

JUSTIFICATION FOR THE PRESIDENTIAL DETERMINATION
TO REMOVE THE SECTION 620(F) PROHIBITION OF FOREIGN
ASSISTANCE FOR THE CZECH AND SLOVAK FEDERAL REPUBLIC

On June 8 and 9, the Czech and Slovak Federal Republic is expected to complete its transition to democracy by holding free and open parliamentary elections. The elections will cap a six-month period that began with the toppling of the communist government late in 1989 and has seen the implementation of broad political reform. Over 30 political parties will compete in the June elections. In addition, the Czech and Slovak Federal Republic now has an excellent human rights record. Czechoslovaks receive passports promptly and travel abroad without hindrance. For the first time since 1948, they enjoy freedom of speech, conscience, and assembly. The press is no longer censored. --In short, under the steady guidance of Vaclav Havel and the Civic Forum, the Czech and Slovak Federal Republic has recreated the foundation for a liberal democracy.

The Czech and Slovak Federal Republic has also taken the first steps necessary to institute market-oriented economic reforms. It has applied to rejoin the International Monetary Fund and World Bank and has held discussions with the IMF regarding the outlines of a prospective adjustment program. The Czech and Slovak Federal Republic is also rewriting its investment laws, which would provide for liberal joint venture regulations suitable to Western investors. Parliament has passed a budget that slashes subsidies to industry and the army, and cuts artificial supports for foodstuffs. The crown has been devalued by nearly 20 percent this year. These and other reforms will increase reliance on market mechanisms and reduce bureaucratic control over the economy.

Encouraging continued political and economic reform in the Czech and Slovak Federal Republic is important to the national interest of the United States. President Bush welcomed President Havel to Washington in February by expressing his support for economic reform, political liberalization and free market solutions. The President has pursued bilateral and multilateral support for reform in the Czech and Slovak Federal Republic, and is anxious to further integrate the Czech and Slovak Federal Republic into the West, both politically and economically. He has encouraged investment in the Czech and Slovak Federal Republic, called for expanded exchanges, and granted a waiver of Jackson-Vanik restrictions that has led to the achievement of most-favored-nation status by the Czechoslovaks. We underscore our intention that any programs will be non-military in nature.

Removal of the Czech and Slovak Federal Republic, for an indefinite period, from the application of Section 620(f) of the Foreign Assistance Act is intended to acknowledge and encourage further such reforms, which serve important national interests of the United States.