
THE FOREIGN POLICY AGENDA AND THE FY 1990 BUDGET REQUEST

By

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[The following is a reprint of a prepared statement which Secretary Baker presented in testimony before the Subcommittee on Foreign Operations of the Senate Appropriations Committee in Washington, D.C., on March 15, 1989. Of particular interest is the Secretary's discussion of the FY 1990 budget request for security assistance.]

Mr. Chairman and Members of the Committee: I am honored to appear before you as Secretary of State to discuss the main lines of our foreign policy and our Fiscal Year 1990 foreign assistance request in support of that policy.

In my confirmation hearing, I noted that America is vastly different from the country we knew even as recently as the beginning of this decade. Then American values and institutions were being questioned. Eight years of the Reagan era, however, have reaffirmed them. As a consequence, America today is a more vibrant and stronger nation. We have demonstrated once again that our form of government works and that progress is possible in a setting which encourages the creativity of the individual and respects his or her rights.

Some of that vibrancy is reflected in international developments of our time. Our most powerful foe, the Soviet Union, so aggressive a decade ago, is undergoing a soul-searching of historic proportions. Democracy is continuing to take root and grow around the world on an impressive scale. Regional conflicts long thought to be intractable have begun moving toward resolution with the help of creative American diplomacy. And the international economy, driven by the longest American peacetime economic expansion on record, has provided new hope for progress.

Still, while there is every reason to look to the future with optimism, it would be a serious mistake to assume that continued progress is assured. In my confirmation hearing, I enumerated five major transformations underway--the democratic revolution, the spread of free enterprise, major changes in the communist world, rapid changes in technology, and changing strategic-military relationships. There are trends to be found in each case favorable to our interests. But there is and can be no reason for complacency. Every one of these transformations holds within it a contrary trend that could set us back.

We could advance toward an increasingly democratic world, or, if fragile democracies fail, the cause of freedom could be set back. The international economy could continue to grow, or the stresses of competition could lead to protectionism and rival trading blocs--ultimately to the disadvantage of all. A properly conceived approach by the Atlantic Alliance could extend the progress we have made with the Soviet Union. Or, through mistakes on either side of the Iron Curtain, this opportunity could be lost. Finally, new military technologies could provide greater stability at lower levels of forces. Or, we could encounter a new and darker age if we cannot halt the spread of weapons that put nations on a hair-trigger, particularly in politically unstable regions.

How should we approach this rapidly changing world? As a conservative and a realist, I believe our policy must always be guided by the basic American principles to which I adhere--freedom, democracy, equal rights, respect for human dignity, and fair play. And I am convinced that we can advance these values if we are resolved on two issues.

The first is the necessity for American leadership. As the most powerful democracy, the largest economy, the wealthiest society with the greatest concentration of scientific talent, we are going to substantially affect the course of human events whether we do so consciously or not. We can be a force for freedom and peaceful change unlike any other in this world. But if we fail to do so, we will not be able to run or to hide from the consequences.

Second, the Executive and the Congress must approach foreign policy in the spirit of bipartisanship. This does not mean that we will not have our differences. Airing those differences in a manner that respects the right of others to disagree is a strong affirmation of the democratic process. But eventually we must proceed, and when we do, it is best that we do so together if we are to achieve the national interest.

Recent experience affirms this lesson. When we held the line together, on Afghanistan, for example, and throughout the INF negotiations, we succeeded. When we did not--as in Central America--the outcome was unsatisfactory to everyone.

In the course of my confirmation testimony, I said that trust, consultation, and consistency were essential to bipartisanship. Surely the crucial outcome of that process is a decision to go forward, not only with united purpose but also with sufficient resources. To put it plainly, we must put our money where our mouths are.

That is the context in which we should discuss the International Affairs Funding request. Over the past several years, we have all come to recognize two facts: first, discretionary budget authority for international affairs has actually declined from a high of \$26.3 billion in 1985 to about \$18.3 billion in 1989. As a percentage of GNP, economic assistance outlays during 1989 will be at an all-time low, less than three-tenths of one percent. Second, the existing efforts are hampered increasingly by reporting requirements, earmarks, and restrictions. For example, we now have over four hundred reporting requirements throughout the foreign assistance legislation. So at the very time when we all agree on the importance of American leadership, when we all agree that we face a rapidly changing world, we have to reverse the trend toward less flexibility in the management of foreign assistance.

With this in mind, I welcome the Report of the Task Force on Foreign Assistance, chaired by Lee Hamilton and Ben Gilman. As I told the House Foreign Affairs Committee, we are reviewing the report's recommendations, but on the whole it's a very good piece of work. We do need a change in the system, to make it more flexible, more accountable and above all, more effective. We look forward to working with the Congress in shaping legislation that best serves our vital national interests.

Armed then with the conviction of American leadership and the practice of bipartisanship, let us together--the Executive and the Congress--tackle the formidable agenda before us.

THE INTERNATIONAL AGENDA: THE AMERICAS

First on that agenda is our neighborhood--the countries of our hemisphere.

We share with Canada a border extending over 5,000 miles. And while we have our differences from time to time, as all nations do, that border has long facilitated peaceful contact

between peoples sharing similar values and outlook, as well as commerce on an enormous and growing scale.

Recently, working with Canada, we achieved a Free Trade Agreement. In my view, the Agreement is in our mutual interest. Moreover, by showing how free trade policies can catalyze bipartisan coalitions and turn back the forces of protectionism, it also represents a signal success in a strategy designed to move *all* nations toward a more open trading system. And we look forward to working with Canada on other important issues, including international environmental problems, as we extend the range of our cooperation.

To the South, we have equally significant issues to consider. Our neighbor Mexico is deeply in debt and faces serious challenges to its social fabric. But Mexico also has many assets--the capabilities of its people and its significant natural resources. The Mexican Government, led by President Salinas, is taking the difficult road of economic and political reform. We are determined to help.

I'd like to reiterate the suggestion I made in my confirmation hearing. In 1992, we will celebrate the 500th anniversary of Columbus' voyage of discovery. Let's mark that event now by embarking on a voyage of rediscovery--of the Caribbean and of South America. This is the centennial year of the Inter-American system. Our neighbors are engaged in a quest for greater freedom and economic progress. We share many of their interests. And, together we also face the scourge of drugs. Now is the time to take a fresh look at these problems.

In Central America, we have had nearly ten years of frustrating and sometimes contradictory American policies. There have been some successes. Most Central American nations are more democratic and respectful of human rights than they were. Still, the overwhelming blemish remains: the terrible draining conflict between Nicaragua and her neighbors and between the Nicaraguan Marxists and their own people, some of whom have taken up arms and merited American support.

In 1987, the Governments of Central America signed the agreement known as Esquipulas II. Later, the Sandinistas and the Democratic resistance concluded the Sapoa Agreement. The principles embodied in Esquipulas and Sapoa are good. They are right. Together, Esquipulas and Sapoa constitute a good platform for peace. What's lacking is a mechanism for enforcement to translate these principles into reality.

We are working to develop a strategy in consultation with Congress, the Central American democracies, and our allies. It is a strategy composed of several different parts. It identifies essential democratic standards and outlines the timeliness by which the Sandinistas and others should comply with them. It develops incentives for meeting those standards by the specified time, and sets disincentives or sanctions in the absence of compliance. It proposes different kinds of monitoring mechanisms for determining compliance. Taken together, the elements of the approach offer an integrated strategy that gives diplomacy a chance.

A unified bipartisan approach in this country is essential to achieve our objectives. Such an approach will certainly increase our leverage. Working with the Central American democracies, key friends in South America, and our allies in the European Community, I am confident we can build the pressure on the Sandinistas to live up finally to the promises they have made. We will not abandon the Democratic Resistance as we give diplomacy a chance.

TRANSFORMATION OF OUR ALLIES AND FRIENDS

Let me move now from our neighborhood to the broader world of our friends and allies. The United States links together two highly dynamic, advanced regions--Western Europe and the

Pacific. We are at once an Atlantic and a Pacific power, and there should not be any thought to expand one relationship at the expense of the other.

Our friends and allies in both regions are experiencing great changes. Western Europe today is a far cry from the exhausted continent which emerged from World War II. On the basis of my trip to the NATO capitals, I believe that we are beginning to develop a new appreciation on our side and theirs of how we can adapt to these changes and to a different world.

I found a great consensus, at least in general terms, on how we should deal with a changing Soviet Union. I found a recognition that we will need a common approach to the new military facts created by the INF Treaty--the need to refine a comprehensive concept on security, modernization, and arms control. That concept must also develop a better basis for sharing responsibilities.

We also talked on my trip about how we, the U.S. and its Western European friends, can work better to respond to the enormous economic changes which are taking place in the Atlantic region. In only three years, the Common Market will achieve the objective of the 1957 Treaty of Rome which established it--a single market. I emphasized that the new Europe--this rising economic superpower--must be outward and not inward looking. I noted also that as an ally and a major trading partner, the United States will take a keen interest in this transformation.

Turning to the Pacific Rim, we find a striking success already in the making. No other area has created such advanced economies in such a short time.

Our relations with the Pacific--as with Europe and our own continent--must emphasize outward-looking economic policies that promote trade and growth. I do not underestimate the challenge in Asia, or in other regions, of achieving free and fair trade. After nearly a decade when the American economy has driven international growth, we all face a changing world. The rule that success brings responsibility will find a fuller expression as the Pacific nations assume more important economic and political roles. We have vital political and strategic interests in the Pacific as well. These interests are well-served by military capabilities based in Japan, the Philippines, and Korea--and by our close cooperation with these nations. We must enhance that cooperation while shouldering common defense and development responsibilities.

During the President's recent trip to the Far East, he emphasized these points with the leadership of Japan, the People's Republic of China, and the Republic of Korea.

Our relationship with the People's Republic of China, important in its own right, also contributes strongly to the overall stability of the international political order. President Bush was well-received in Beijing and it is clear that his extensive, personal experience in China will facilitate the expansion of our important and multifaceted ties.

TRANSNATIONAL ISSUES

The future of our civilization also demands that we act in concert to deal with new transnational issues. Technological advances have brought enormous benefits. But at the same time, modern technology has created new complications. The old scourge of terrorism, for example, has taken on a new significance because of instantaneous communications and the development of powerful plastic explosives. Missile technology has magnified the destructive power and geographical reach of small groups determined to achieve their purposes by whatever means necessary. The drug traffickers have benefitted from transportation and communications lines that often rival those of government.

It is increasingly evident that we face serious challenges to the health of our environment, and President Bush has called for an international conference on global environmental issues. I believe the United States must lead this effort. We should foster a change of attitude, a recognition that economic development and a secure environment are both necessary. They go together. As Treasury Secretary, I pressed the multilateral development banks to foster conservationally-sound, sustained development, and to initiate special programs to promote conservation in developing countries. As Secretary of State, I hope to build on this record.

No one has yet perfected the approaches to joint action we need to deal with this special range of global problems. But the stakes are too high for us to ignore them. We will begin with our allies, include our friends, and challenge our adversaries to make common cause in treating these issues. Indeed, we have already obtained Soviet agreement to add transnational issues as a fifth part of the U.S.-Soviet agenda. For implementing policies and programs we will continue to rely heavily, although by no means exclusively, on the United Nations and its specialized agencies, which are contributing importantly to resolving many of the world's shared problems.

EAST-WEST RELATIONS

Thanks to our policy of pursuing peace through strength, our dealings with the Soviet Union are less tense. We have made progress in arms control--especially the INF Treaty--human rights, bilateral ties, including a dramatic expansion in academic and cultural exchanges, and regional conflicts. We are pleased that Soviet troops have left Afghanistan on schedule. And we have reason to be optimistic that in the not too distant future Cuban troops will be withdrawn from Angola in conjunction with South Africa's departure from Namibia. We also look forward to the day when Vietnamese troops leave Cambodia.

There are good reasons for both optimism and pessimism about the Soviet Union. No one can doubt that ferment is underway and that there have been important changes in the past few years. The SS-20s are being destroyed. Soviet troops have left Afghanistan. Some political prisoners have been released. And a new, more constructive Soviet approach to regional conflicts in Southern Africa and Southeast Asia holds out the promise that problems in those troubled areas may be on their way to resolution.

These are reasons to be hopeful. But realism requires us to be prudent. The jury is still out on whether the process of reform will succeed. The Soviet Union remains a heavily armed superpower. While its rhetoric is different, the force structure and policies that support far-reaching interests and clients have not yet changed commensurately. Perhaps they will, but that hasn't happened, not yet.

In light of the ferment in the Soviet Union, a realistic policy for America and its allies should be guided by these principles:

First, we should continue to welcome and encourage reform in the Soviet Union that promises more freedom. But we should never measure the progress of Mr. Gorbachev's reforms by how many credits, concessions, or accommodations we might make ostensibly to help him succeed with his domestic plans. *Perestroika* depends not on help from outside, but on changes in the Soviet Union itself. That's a lesson Gorbachev learned from Brezhnev's failures. We should learn it as well.

Second, while recognizing that Moscow's policies are informed by a new sense of realism, we should also understand that *our* policies have contributed to that sense of realism. Our support for the *mujahedin* helped bring about the Soviet withdrawal from Afghanistan. NATO's willingness to deploy the Pershing and cruise missiles helped bring about the INF Treaty.

Third, we must continue to probe--even challenge--Moscow along every aspect of our agenda--arms control, human rights, regional conflicts, bilateral relations, and transnational or global issues. We are interested in cooperating and negotiating to make progress wherever it can be made. We are also interested in seeing the "new thinking" applied in practice, not just in slogans.

Fourth, we need additional focus on regional problems, whether in Central America, South Asia, the Horn of Africa, South Africa, the Persian Gulf, or the Arab-Israeli conflict. Soviet responsiveness in these areas may be one of the best indications of real change in Soviet behavior.

As you know, I met with Foreign Minister Shevardnadze in Vienna last week. The Foreign Minister called it "a good beginning," and I would agree with that assessment. The atmosphere was positive and, we had a broad, substantive discussion, including an hour one-on-one and an hour plenary. We decided to meet again in Moscow in early May.

Let me give a brief review of our discussion.

I told the Foreign Minister, just as I've told our allies, that we believe *perestroika* is good for the Soviet Union and good for the world. It was clear to us, however, that the success of *perestroika* really depends on actions within the Soviet Union.

Mr. Shevardnadze agreed with my suggestion that we should expand the agenda of U.S.-Soviet relations to deal with missile and chemical proliferation and also transnational issues, such as the environment, drugs, terrorism, and health. We also reviewed the existing agenda. After presenting him with a list of refuseniks, I made clear that our commitment to attend the Moscow human rights conference in 1991 depended on continued progress. We want human rights gains to be institutionalized so they cannot be easily reversed.

The Foreign Minister understood why we had delayed the START negotiations in order to complete our strategic policy review. I assured him that we were determined to reach agreement, building on past progress, but we had to be sure of our basic strategic needs before we could do it. That's what the review is about.

Now, as you know, I went to Vienna to address the Foreign Ministers before their negotiations on conventional forces and confidence building measures. My speech emphasized the need for practical proposals that really change the force structures so that a successful invasion would become impossible. I also challenged the USSR to join with us in removing chemical weapons from Europe and destroying them.

I repeated these points to the Foreign Minister, and it was encouraging to note that on conventional forces, the Soviets may be moving in our direction. Especially important is that the Soviet approach embodies deep reductions in tanks, artillery, and armored personnel carriers. Hopefully, such reductions could lead to the elimination of their capability for surprise offensive operations. But the differences in the Soviet and NATO proposals are still considerable especially on the zone concept and their desire to include naval forces and aircraft in the negotiations. So, we've got plenty of work to do.

We had a lengthy review of regional issues, including Afghanistan, the Middle East, Central America, Southwest Africa, and the Horn of Africa. My overall point here was that we'd like to see Soviet "new thinking" and new slogans filled in with content. In some areas we've seen little sign of content or changed behavior. We haven't seen it at all in Central America. Mr. Shevardnadze's trip and discussions in Iran also were not encouraging in this regard, and I told him so.

Finally on the Middle East, I emphasized the need for positive, constructive action on the ground before we started with an international conference. We want a process that leads somewhere, not just a process that gives the Soviet Union--or anybody else--a role. The Soviets could be helpful if they reestablished relations within Israel and supported a dialogue between Israel and Palestinians. Above all, they could restrain radical states opposed to peace, such as Libya.

We agreed that our respective regional experts should get together soon. And on the issue of a summit, we're not ready yet to set a date but will probably discuss it in the next ministerial.

To conclude this review, I am more convinced than ever that Western strength and Soviet domestic weakness have set the stage for the remarkable realism that has distinguished Mr. Gorbachev's tenure so far. As I discussed with our allies, we need to challenge the Soviets with new, well-considered initiatives in all aspects of our expanding agenda. Our task is to arrange affairs so that whatever the outcome of *perestroika*, a more responsible, constructive Soviet foreign policy will remain in Moscow's interest. Much of the world's hope for a more peaceful international order rests on the outcome.

RESOLVING REGIONAL CONFLICTS

I want to turn now to those regional conflicts that have denied peace and freedom to the peoples of Africa, South and Southeast Asia, and the Middle East. We have made encouraging progress in the recent agreement, mediated by the United States, that provides for Namibian independence and a withdrawal of Cuban and South African troops from Angola. And, we will be watching carefully to be sure that Cuba and South Africa carry out their obligations. But more is needed. Angola desperately requires national reconciliation. Until that occurs, we shall continue to support UNITA and its leader Jonas Savimbi.

To this end we should be prepared to pay our fair share of UN peacekeeping efforts. The Bush Administration, following the initiative of our predecessor, has proposed a one-time transfer of DOD and foreign aid funds to meet our peacekeeping requirements in the current year. I anticipate that the Administration's request will be forwarded to Congress shortly.

We must also think long and hard about how we can help best to end apartheid in South Africa. And, we must never forget the very real human and developmental needs of people throughout Sub-Saharan Africa.

In South Asia, we welcome the withdrawal of Soviet troops from Afghanistan and look forward to that country's achievement of an independent and non-aligned government fully acceptable to the Afghan people.

The international community looks forward to the withdrawal of Vietnamese forces from Cambodia. There, too, a difficult national reconciliation must be undertaken. The United States will continue to work for an independent Cambodia, free of Vietnamese occupation and Khmer Rouge domination.

In the Middle East, the Arab-Israeli conflict has long engaged America's attention, resources, and goodwill. Our mediation bore partial fruit in the Egyptian-Israeli peace treaty. But the task of fashioning a comprehensive settlement remains. Israel and its Arab neighbors must be at the center of the negotiating process. As always, we stand ready to help.

The purpose of negotiations is a just, enduring peace that ensures Israeli security and satisfies the legitimate rights of the Palestinians. Toward that end, we advocate direct negotiations based on U.N. Resolutions 242 and 338. Realistically, Jordan must play a part in any agreement. And the

Palestinians must participate in determining their own future. We continue to believe, however, that an independent Palestinian state will not be a source of stability or contribute to a just and enduring peace.

A Middle East policy focused exclusively on the Arab-Israeli conflict, however, would be too limited. Libya continues to be a destabilizing factor in North Africa and elsewhere in the region. The situation in Lebanon remains a rebuke to everyone's hopes for a restoration of stability and independence for that tragic country. And a lasting peace remains to be established between Iran and Iraq.

We will continue working with other nations on these issues. We will also work with the United Nations on some of these regional conflicts. The U.N. should be seen for what it is, an expression of the world's desire for peace, and also too often the scene of those passions that prevent peace. Experience indicates that when nations agree on procedures and substance, the U.N. offers a valuable forum for making progress.

CHEMICAL WARFARE AND OTHER WEAPONS PROLIFERATION

Proliferation of new and dangerous weapons, often to states with a history of terrorism and aggression, is of growing concern to the international community. And for good reason. Perhaps most frightening is the combination of the ballistic missile and chemical weapons. Although "justly condemned by the general opinion of the civilized world," to quote the Geneva Protocol of 1925, chemical weapons have been used.

We must take special measures to prevent the use and accumulation of weapons. And we are determined to build on the recently concluded Paris Conference and to make progress soon. In Vienna, I announced that Australia agreed with us that it would take the initiative in organizing a joint government industry conference to discuss the growing problem of the movement of chemical weapons precursors and technology in international commerce.

OVERVIEW OF OUR FUNDING REQUEST

Clearly, we face a formidable agenda as we attempt to deal with the contraries of our age. Yet, we start with a strong America. And we can be stronger still if we work together to overcome the challenges before us.

That requires our collective wisdom and skill, but it also requires resources and the flexibility to use them where they are most needed. I would like to give you the highlights of our funding request for FY 1990. I would only caution that pending the completion of the NSC review of foreign policy and national security challenges, individual account adjustments may be recommended; however, in aggregate, the budget levels will remain the same.

For budget function 150--international affairs--we are asking \$19.3 billion in discretionary spending authority, with the level for the Export-Import Bank to be determined in negotiations with the Congress. This \$19.3 billion is an increase of \$1.7 billion or 10 percent over what Congress appropriated in FY 1989, but in real terms, it's less than what we received in FY85, 86, and 87. International affairs spending takes less than two percent of the total federal budget. So in submitting our request, if I may understate the case, we do not feel we are imposing an unreasonable burden on the resources of the American people. Quite the contrary. We are asking for an investment to secure our vital national interests and a peaceful future.

The foreign operations component of our budget request includes most forms of foreign assistance (excluding PL 480 food aid), and is the largest single component of our request as a

whole. The funds we make available under this heading help our friends and allies. But first and foremost, they serve America's own interests abroad.

We seek a total of \$14.6 billion for foreign operations. The discretionary element, that is to say, funding for everything except the Guarantee Reserve Fund and Foreign Service retirement, totals \$13.9 billion, or 74 percent of our entire request for foreign affairs appropriations. This represents an increase of less than 4 percent over the FY 1989 level.

Let me now try to put this discussion in broader perspective by relating the resources we seek to the agenda I have outlined and to the achievement of basic national interests and objectives.

NATIONAL SECURITY

Many of our friends in the developing world lack the resources to ensure their national security and to provide for the basic economic and social needs of their people. Because they must do both to survive and grow as free societies with values and institutions compatible with our own, we give them economic support and help finance the modernization of their armed forces. At the same time, we encourage developing countries *not* to overinvest on the military side.

I would like to note, in particular, the importance we attach to the small, but vital, International Military Education and Training (IMET) program. IMET is not just an aid program, but also a channel of communication and influence with literally thousands of foreign military leaders, and a highly cost-effective force multiplier for key friends and allies.

For FY 1990, our total request for discretionary security assistance funding (MAP, FMS, ESF, IMET, and peacekeeping operations) is \$8.5 billion. That compares with \$8.1 billion appropriated by the Congress for FY 1988 and again for FY 1989.

Despite this increase, what we are seeking for security assistance is less than the level appropriated in FY 1987. The cuts from the levels provided in FY 1985 and 1986 are even deeper.

For the first time, we are not seeking an allocation of MAP funds for specific country programs. Instead, we are combining the MAP and FMS programs and requesting that the total--approximately \$5 billion--be provided in the form of FMS grants. Use of FMS in lieu of MAP will enable countries capable of doing so to apply defense assistance to commercial purchases. The all-grant program initiative is part of our effort to strengthen new, fragile democracies and ease the financial burden of countries whose economic health is vital to our own.

Israel and Egypt will receive the largest share of our security assistance in FY 1990 (\$5.1 billion). This underscores the importance of the Middle East to the United States, and the central role which Israel and Egypt must play in bringing peace to that troubled region. Solid economic growth in these countries is essential to our effort. Thus we are committed, for example, to working with Egypt to effect needed economic reforms.

In the West Bank and Gaza, our assistance is evidence of our determination to help the people of the occupied territories achieve a better quality of life. Of the \$17.5 million in ESF we seek for Middle East regional programs, \$12 million will be used for development programs in these areas. In addition, in 1990 the U.N. Relief and Works Agency is expected to provide \$100 million in assistance to Palestinian refugees in the territories, one-quarter of which is attributable to the U.S. contribution to that organization.

In addition to the funds for Israel, Egypt and the occupied territories, we are also requesting \$206 million in security assistance for Tunisia, Jordan, Oman, and Morocco, thereby furthering prospects for stability and growth in the region as a whole.

Security assistance is also used to strengthen the defense capabilities of friends and allies which provide us with access to military facilities in the interests of their own security and ours. In recent years, budgetary stringency and extensive earmarking have hampered our ability to provide necessary support to these countries. For Portugal, our assistance is well below the "best efforts" commitment we undertook when we signed the current base agreement. Assistance to Turkey is already hundreds of millions of dollars below the level necessary if that country is to meet its NATO commitments. And assistance to Greece has fallen one-third below the level provided following the signing of our 1983 base agreement.

For FY 1990, we are requesting \$1.1 billion in security assistance funding for these three countries, an increase of 7 percent over the level appropriated in FY 1989. This is not adequate to make up for past shortfalls. But it will help.

The Philippines also provides us with access to military facilities important for our political and strategic interests in the Pacific. Our assistance program for that country is directed toward helping a struggling ally revitalize and strengthen its democratic institutions, beat back a Communist insurgency, and promote economic growth. Last year, we successfully completed a review of our bases agreement with the Philippine Government. This sets the stage for an extension or renegotiation of the agreement, the fixed term of which ends in 1991. As an outgrowth of the review, we are requesting a substantial increase in both economic and military security assistance.

Separately, we are also requesting \$200 million as a U.S. contribution to a proposed Multilateral Assistance Initiative (MAI). MAI is both a bold new program to provide vital support to democracy in the Philippines and a unique experiment in donor cooperation. It is designed to help the Philippine Government reorient its economy for sustainable growth led by the private sector--the key to assuring a democratic future for an important friend and ally. This program, which is based on a Congressional initiative, has strong bipartisan support. Both Speaker Wright and Senate Minority Leader Dole appeared before the HFAC [House Foreign Affairs Committee] Asia Subcommittee March 7 to endorse our FY 1990 request. The \$200 million that we seek is an investment in democracy and market-oriented economic growth.

Also in East Asia, we seek to maintain the self-defense capabilities of Thailand, a very cooperative treaty partner which faces the consequences along its border of the Vietnamese occupation of Cambodia, and to support Indonesia's laudable market-oriented economic restructuring program.

And for Central America, we are requesting approximately \$900 million for FY 1990 to promote economic growth, security, and democratization, clear goals which Republicans and Democrats alike can support.

PROMOTING PROSPERITY AND DEVELOPMENT

With the evolution of the world's trade and financial systems into a single, integrated global marketplace, American growth and prosperity are, more than ever, influenced by economic conditions abroad. When we assist other countries to develop their own economies, we also develop markets in the global economy for U.S. goods and services.

The current economic stagnation in a large number of developing countries, especially those with heavy debt burdens, illustrates the point vividly and painfully. For example, between 1981 and 1987 economic growth in 17 heavily indebted middle-income developing countries averaged only 1 percent a year. In the same period, our exports to those nations dropped by over \$9 billion, or 24 percent. Economic stagnation in these countries as well as those in sub-Saharan Africa and

the Middle East led to a \$13 billion decline in U.S. exports to developing countries as a group. Since these countries absorbed respectively 41 and 33 percent of total U.S. exports in 1981 and 1987, it is easy to see both how their economic difficulties contributed to our trade deficit, and how a resumption of growth in the Third World could help us solve a problem which is of serious concern to us all.

Of course, foreign assistance is far from the whole answer to the riddle of how to restart the growth process. We also need to continue our efforts to liberalize trade worldwide and to further examine the role which debt policy can play. Most importantly, we need to continue encouraging the developing countries to adopt market-oriented policy reforms. For only when their markets provide the proper signals will they be able to attract the savings of their own citizens and overseas investors necessary for growth.

For FY 1990, we are requesting \$6.1 billion in discretionary appropriations for economic assistance programs, or \$9.4 billion when our \$3.35 billion request for the Economic Support Fund (ESF), is included. ESF is a program that supports economic stability and development as well as serving our security objectives. Our ESF request represents an increase of only \$73 million, or 2 percent, over the level appropriated in FY 1989. That is not enough to keep up with inflation. This budget has been carefully scrubbed. We can't do with any less.

In addition to ESF, economic assistance takes many forms:

- Development Assistance (\$2.4 billion, including \$565 million for the Development Fund for Africa) mainly to fund projects administered by the Agency for International Development (AID) in such areas as agriculture, education and human resources development, health, nutrition, and private sector development.

- Funding for the Multilateral Development Banks (\$1.6 billion). Of this amount, \$965 million will be used for the International Development Association (IDA), the "soft" loan window of the World Bank which finances development activities in the poorest developing countries. An additional \$557 million is for the regional development banks which service Latin America, Africa, and Asia--including their "soft" loan affiliates. And the remainder, \$115 million, is for the International Finance Corporation. Our request funds both current U.S. commitments to these institutions of \$1.3 billion and a clearance of \$314 million in arrears.

- Funding for Peace Corps programs (\$164 million).

- Voluntary contributions to such international organizations as the U.N. Development Program (\$108 million), UNICEF (\$34 million), and the new Afghanistan Emergency Trust Fund (\$16 million).

PROMOTING DEMOCRATIC AND HUMANITARIAN VALUES

American security does not depend exclusively on our military and economic might and our resolve to use them effectively, as important as these factors may be. We rely also on the presence of a community of nations whose behavior toward each other is marked by civility, and whose institutions and values are compatible with our own. The process of strengthening such institutions and values is a slow and difficult one. Fragile new democracies face daunting challenges. They need, and deserve, from us more than mere words of encouragement.

In Central America and the Caribbean, democratic institutions are taking root in countries where just a few years ago many despaired of that ever happening. These new democracies desperately need our help. President Reagan's Caribbean Basin Initiative and the National Bipartisan Commission on Central America provide comprehensive strategies for advancing the

important process of democratic institution building. The implementation of these strategies has met with strong bipartisan support and has involved a constructive joint effort by Congress and the Reagan Administration. This Administration believes it essential to continue this effort. For FY 1990, we are requesting \$735 million in economic assistance for Central America and \$206 million for the Caribbean.

The United States is never more true to its most cherished values than when we defend human rights and provide humanitarian assistance abroad. In our turbulent and often cruel world, the defense of human rights means more than just speaking up, although that too is important. We must also provide funds to help refugees fleeing oppression and populations devastated by want and disaster.

Over the past few years, the assistance we have provided has meant the difference between life and death for literally millions of Africans who faced the worst drought and famine the continent has experienced in this century. During the crisis, the United States provided 2.2 million metric tons of food aid at a cost of over \$1 billion; another \$150 million was spent to provide medicines, shelter, wells, and other immediate needs for those worst affected. This was all in addition to the regular economic assistance we provided.

Last year, U.S. aid to victims of drought and civil strife was focused on Ethiopia, the Sudan and Mozambique, providing urgent relief to millions. In all, we provided emergency assistance in some 60 disasters last year. We helped Bangladesh respond to the needs of over 25 million people affected by the worst flooding ever recorded in that country; we contributed to major earthquake relief efforts in Nepal and, most recently, in the Soviet Union; and we helped to combat locust infestations in 17 African countries.

Our assistance is sometimes channeled to multinational agencies. Most notably, our support for the World Health Organization has helped rid the world of some of the most deadly and contagious diseases.

We can be proud of America's record of assistance to the world refugee population. The United States leads the world both in providing financial assistance to refugees overseas and in resettling refugees in our own country.

For FY 1990, we are requesting \$370 million for Migration and Refugee Assistance and \$10 million for the Refugee Emergency Fund. Of the \$370 million, we plan to allocate \$175 million for relief assistance for refugees in first asylum camps around the world through such agencies as the U.N. High Commission for Refugees, the International Committee of the Red Cross, and the U.N. Relief and Works Agency for Palestinian refugees, as well as a wide range of private voluntary organizations.

The budget requests an additional \$157 million for refugee admissions to the United States for an estimated 84,000 extra refugees; and \$38 million for other statutory programs and for administration.

However, in administering our refugee admissions program, we have recently encountered pressures never anticipated by the drafters of the Refugee Reform Act a decade ago. In particular, over the past year we have been attempting to deal with the totally unanticipated exodus of tens of thousands of people from the Soviet Union, Eastern Europe, Cuba, Nicaragua, and Southeast Asia. In response to liberalized emigration and a relaxation of prohibitions against departure from communist countries, the Department has initiated a reassessment of our refugee admissions policy. We intend to work closely with Congress to achieve a new consensus, one which will be both humane and responsible. This new consensus will most probably lead to changes in funding for admissions as well, which we will propose as soon as they are determined.

COMBATting INTERNATIONAL NARCOTICS TRAFFICKING AND TERRORISM

International narcotics trafficking and terrorism are the twin scourges of our modern age. They pose a particular threat to open, democratic societies. This Administration, like its predecessor, Congress, and above all, the American people agree that we must combat them with all responsible means at our disposal.

As we have seen in Colombia and in Panama, international narcotics trafficking poses a threat not only to the health and welfare of our citizens, but to the security of free people throughout the world. And the threat continues to grow.

For FY 1990, we are requesting \$115 million for international narcotics control, a 14 percent increase over the amount appropriated for FY 1989. This includes \$75 million in direct assistance to Colombia, Bolivia, Peru, Ecuador, Mexico, Venezuela, and other countries in Latin America and Asia. It also includes \$28 million to support aerial and manual eradication of coca plants, seize and destroy illicit narcotics, immobilize drug traffickers, provide logistic support to field organizations, and conduct surveys to identify production and verify program results.

These programs constitute only a part of our total effort to control international trafficking in narcotics. Economic and military assistance is also important in this effort as well as our participation in UN narcotics control activities. For FY 1990, we are requesting almost \$200 million to assist the four Andean democracies--Colombia, Ecuador, Bolivia, and Peru--whose social fabric and democratic institutions are threatened by the growing power of narcotics traffickers. Assistance to these and other countries supports public awareness programs, projects which develop viable economic alternatives for farmers who depend on the cultivation of narcotics crops for their livelihoods, and increases in the capability of military forces to contribute to eradication and interdiction efforts. We intend to work closely with the new "drug czar," Bill Bennett, in this area.

International terrorism, like international narcotics trafficking, offends the most cherished values of democratic societies. To combat it, we must be vigilant; we must be prepared to commit the needed resources; and we must continue our vigorous diplomatic, intelligence, and law enforcement efforts.

Through long and often bitter experience, we are developing more effective policies and programs to deal with this scourge. We are exchanging intelligence and strengthening cooperation with other countries in law enforcement. We have gone on the offensive to bring terrorists to justice, to disrupt their operations, and to destroy their networks. We continue to bring pressure to bear on states which support terrorism and to encourage our allies to do likewise.

Through U.S. leadership in the International Maritime Organization and the International Civil Aviation Organization, we have achieved international agreement on means to combat terrorism on the seas and in the skies. We are also working to persuade countries reluctant to cooperate in combatting international terrorism to rethink their positions.

We have strengthened security measures to protect our citizens at home and abroad. And we are providing training and training-related equipment to countries with the will but not the means to cooperate in the fight against terrorism.

U.S. programs to enhance the counterterrorism skills of other nations include training and the provision of equipment and logistical support. For FY 1990, we are requesting \$10 million to continue the Department of State's Antiterrorism Assistance Program. With the requested funds,

we will be able to train about 1,500 security officers from around the world in a variety of antiterrorism skills.

CONCLUSION: THE NEED FOR CHANGE

Mr. Chairman, as I noted earlier, we look forward to working with this and other committees to produce a more flexible and efficient foreign assistance system. We must reverse the trend toward more reporting requirements, earmarks, and restrictions. Earmarks are especially harmful. The combination of earmarks and cuts made in our request, have forced us to significantly underfund security assistance programs for some important friends and allies. If we are to maintain reliable friends around the world, Mr. Chairman, we must be a reliable friend ourselves. In the last several years, our reliability has been questioned. This is not good for our friends and allies, and it is not good for America.

If the needed flexibility can be achieved, then the levels in our FY 1990 budget request will enable us to fund on a modest scale programs which we have had to curtail sharply in recent years. In my view, this is essential. No foreign policy, however intelligent, can be meaningful without the resources to do the job. That is what we are asking for here today.