

extensively by Japanese and European competitors - notably certain Asian and North African markets. The sectors concerned are those selected for targeting in the present Exim/USAID facility, as noted above. The country focuses are Algeria, Tunisia, Morocco, and the four countries referred to in the credit-mixte package, plus China and India. The use of the War Chest in other sectors and markets cannot be ruled out, particularly in the context of matching or overmatching to counter violations of the March 1987 OECD Tied Aid Credit Agreement.

In addition to the Exim Bank/USAID package and War Chest, certain Senators have promoted an "aid for trade" bill which would allocate significant aid funds to projects with a more commercial component. The Bill was defeated when it was first proposed in January 1991, but a modified version, as an amendment to the foreign aid vote, recently was passed by both Houses. Our U.S. contacts have indicated that the Bill likely will be vetoed by the President, but the effect of the aid for trade proposals already is having an impact on the philosophy of USAID, who may gradually return to more project-oriented support in their bilateral aid.

If a consensus regarding elimination or at least meaningful reduction of concessional financing cannot be reached and if, in a broader sense, GATT negotiations stall and lead to an increase in concessional financing activity, it is likely that the U.S. will apply vigorously and perhaps even expand the concessional financing initiatives outlined above. Failure to reach a consensus also would reinforce the aid-trade initiative referred to above.