.0	105.0
	Mali	Power/Water	Plant rehabilitation, studies and technical assistance.	-	-	-	-	10.7	-	10.3	21 1/
	Indonesia	Power XII	Construct 110 MW of geothermal plant, 400 MW of coal fired plant, make distribution system improvements and design and construct 8 mini-hydro stations(6 x 750 kW and 2 x 200 kW), technical assistance and training.	3.6	-	95.7	32.4	164.1	-	4.2	300.0
	Indonesia	Power XIII--Cirata	Construction of a 1,500-MW hydroelectric project with associated 500-kV transmission line (500 MW to be installed initially).	279.0	-	-	-	-	-	-	279.0
	Thailand	Power XV--Provincial Power Distribution	Taking power supplies to about 1,500 villages now without supply, and amplifying the supply to 1,500 other villages, technical assistance in the fields of management systems, training and system development planning.	-	-	-	-	-	29.6	1.0	30.6
	India	Upper Indravati Power	Construction of a 600-MW hydropower station, four dams and eight dykes.	326.4	-	-	-	-	-	-	326.4
	India	Central Power Transmission	400-kV transmission lines interconnecting Northern, Western and Southern regional grids and strengthen link between Ramagundam and Southern grid.	-	-	-	-	250.7	-	-	250.7
	Portugal	Power VII	Support of time-slice of sector's 1983-85 investment program covering hydro, thermal, transmission and distribution works.	22.7	27.8	29.1	-	46.8	-	-	126.4
	Turkey	TEK Transmission III	Construction of some 1,500 km of 380-kV transmission lines and technical assistance components.	-	-	-	-	149.2	-	13.8	163.0
	Yemen Arab Republic	Power III	Construction of sub-transmission lines and distribution nets as well as rehabilitation of distribution systems, a constructions standards study and technical assistance in load research.	-	-	-	-	17.0	-	2.0	19.0
	Haiti	Power III	Install 14 MW of diesel plant, rehabilitate Port-au-Prince distribution net, study and prepare Guayamouc I hydro scheme, build new head office, repair Peligre hydro plant, management and training components.	2.0	11.0	-	-	10.2	-	2.8	26.0
	Panama	Power IV - Fortuna Supplement	Supplemental loan to help finance cost increases mainly due to unforeseen geological conditions.	31.3	-	-	-	-	-	-	31.3
	Panama	Power VI - Distribution	Rehabilitation program for period 1984-86 of subtransmission and distribution systems essential to further system growth and loss reduction.	-	-	-	-	32.1	-	-	32.1
			FY83 Total for 15 Projects	665.0	38.8	256.0	44.4	680.0	29.6	40.4	1,585.0
			% Share	37.9	2.2	14.6	2.5	38.8	1.7	2.3	1,755.0

1/ $3 million in addition were applied to water supply.

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

	Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
				$ Millions							
FY84											
	Burundi/ Rwanda/Zaire in equal parts	Ruzizi II Regional Hydro	Construct a concrete dam and associated works, a powerhouse with two 13.5-MW units and provision for a third unit, connecting transmission works and a study of training needs.	39.8	-	-	-	-	-	5.2	45.0
	Kenya	Kiambere Hydroelectric	Construct a rock and earthfill dam, 100m high, A 4.1 km intake tunnel, an underground powerhouse with two 70-MW generators, 80 km of 220 kV connecting transmission.	95.0	-	-	-	-	-		95.0
	Rwanda	Power	Rehabilitate three 3.75-MW hydro units at Ntaruka power station, and the interconnecting transmission system, construct new transmission lines, provide maintenance equipment, spares and vehicles, consulting services and technical assistance.	1.8	-	-	-	6.5	-	0.7	9.0
	Swaziland	Power III - Supplemental	Funds needed to finance additional civil works and consultants costs beyond the country's resources and needed to complete the project.	5.6	-	-	-	-	-	-	5.6
	Tanzania	Power IV (Mtera)	Construct water intake from existing reservoir leading to underground powerhouse with two 40-MW generators and associated works construct a system control center at Dar-es-Salaam. Rehabilitate existing diesel power station. Train staff. Support consultant and studies.	28.6	4.7	-	-	1.0	-	0.7	35.0
	Togo & Benin in equal parts	Nangbeto Hydroelectric	Construct a dam about 5 km long, a powerhouse with two 31.5 MW units, connecting 161 kV transmission line 110 km long, studies, technical assistance and training	24.2	-	-	-	-	-	5.8	30.0
	China	Lubuge Hydroelectric	Construction of a rockfill dam and power house with 3 x 150-MW generators, provision for a future fourth unit, 313 km of connecting, 220-kV transmission, consulting services and a training program.	117.2	-	-	-	16.2	-	12.0	145.4
	Malaysia	Eleventh Power	Construct transmission at 275-kV and 132-kV with associated substations, expand distribution systems of six states, provide a training simulator for thermal powerstation operation, computing equipment for accounting functions, and consultancy services.	-	-	-	-	61.8	-	8.2	70.0
	Indonesia	Power XIV	Construct two 400-MW coal-fired thermal units Suralaya Power Station, extend distribution systems and provide consultancy services.	-	-	159.0	-	46.6	-	4.4	210.0
	India	Bodhghat Hydroelectric	Construct a combined gravity rockfill dam, powerhouse with four 125-MW water turbine sets, connecting transmission, rehabilitate thermal generating plant, expand and modernize data processing facilities, support consulting and training costs.	264.3	-	33.2	-	-	-	2.9	300.4
	India	Farakka II Thermal	Extend the existing coal thermal plant by two 500-MW units with provision for a future 500-MW unit, connecting transmission of about 640 km, and consultancy services.	-	-	300.8	-	-	-	-	300.8
	India	Fourth Trombay Thermal	Add Unit No. 6 of 500 MW (furnace capable of burning coal), connecting transmission.	-	135.4	-	-	-	-	-	135.4
	Nepal	Karnali Preparation-Phase I	Prepare the feasibility study of the Karnali multipurpose project which embraces a 3600-MW hydropower scheme, prepare a prefeasibility study of a smaller hydro-project upstream the main project. Support consultancy services to Government of Nepal.	-	-	-	-	-	-	11.0	11.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY84 (Con't)										
Nepal	Marsyangdi Hydroelectric	Construct a run-of-river scheme with diversion weir, 7.1-km headrace tunnel, semi-underground power house with three 23-MW generators, connecting transmission at 132 kV, extension of Kathmandu distribution, and consulting/technical assistance services.	104.7	-	-	-	-	-	2.3	107.0
Egypt	El Kheima & Aswan II Supplemental	Support the civil works costs and engineering of Aswan II, plant costs of El Kheima, and technical assistance.	17.2	38.1	-	-	-	-	3.7	59.0
Jordan	Energy Development	The project has five components: A) Petroleum exploration, B) Expansion and rehabilitation of urban networks of JEPCO and IDECO and electrification of 75 villages, C) Energy conservation using equipment and consultants for energy audits of selected industries and training, D) Renewable energy using equipment and consultants for evaluation of resources and construction of demonstration systems and training, E) Energy planning using equipment and consultants in conducting of detailed studies and the training of staff in these matters.	-	-	-	-	12.0	10.5	7.5	30.0
Tunisia	Power IV	Supports rural electrification, urban rehabilitation and tools, vehicles, training.	-	-	-	-	26.9	11.2	0.6	38.7
Yugoslavia	Middle Neretva Hydro - Supplemental	Construction of Part B of Project, i.e., Mostar regulating dam and power station with three 25-MW generators.	61.0	-	-	-	-	-	-	61.0
Yugoslavia	Transmission III	Provide computerized system control systems in each Republic and nationwide integration by YUGEL. A training component is also supported.	-	-	-	-	117.5	-	2.5	120.0
Brazil	Electrobras II Distribution	Supports the 1983-88 investment programs of seven utility companies for the installation of subtransmission distribution, substation and consumer connection works as well as rehabilitation of generation plant for two of the utilities.	-	-	-	-	250.6	-	-	250.6
Brazil	Rural Electrification	Supports a study leading to proposal concerning the institutions, policy, financing and technical aspects of rural electrification. The execution of the 1984-87 R.E. programs in the Parana and Minas Gerais regions. Training programs for CEMIG and COPEL.	-	-	-	-	-	217.0	5.8	222.8
Colombia	Power Development Finance	Support for the 1984-85 investment programs of ISA, EEEB, EPM and CVC.	198.2	-	-	-	-	-	-	198.2
Columbia	Rio Grande Multipurpose	Construct an earth dam and two hydro-power stations called Tasajera and Niquia drawing water from the same reservoir. Tasajera has three 100-MW generators and Niquia has initially one 22.5-MW generator. Associated transmission, consulting services, training and data processing facilities are also included. Water supply facilities account for one quarter of the total project cost.	162.9	-	-	-	-	-	1.6	164.5
St. Vincent & Grenadines	Power I	Construct three hydropower plants on Cumberland River having a total capacity of 3.4-MW, eight steam gauging stations, rehabilitate three diesel units at Cane Hall and four at Kingstown, refurbish sub-transmission and distribution, metering, service lines and street lights purchase vehicles and achieve loss reduction.	3.5	-	-	-	1.1	-	0.4	5.0
		FY84 Total for 23 Projects	1,124.0	178.2	493.0	-	540.2	238.7	75.3	2,649.4
		% Share	42.5	6.7	18.6	-	20.4	9.0	2.8	100.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY85										
Burundi	Transmission & Distribution	Construction of 110 kV transmission line (83 km) from Ruzizi II to Bubanza, 110/30 kV substations in Bubanza and Cibitoke, two 30 kV subtransmission lines (42 km) to supply four regional towns, a 15 or 30 kV feeder to Katumba and distribution networks in these towns, and distribution networks to consumers to six low-income districts of Bujumbura. Provide for management assistance to REGIDESO and technical assistance for the training of REGIDESO staff. Establishment of training center. Continuation of the dissemination program of improved charcoal stoves in Bujumbura and funding for the services of an advisor on petroleum matters.	-	-	-	-	9.1	-	3.2	12.3
Uganda	Power II	The project has four components: (i) rehabilitation of the Owen Falls power station; (ii) rehabilitation of the Transmission and Distribution Network; (iii) provision of vehicles, tools and equipment for maintenance and repair services. Rehabilitation of UEB's Staff Training Center and UEB's operational buildings and staff housing and implementation of a training study. Engineering and consulting services for construction supervision would also be provided, and (iv) include studies of UEB's tariff structure and level and billing and collection system and the provision of a computer for UEB. Also,technical assistance for the new Energy Department on a forest and fuelwood plantation inventory, on fuelwood marketing, and on a household energy survey in major towns.	6.0	-	-	-	18.3	-	4.5	28.8
Guinea	Power Engineering II	Continuation of the efforts begun under Power I. Extension of ongoing training and technical assistance to improve SNE's operation. Provide for a power sector institution/organization study, a power planning study, a feasibility study and detailed engineering for the power plant, and a study for the rehabilitation and extension of the subtransmission and distribution systems. Provide for spare parts, equipment and materials, and a warehouse for SNE, and technical assistance, training and equipment to improve DOH's operations.	-	-	-	-	2.5	-	5.5	8.0
Niger	Power	Provide for a power planning study; a study of future sector organization; a study of NIGELEC's internal organization, management, and manpower requirements; training of NIGELEC engineers and technicians; a study of NIGELEC's tariff based on long-run marginal cost principles; and equipment to rehabilitate and improve the operational efficiency of part of NIGELEC's distribution system.	-	-	-	-	2.3	-	5.2	7.5
China	Power II	Construction of a 500 kV transmission line of about 683 km from Xuzhou to Shanghai, including the 3 km crossing over the Yangtze River. Installation of five substations at Xuzhou, Jiangdu, Sunan, Huangdu and Nanqiao, and provision of equipment for three other substations in JPEPB's grid. Provision of tele-control and tele-communication equipment at project substations and the dispatching centers at Shanghai and Nanjing for load dispatching and system control. Provision of equipment for installation, commissioning and testing of substation facilities. Provision of consultancy services to assist ECEPDI and JPEPB in design, procurement, construction and staff training for the 500 kV transmission lines and substations. Establishment of a training center and provision of equipment to two existing electrical training schools for the operation and maintenance of 500 kV transmission lines and substations.	-	-	-	-	113.1	-	3.9	117.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY85 (Con't)										
Indonesia	Saguling Hydroelectric	Supplemental loan for the Tenth Power Project (FY81) for cost overrun due to geological and geotechnical problems.	50.0	-	-	-	-	-	-	50.0
India	Kerala Power	Construction of a powerhouse housing three generating units each of 60-MW capacity. Construction and installation of about 415 km of 220-kV double circuit transmission lines, additional transmission substations of 1,180-MVA capacity, 760 MVAR of reactive power compensation devices, additional distribution substations (110-kV, 11-kV) of 270 MVA capacity, and the associated distribution cables and lines, switching stations and distribution transformers.	63.2	-	-	-	108.7	-	4.1	176.0
India	Chandrapur Thermal	Installation of two 500 MW generating units. Rehabilitation of MSEB's thermal stations.	-	-	300.0	-	-	-	-	300.0
India	Rihand Power Transmission	Installation of about 910 km of 500-kV DC power transmission line between Rihand and Delhi, and the associated converting stations, together with about 1,450 km of 400-kV AC lines connecting Singrauli-Rihand with the main load centers at Kanpur, Delhi, Panipat and Jaipur and related substations in the Northern Region. Introduce HVDC power transmission technology.	-	-	-	-	245.0	-	5.0	250.0
Pakistan	WAPDA IV (Power Transmission)	Erection of about 3,815 km of transmission lines. Construction of 139 new substations. Extension and reinforcement of another 86 existing substations. Provide for studies, training and technical assistance to prepare an investment program for reducing losses in the transmission network and a program of action to improve power plant efficiency, to strengthen WAPDA's accounting capabilities and modernize its internal audit system, and to formulate a national least-eost plan for the power subsector.	-	-	-	-	100.0	-	-	100.0
Pakistan	WAPDA V (Power Transmission)	Installation of about 1,100 km of 500-kV transmission lines and of two new 500/220-kV substations. Extension of four existing 500/220-kV substations. Provide for consulting services for (i) the collection, storage and retrieval of data on the power system, (ii) a load research and management study, and (iii) a feasibility study and detailed engineering for a power station complex based on mainly imported coal to be located in the vicinity of Karachi.	-	-	-	-	98.0	-	2.0	100.0
Turkey	TEK Transmission IV	Construction of about 800 km of 380-kV transmission lines to interconnect Altinkaya and Hamitabat power stations under construction to TEK's bulk supply system. Provide for two additional links for Karakaya power station. Construction and/or extension and placing into operation of 380/154 kV transformer substations with total installed capacity of about 2,100 MVA. Supply, install and commission equipment for the construction and/or extension of 154/35 kV substations with about 3,300 MVA of new installed capacity. Construct tower testing station. Supply specialized line stringing equipment and vehicles to be used in transmission lines construction. Training and supply of devices. Provide for consulting services to assist TEK.	-	-	-	-	140.3	-	1.7	142.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY85 (Con't)										
Yugoslavia	Visegrad Hydro	Construction of a concrete gravity dam on the Drina River to form a reservoir with a storage capacity of about 160 million m^3 and 8.5 km^2 surface area, a power house with three 105-MW hydro turbine-generator units. Construction of a 400-kV step-up transformer bank (315 MW) to connect the power plant to the interconnected power grid by a 400-kV transmission line (5.4 km). Relocation of 40 kms of roads and resettlement of about 225 families. Consultancy services for construction supervision, a training program for the staff of the borrower and HED in financial management to set up an adequate management information system, and a panel of experts to advise on civil works.	125.0	-	-	-	-	-	-	125.0
Brazil	Power Transmission CHESF-FURNAS	**CHESF:** Construction of about 940 circuit-kms of 500-kV and 230-kV transmission lines. Installation of 1,900 MVA of transformer capacity and about 1,070 MVAR of compensating capacity and substation ancillary equipment at ten substations. **FURNAS:** Construction of about 790 circuit-kms of transmission lines at 500-kV and 345-kV. Installation of about 4,700 MVA of transformer capacity and about 710 MVAR of compensating capacity and other substation ancillary equipment at 13 substations. Training programs implementation for both CHESF and FURNAS staff.	-	-	-	-	386.2	-	13.8	400.0
Brazil	Southeast Power Distribution	**ELETROPAULO:** Construction of about 20,000 conductor-kms of subtransmission and distribution lines, and 6,800 MVA of distribution substations. Installation of about 1,400 MVA of distribution transformers and related ancillary equipment. **LIGHT:** Construction of about 13,500 conductor-kms of subtransmission and distribution lines and 830 MVA of distribution substations. Connection of about 230,000 consumers and related ancillary equipment. **CPFL:** Construction of about 5,300 circuit-kms of subtransmission and distribution lines and 1,000 MVA of distribution substations. Installation of about 142 MVA of distribution transformers and related ancillary equipment. Training programs implementation for ELETROPAULO, LIGHT and CPFL. ELETROBRAS handles the execution with provided management and consulting services.	-	-	-	-	304.9	-	7.1	312.0
Guatemala	Chixoy Power II	Supplemental loan for the Chixoy Hydroelectric Power Project (FY78).	44.6	-	-	-	-	-	-	44.6
Haiti	Power IV	Installation of two diesel-electric units (2x7.8 MW) at the Carrefour plant which is financed by CCCE. Implementation of a program to improve the generation capacity of the three existing power plants. Preparation of detailed engineering design for a hydroelectric project in the Artibonite river basin. Provision of consulting services for the management and operation of EdH, as well as project implementation and operation. Provision of a training program including fellowships. Completion of the distribution network renovation for Port-au-Prince. Consulting services to review municipal finance of Port-au-Prince.	-	-	-	-	14.7	-	7.4	22.1

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY85 (Con't)										
Panama	Power VII	Raise the height of existing dam of the Fortuna Project to increase the project's generating capacity by 247 GWh per year. Complete feasibility studies for two medium-size hydroelectric pojects for future construction to meet demand growth. Asset revaluation study.	46.7	-	-	-	-		4.3	51.0
Uruguay	Power Engineering	Provide for distribution system and operation planning studies. Consultant services for the feasibility study of the rehabilitation of the Gabriel Terra Hydroplant. Provide for a training program for managerial level officers. Implementation of a revised tariff structure by installing electricity meters. Purchase of instruments and materials for distribution system maintenance and monitoring the safety of the Gabriel Terra Dam.	-	-	-	-	3.0	-	1.0	4.0
		FY85 Total for 19 Projects	335.5	-	300.0	-	1,546.1	-	68.7	2,250.3
		% Share	14.9	-	13.3	-	68.7	-	3.1	100.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY86										
Ethiopia	Energy	Rehabilitation of hydro, diesel and steam generating plant and provision of spare parts. Construction of 345 Km, 230 kV transmission line from Dera to Dire Dawa. Construction and expansion of substations at 230, 132, 66 and 45 kV. Construction and rehabilitation of distribution works. Provide housing and transportation for the operations staff. Provide technical assistance in the fields of organization, training, planning, operation, maintenance and finance. Support pilot energy projects in the fields of biomass briquetting, charcoal production, cook stoves. Studiesof petroleum supply options, LPG production, and industrial efficiency.	2.6	1.9	-	-	37.9	-	19.6	62.0
Sudan	Power Rehabilitation	Add two 10-MW diesel sets in the Burri station, rehabilitate two units at the Roseires hydro plant, procure spare parts for the Sennar hydro station rehabilitate transmission lines and substations, and provide consultancy services for system development and investment priorities.	2.0	14.8	-	-	7.3	-	5.9	30.0
Tanzania	Power Rehabilitation Energy	Rehabilitate diesel and combustion turbine plant, 220, 132 and 66-kV transmission systems, distribution systems at 33 and 11 kV, supply 50,000 electricity meters and sealing equipment, supply communications equipment and install, supply 285 vehicles and spares for one year's needs at completion of project, tools and equipment for meter testing, vehicle repair and communications equipment maintenance. Employ 12 engineers/technicians for supervision, rehabilitation work and training. Provide technical assistance for design, finance, use of electric cookers, and two pilot charcoal production schemes.	-	1.8	-	-	29.9	-	8.3	40.0
Zaire	Power II	Rehabilitate hydro plant, transmission and distribution systems and provide communications systems, technical assistance in the fields of management and training.	9.6	-	-	-	17.8	-	9.6	37.0
Ghana	Power	Rehabilitate diesel plant, install new, and extend existing distribution systems, provide new vehicles and spares. Provide housing and office equipment. Provide technical assistance in the fields of sector organization and legislation. Conduct studies in the fields of hydro operation, distribution planning, market and system development, generation planning and tariffs.	1.4	2.3	-	-	21.4	-	2.9	28.0
Senegal	Energy Sector	Install two 20-MW diesel sets, rehabilitate and construct transmission and distribution lines. Provide technical assistance in the fields of engineering, energy conservation, training and petroleum supply, refining and distribution.	-	11.4	-	-	7.1	-	1.5	20.0
China	Power III Beilungang	Construct a coal thermal plant with two 600-MW units and the associated 500-kV transmission lines. Support training, design, procurement, and project management services. Make a tariff study of the East China system.	-	-	196.7	-	26.2	-	2.1	225.0
China	Power IV Yantan Hydro	Construct a hydro power plant with four 275-MW units, a 110-m concrete gravity dam and associated 500-kV transmission system. Support construction management services, training in the field of planning, finance and accounting.	51.0	-	-	-	-	-	1.0	52.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
							$ Millions			
FY86 (Con't)										
Korea	Energy Second Power	Support transmission and distribution works needed in the period 1986-1989. Provide technical assistance.	-	-	-	-	228.0	-	2.0	230.0
Papua New Guniea	Yonki Dam (Power III)	Construct an earth-fill dam, 60 m high, instal two 15-MW hydro turbine units in the existing Ramu I station. Support consultants for engineering design, training and technical assistance. Support rural electrification in neighborhood of project and define future rural electrification strategy.	18.9	-	-	-	-	3.0	6.6	28.5
Bangladesh	Rural Electrification II	Construct some 5,700 km of 33-kV and 11-kV distribution and 2,900 km at 400/230 V, associated substation, services and meters. Supply vehicles, tools and equipment. Rehabilitate existing systems at the same voltage levels. Support consulting service for construction and technical assistance.	-	-	-	-	-	73.6	5.4	79.0
Bangladesh	Power Transmission and Distribution	Extend the 132-kV transmission system. Extend and reinforce the distribution system. Provide metering equipment to support a loss reduction program. Provide support for design and construction supervision, improved commercial and financial functions, planning and loss reduction programs, tariff studies and training.	-	-	-	-	51.7	-	4.3	56.0
India	Combined Cycle Power	Construct combined-cycle plant in three stations having a total capacity of 1500 MW, the associated transmission lines, and provide technical assistance for the engineering, testing and commissioning of the plant.	-	479.8	-	-	-	-	5.2	485.0
Pakistan	Kot Addu (WAPDA VI)	Convert an existing combustion turbine station to combined cycle operation by installing heat recovery boilers and two 100-MW turbogenerators. Construct associated transmission lines and provide consultancy services.	-	88.0	-	-	-	-	2.0	90.0
Hungary	Power I	Reconstruct and rehabilitate thermal plant and provide technical assistance in operations.	-	-	61.2	-	-	-	2.8	64.0
Jordan	Power VI - Distribution	Rehabilitate urban distribution, supply 95 villages, supply consulting services, supply computer systems and training, and technical assistance in managerial and technical fields.	-	-	-	-	24.9	-	2.6	27.5
Turkey	Elbistan O&M Assistance	Completion of construction of units 3 & 4 at Elbistan and provision of project management and operation assistance.	-	-	10.0	-	-	-	-	10.0
Turkey	Power System Operations Assistance	Supply tools, transport, instruments, spares, and materials for the rehabilitation, maintenance, and operation of the system as a whole. Supply telecontrol, reactive power compensation equipment, hot-line working tools. Support training, studies of hydro-efficiency improvement potential and the feasibility of a 1,000-MW combined-cycle plant at Thrace.	3.0	-	16.9	-	113.5	-	6.6	140.0
Turkey	Kayraktepe Hydro	Construct a rockfill dam and power plant with two 200-MW units and associated works. Support a study of Turkey's hydro resources and develop a systematic inventory with associated development costs.	246.1	-	-	-	-	-	5.9	252.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Technical Assistance	Total
			$ Millions							
FY86 (Con't)										
Yemen Arab Republic	Power IV	Extend the distribution system including the customer service and meter. Provide consulting services for design, supervision, training and the implementation of the financial recovery plan. Construct a meter testing laboratory.	-	-	-	-	9.4	-	2.3	11.7
Brazil	Electric Power Sector I-A	Support of the power sector investment needs in the period 1986-1989 for all aspects of the system.	97.1	-	-		402.9	-	-	500.0
Colombia	Bogota Distribution II-A	Support of the extension and improvement of the sub-transmission and distribution system in the Bogota area. Provision of hot-line working equipment, maintenance and testing equipment. Consultancy services in the field of loss reduction, system reliability and operation, training and management practices.	-	-	-	-	167.2	-	3.8	171.0
Ecuador	Power Sector Improvement-A	Support the power sector's operational and institutional development by the supply of equipment and vehicles and the finance of consultancy services in the fields of organization, tariffs, operational management, and training.	-	-	-	-	2.9	-	5.6	8.5
Guatemala	Power V-A	Expand and improve the distribution system, and extend to rural consumers. Provide vehicles and equipment. Support studies for hydro development, thermal plant rehabilitation, and training. Support the construction of a national control center, data processing facilities, and the equipment of an electronics laboratory and repair facility.	-	-	-	-	8.5	-	5.0	13.5
Peru	Power Engineering II-A	Provide support for the regional managements of the power sector, their operation and maintenance. Supply equipment for communications, data processing, transportation and laboratory services.								
Uruguay	Power Plant Rehabilitation-A	Rehabilitate the Terra Hydro plant. Extend the 500-kV and 150-kV transmission systems. Improve the 30-kV underground system of Montevideo. Support consulting services for the project.	45.2	-	-	-	-	-	-	45.2
		FY86 Total for 26 Projects	476.9	618.2	284.8	-	1,206.7	77.6	122.7	2,786.9
		% Share	17.1	22.2	10.2	-	43.3	2.8	4.4	100.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

	Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Sector Lending	Technical Assistance	Total
				$ Millions								
FY87												
	Madagascar	Energy I	Rehabilitate power system, expand capacity and improve maintenance and operating practices. Supply plant and equipment in support. Provide technical assistance to develop system planning, operation and management skills.	4.6	6.0	-	-	7.4	-	-	7.0	25.0
	Mozambique	Energy Technical Assistance and Rehabilitation	Power system rehabilitation of transmission, distribution and metering. Provision of vehicles for power system maint[illegible]ance and special purposes. Transport, maintenance and rehabilitation of petroleum distribution systems. Operational support and provision of expatriate staff. Technical assistance for design and implementation of management and financial systems, household energy and policy formulation.	-	-	-	-	4.5	-	-	3.8	8.3
	Sudan	Power IV	Installation of two oil fired steam turbo generators of between 45-MW and 60-MW capacity in existing station. Technical assistance and training of staff. Environmental study of Khartoum area. Study of load characteristics and losses. Technical assistance for load planning and institutional development.	-	36.2	-	-	-	-	-	1.8	38.0
	Ghana	Northern Grid	Construct transmission and distribution lines and their associated substations. Support consultancy services and training.	-	-	-	-	6.3	-	-	-	6.3
	China	Shuikou Hydroelectric	Construction of a concrete gravity dam and power station with seven 200-MW turbines and associated works. Construction of a 500-kV transmission line 560 km long to Hangzhou. Resettlement of 63,000 people. Consulting services for the design and construction of the hydro works, and for the power system operation and control and training.	124.8	-	-	-	13.8	-	-	1.4	140.0
	China	Wujing Thermal Power	Extend Wujing station by two 300-MW coal-steam generating units and associated transmission line. Provide load dispatch center with on-line computer aided control system. Develop master plan for Shanghai distribution system. Enhance training skills and provide equipment for training schools.	-	-	186.8	-	-	-	-	3.2	190.0
	Indonesia	Transmission and Distribution	Construction of transmission lines, distribution lines and a testing and research facility. Consulting services for efficiency improvement, design of a steam power plant and development of an Engineering Services Center.	-	-	-	-	212.0	-	-	14.0	226.0
	Lao	Southern Provices Electrification	Provide interconnection with the Thailand grid; extend both rural and urban power systems in the southern provinces. Execute pre-feasibility studies of the hydro power development options and extend to project preparation of the best option. Provide technical assistance in management and operations, and supply communications, metering and loss reduction equipment.	-	-	-	-	22.0	-	-	3.8	25.8
	Malaysia	Energy Efficiency and Plant Rehabilitation	Rehabilitate fifteen thermal units having an aggregate capacity of 1290 MW. Convert 840 MW of oil fired generation to oil/gas firing capability. Introduce computerized maintenance management systems for power plants. Modernize the national load dispatch center and instal three regional centers. Extend the transmission and substation capacity for operating efficiency. Provide technical assistance in management, operation and training skills.	-	27.8	-	-	68.2	-	-	4.0	100.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Sector Lending	Technical Assistance	Total
			$ Millions								
FY87 (Con't)											
Western Samoa	Afulilo Hydroelectric	Construct dam and power house for a 4-MW hydro generator and associated transmission works. Provide consultancy and technical supervision during project execution.	3.0	-	-	-		-	-	-	3.0
Jordan	Seventh Power	Add at the Aqaba station, two 130-MW oil fired steam generating units designed for coal firing also. Upgrade Aqaba and Amman-South substations to 400 kV.	-	70.0	-	-	-	-	-	-	70.0
Turkey	Sir Hydropower	Construction of a dam, powerhouse and ancilliary work to drive three 94.5-MW generators. Transmission and related works to connect to the system and distribute to the users. Technical assistance for the improved utilization of existing CEAS assets. Relocation and rehabilitation of 7000 people	96.0	-	-	-	34.2	-	-	1.8	132.0
Turkey	Energy Sector Adjustment	In support of energy planning, training, computer hard and software, transmission equipment, energy audits in the sector as a whole including petroleum and coal/lignite	-	-	-	-	-	-	325.0	-	325.0
India	National Capital Power Supply - Phase I	Extend distribution, effect loss reduction, instal meters and capacitors, train staff in design, construction, operation and maintenance.	-	-	-	-	485.0	-	-	-	485.0
India	Talcher Thermal Power	Construct powerstation with two 500-MW coal/steam generators being the first of three stages of 1000 MW each.	-	-	375.0	-	-	-	-	-	375.0
India	Karnataka Power	Develop Kodasalli hydro with three 40-MW units and Kadra site with three 50-MW units. Resettle and rehabilitate population, and plant compensatory forest area. Develop computerized management tools. Construct transmission systems. Provide consultancy services for design, construction and system development planning.	217.6	-	-	-	112.4	-	-	-	330.0
Pakistan	WAPDA VII Power Plant Efficiency	Equipment, spares, tools for rehabilitation of steam plant, combustion turbines and conversion of combustion turbines to combined cycle operation. Provide consultancy services and training in operations and maintenance	-	70.0	-	-	-	-	-	-	70.0
Sri Lanka	Distribution Expansion and Rehabilitation	Extension and rehabilitation of distribution mains both overhead and underground; including provision of vehicles, tools and instruments. Technical assistance in the design, maintenance and operation of distribution systems and expansion planning.	-	-	-	-	46.5	-	-	5.5	52.0

FY80-87 WORLD BANK GROUP LENDING FOR ELECTRIC POWER

	Country	Project	Description	Hydro & Associated Transmission	Oil/Gas Thermal & Associated Transmission	Coal Thermal & Associated Transmission	Geothermal & Associated Transmission	Transmission, Distribution & General	Rural Electrification	Sector Lending	Technical Assistance	Total
				$ Millions								
FY87 (Con't)												
	Argentina	Power Engineering	Studies into the sector's legal and organizational environment, the quality of service and impact of investment restrictions, methods of investment planning to meet power demand most economically, operational planning of maintenance and materials supply, data collection on load patterns and end use practices to assist in demand forecasting, and training programs both local and abroad. Supply equipment to facilitate and process the studies and their application.	-	-	-	-	-	-	-	14.0	14.0
	Argentina	Segba V-A	Reduce system losses and start data collection. Rehabilitate transmission and distribution and extend system. Support training.	-	-	-	-	276.0	-	-	-	276.0
	Belize	Power Development	Instal one new diesel generator at each of three sites and relocate two units at a new site to be developed under this project. Develop the distribution system and extend supplies to the customers in the areas covered. Provide vehicles and equipment for the operation and maintenance of the system. Provide engineering and consultancy services for the project and an organizational review of the utility.	-	3.3	-	-	0.5	-	-	3.7	7.5
	Bolivia	Power Rehabilitation	Provide parts and equipment for the maintenance program; mostly generation. Extend and modify transmission substations to suit system needs. Prepare system development plan. Provide engineering and consultancy services for project execution, financial management and development of a management information system with appropriate computer hard and software followed by implementation.	-	1.1	-	-	4.5	-	-	1.2	6.8
	Chile	Pehuenche-A	Construct hydro plant of 500-MW capacity. Train staff in the construction and operation of the plant and in the protection of the environment.	95.0	-	-	-	-	-	-	-	95.0
	Chile	Alto Jahuel-Polpaico-A	Construct transmission works and train staff in their operation.	-	-	-	-	21.5	-	-	-	21.5
	Dominica	Power	Increase the utilization of existing hydro potential by incremental reconstruction and extension of existing works. Reconductor and extend the distribution system where needed and instal capacitors, transformers and meters for supply improvement and loss reduction. Provide vehicles and equipment for the operation and maintenance of the system. Provide training and equipment to enhance the skills of the management and operations staff. Provide consulting services for the implementation of all aspects of the project.	1.0	-	-	-	0.5	-	-	1.5	3.0
			FY87 Total for 25 Projects	542.0	214.4	561.8	0.0	1,315.3	0.0	325.0	66.7	3,025.2
			% Share	17.9	7.1	18.6	0.0	43.5	0.0	10.7	2.2	100.0

ENERGY SERIES PAPERS

The World Bank Energy Series Paper No. 7 June 1988

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

May 16, 1988

Dear Mr. McInnes:

Thank you for your letter of April 29.

We are very happy to learn that you found the discussions here in Washington useful. We do think that there is a need for continued exchange of views between us in the World Bank and leaders of the private sector on questions of economic management and investment in developing countries.

As to your suggestion about a conference in Houston on Latin America, perhaps the initiative should be taken by you and others in the U.S. private sector to invite businessmen and policymakers in some of the Latin American countries for an exchange of views. We, in the World Bank, would be happy to support it with the participation of some of our key staff in their discussions.

Sincerely,

(Signed) Barber B. Conable

Mr. Allen T. McInnes
Executive Vice President
Tenneco Inc.
Tenneco Building
P.O. Box 2511
Houston
Texas

bcc: Ambassador Keating (EDS)

III-H

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

RECEIVED
88 MAY -4 PM 3:46
OFFICE OF
SVPOP

CORRESPONDANCE DATE : 88/04/29 DUE DATE : 00/00/00
LOG NUMBER : 880502016 FROM : Allen McInnes
SUBJECT : Appreciating the Bank's progress on LDC debt problems. Suggesting that next major conference to be held in Houston or Mexico/Venezu
OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

______	APPROVED
✓	PLEASE HANDLE
______	FOR YOUR INFORMATION
______	FOR YOUR REVIEW AND RECOMMENDATION
______	FOR THE FILES
______	PLEASE DISCUSS WITH ______________
______	PLEASE PREPARE RESPONSE FOR ______________ SIGNATURE
______	AS WE DISCUSSED
______	RETURN TO ______________

COMMENTS : cc: Amb. Keating

Tenneco Inc

Tenneco Building
P. O. Box 2511
Houston, Texas 77252-2511
(713) 757-8969

TENNECO

Allen T. McInnes
Executive Vice President

April 29, 1988

Mr. Barber B. Conable
President
The World Bank
1818 H. Street, N. W.
Washington, D. C. 20433

Dear Barber:

Just a note to thank you for the opportunity to hear the progress that the World Bank is making towards relieving the LDC debt problems. I think that the message is certainly loud and clear that, in addition to your efforts, there needs to be more activity by the private sector to help stimulate private investments in the LDC's. One suggestion I made to Bob Keating is that the word and your message needs to be spread with regard to what the private sector could do.

I would like to suggest to you that a major conference be put together here in the Southwest. Since Houston has a large number of companies that have extensive interests in Mexico, Central and South America, I would like to see the meeting held here. In the program the World Bank's point of view, as so well expressed in our last meeting, could be brought forth along with selecting 1, 2 or 3 countries who would outline the progress and the opportunities available for investment in their parts of the world. An alternative to the Hoston location could be a foreign site such as Mexico or Venezuela.

If this idea makes sense I would be glad to assemble an organizing committee to begin the process. Look forward to hearing from you.

Sincerely,

Allen

Allen T. McInnes

mk

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/12/14 DUE DATE : 00/00/00
LOG NUMBER : 871217001 FROM : William Cosgrove
SUBJECT : Treasury Fellowship Program.

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

_____ APPROVED
✓ PLEASE HANDLE
✓ FOR YOUR INFORMATION
_____ FOR YOUR REVIEW AND RECOMMENDATION
✓ FOR THE FILES
✓ PLEASE DISCUSS WITH BBC
_____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
_____ AS WE DISCUSSED
_____ RETURN TO _____

COMMENTS : Action needed?

THIS WILL BE HANDLED AS PART OF THE TRAINING BUDGET.

MH

Logged out 1/14/88 C.P.

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: December 14, 1987

TO: Mr. Barber B. Conable

FROM: William J. Cosgrove, VPPER

EXT: 73962

SUBJECT: Treasury Fellowship Program

1. In Mr. Wapenhans' absence I am addressing this note directly to you.

2. Mr. Wapenhans and I have discussed Mr. Stern's memo to you of November 30, 1987. The proposal made by Mr. Stern had been discussed with me earlier and we are in basic agreement with it.

3. In addition, Mr. Wapenhans suggested that we might also like to expand the program by offering similar assignments to employees of other financial institutions. Some of these might decide later in their careers, e.g., after they have made their fortunes or are getting tired of a more frantic pace, that they would be interested in a career at the Bank.

4. Of course, we are not in a position to decide on the priority to be given to budget authority for this recommendation, but we would endorse it as important in the light of the institution's objectives.

cc: Mr. Ernest Stern, SVPFI

~~OMH~~

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/11/30 DUE DATE : 00/00/00
LOG NUMBER : 871201001 FROM : Ernest Stern
SUBJECT : Memo on: Treasury Fellowship Program.

OFFICE ASSIGNED TO FOR ACTION : 2 Mr. B. Conable (E-1227)

ACTION:

- ________ APPROVED
- ________ PLEASE HANDLE
- ________ FOR YOUR INFORMATION
- ________ FOR YOUR REVIEW AND RECOMMENDATION
- ________ FOR THE FILES
- ________ PLEASE DISCUSS WITH ____________________
- ________ PLEASE PREPARE RESPONSE FOR ____________ SIGNATURE
- ________ AS WE DISCUSSED
- ________ RETURN TO ____________________

COMMENTS : Note: See last para. ES wants to discuss this with BBC along with Wapenhans.

MH –
I am willing to talk about this, but we'd better discuss it first, before ES & WW meet w/us

B.C.

1) MH
2) BBC

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Barber B. Conable   November 30, 1987

FROM: Ernest Stern ES

SUBJECT: Treasury Fellowship Program

As you know from the Reorganization Study and from recent discussions with FINCOM Managers, our Treasury staffing is lean and highly vulnerable. This is particularly true in the Financial Operations Department and the Investment Department, where our staff have extensive contacts with the market and are frequently sought for much higher-paying investment banking job opportunities. (Offers of $350,000 and up are not uncommon and are likely to continue even in the current market situation that has developed). Over the past year, we have had to replace four managers and seven investment officers, as well as most of the SWAP team. Apart from one or two "career" staff, who stay with us for visa or other personal reasons, the average experience of staff now on duty in the Investment Department is less than two years. Our inability to recruit and hold experienced investment officers is a major destabilizing factor in our Treasury operations, and a management problem central to our effective operation.

One major element in this instability is the very small number of Bank staff with experience in markets. To help strengthen our internal supply of potential candidates, we believe it would be helpful to establish a "Treasury Fellowship Program." The basic objective of this program is to build an internal pipeline of trained staff, which , though only partly trained, would have had an opportunity to learn about financial markets and assess their interests in that type of work. Since they would augment the pool of people to draw on in case of vacancies, such a program will be a form of institutional insurance for the Bank against the sudden loss of skilled Treasury staff. At the same time, it will broaden the skills of staff in an area of increasing importance to any of our clients---the financial sector. Even if a staff member who spent a year in Finance were never to work there, he would have acquired operationally useful skills which few, who are now working on the financial sector, have.

The program would, initially, involve four "fellowships" each year for Bank/IFC staff interested in learning about capital markets and about our financial operating program. This would normally be Level 22-25 staff, who would be selected for a one-year Fellowship posting in Treasurer's. Staff would be selected for this program upon recommendation of their supervisor or on invitation. At the end of the program, staff might wish to join Treasurer's in existing vacancies, while others would be expected to return to the releasing Vice Presidencies or, if appropriate vacancies existed and they are interested, could be considered for an assignment in Treasurer's. The details for selecting and releasing staff would be worked out with Mr. Wapenhans.

If such an initiative seems appropriate, it can only succeed with your support, since managers will be reluctant to release staff for a one-year training assignment. This has always been a problem, but it is likely to be even more of one with the decentralization of the personnel and training functions. And staff will not be interested unless they have assurance of re-entry upon completion of their training. Only if this is clearly seen as useful to the Bank's institutional interests will it be possible to attract suitable staff. In addition, there are modest budgetary costs---principally budget authority to place up to four staff on "T" positions. This will enable managers to use their salary funds to increase use of consultants for the year or hire temporary staff. In proposing this initiative, I recognize that it is only one step in dealing with our staff problem, and I will be back with additional proposals over the next few months.

Could Mr. Wapenhans and I discuss this with you at your convenience?

cc: Mr. Wapenhans

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

~~1) MH~~

2) BBC

TO: Mr. Barber B. Conable

November 30, 1987

FROM: Ernest Stern ES

SUBJECT: Treasury Fellowship Program

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Could Mr. Wapenhans and I discuss this with you at your convenience?

cc: Mr. Wapenhans

1825 I Street, N.W.
Suite 400
Washington, D.C. 20006

June 16, 1986

Mr. Alan Pifer
Member, Board of Directors
Technoserve
148 East Avenue
Norwalk, Connecticut 06851-5721

Dear Alan,

Thank you for your letter of May 30 and the two publications you enclosed.

I was interested to learn of the work which Technoserve is doing and the principles which guide its approach.

I view the activities of private voluntary organizations (PVOs), such as Technoserve, as an indispensable complement to the work of the World Bank. Their sustained involvement with enterprises and local communities adds an important dimension to the World Bank's projects and policy advice.

There are many useful ideas in the two papers. The paper on enterprise development makes a good case for focussing PVOs' activities on operations at the medium-scale. The paper on the policy dialogue draws an important link between the availability of reliable data and an effective dialogue with countries; it emphasizes the need for the PVOs to collect and analyze such data.

The one area on which I would raise some questions concerns the potential role of PVOs in the policy dialogue. The point is well taken that the policy environment is critical to the success of projects and that there are indeed instances where PVOs should express their concerns about policy to government officials. But it is also important that policies be viewed in relation to their effect on the economy as a whole. Special concessions for particular projects, through protection or tax exemptions for example, could be inadvisable when judged in terms of their overall impact on the economy and its incentive structure.

I suggest that you keep the Bank informed of your perceptions of policy and general country problems so that it can take them into account in its discussions with governments. The Bank can make good use of the detailed knowledge which an organization like Technoserve can provide on operations at the enterprise level.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

FORM NO. 39
(2-83)

THE WORLD BANK

ROUTING SLIP	Date June 11, 1986

OFFICE OF THE PRESIDENT

Name	Room No.
~~Mr. Husain~~	E-1023
Mr. Kavalsky	

	To Handle		Note and File
	Appropriate Disposition	XX	Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

It would be appreciated if your office could prepare a reply, to include some brief substantive comments, for Mr. Conable's signature by June 16.

N

Nigel Roberts

From

TECHNOSERVE
148 EAST AVENUE, NORWALK, CONNECTICUT 06851-5721, USA

TELEPHONE: (203) 852-0377
CABLE: TECHNOSERVE
TELEX: 965 981

(1) BBC seen 6/10.
(2) NR (Ext. Rel)

May 30, 1986

Mr. Barber B. Conable, Jr.
10532 Alexander Road
Alexander, NY 14005

Dear Barber:

Enclosed you will find two papers put together by Technoserve. I find them particularly clear and thought provoking. They take a stand on issues of importance to practitioners and funders of development. I encourage you to take the time to read them.

These papers are part of a series of five papers which attempts to distill the essence of Technoserve's learning and place it alongside present day thinking on development. Sometimes they are not in agreement with prevailing thinking. The FINDINGS '86 series is designed to provoke debate on these important issues.

The first paper asks practitioners of development to consider the realities of how policy in many developing countries is made and how they may work towards having a positive effect on those policies.

The second paper on principles of enterprise development is background to the first one. While it speaks about Technoserve, I believe the principles outlined are fundamental for those who wish to be effective in development work in general.

My Technoserve colleagues and I would welcome any reactions you may have to the enclosed pieces.

Sincerely,

Alan

Alan Pifer,
Member, Board of Directors
(and President Emeritus,)
Carnegie Corporation of New York.

Dear Barber,

Technoserve is one of the nonprofit organizations on whose board I serve. It is doing great work in helping agricultural cooperatives in nine countries in Africa and Latin America, and I am proud to be associated with it. Some day after you are installed at the Bank I hope you will have a few minutes to meet Ed Bullard, the president.

All the best, Alan

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April 28, 1986

The Honorable Barber B. Conable, Jr
University of Rochester
Rochester, NY 14627

Dear Mr. Conable:

Congratulations for your Special Achievement Award from the Greater New York Chapter of the National Association of Fund Raising Executives. I deeply appreciated your talk to our group on April 18th, particularly because you acknowledged a sector of the non-profit community which is often forgotten at these conferences -- international assistance organizations. Because we do not provide services in the U.S., raising funds is extremely difficult and often requires more creative approaches.

If I may quote you, "Development of poor countries depends on the availability of willing people to extend their efforts beyond our shores. This is one area in which America can teach the rest of the world a great deal."

Thank you for your vote of confidence. Since you are interested in this area of philanthropy, I have enclosed background material about our organization -- Technoserve. We help to build and strengthen farm organizations such as cooperatives, and savings and credit societies in developing countries.

We differ from other international agencies in that we give nothing away -- our product is training, skills and know-how that enables farmers to increase their production, create jobs, generate income and improve their lives by working more productively rather than through charity.

Thank you again for your kind words.

Sincerely,

Shirley D'Auria

Shirley A. D'Auria
Director, Resource Development

Enclosures

FORM NO. 89
(2—83)

THE WORLD BANK

ROUTING SLIP	Date June 11, 1986

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Husain	E-1023

	To Handle		Note and File
	Appropriate Disposition	XX	Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

It would be appreciated if your office could prepare a reply, to include some brief substantive comments, for Mr. Conable's signature by June 16.

Rec. + sent to J. Volk A 6/16

Nigel Roberts

From

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