
The FY 1991 Security Assistance Budget Request

By

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[The following is a reprint of a statement presented by Mr. Bartholomew in testimony before the Foreign Operations Subcommittee of the Senate Appropriations Committee in Washington, DC, on June 9, 1990.]

Mr. Chairman, thank you for the opportunity to address you and the Members of your Subcommittee today on the President's Security Assistance Budget request for FY 1991.

Secretary Baker has cited the five key foreign policy challenges that we as a nation face: promoting democratic values, fostering market forces, promoting peace, protecting the world community against transnational dangers, and strengthening our alliances and other international ties in a time of far-reaching change.

The President's FY 1991 budget request, formulated before many of the most dramatic changes in the world situation had occurred, addresses these challenges in today's more hopeful environment. In this transition year, we will be working to consolidate and further recent foreign policy successes, while guarding against threats to those successes. Our security assistance programs, in particular, are designed to support some of our most basic values, which form the philosophic underpinning of our approach to the challenges I just mentioned.

Protecting and promoting political stability, democracy, and economic freedom in the world has been and will remain a central purpose of U.S. foreign policy in the post-war era.

- We pursue these goals because we as a nation think they are right, and because we think we have a responsibility to espouse the values they represent.
- We pursue these goals because we believe that a world characterized by these values is the best environment for our own security and well-being—economic, political, and social.

Mr. Chairman, in the past decade, in the past year, we have seen these values gain ground with a scope and rapidity that have surpassed anyone's predictions.

- The Soviet Union has begun a wrenching swing towards these values.
- Domestic dictatorship and foreign domination in Eastern Europe are giving way to the emergence of newly democratic and independent states.
- Africa is witnessing a dramatic evolution marked by the emergence of an independent Namibia, the spread of market-based economies over half the continent, and new hope for positive change in South Africa symbolized by the release of Nelson Mandela.
- In Asia, Pakistan, the Philippines, and South Korea are building new democracies based on economic freedom and are striving to build firm foundations for political stability.

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- Close to home in Latin America, the whole political complexion of the continent has changed through the decade of the '80s toward democracy and economic freedom.
 - In 1976, from the Rio Grande to Cape Horn you could count the democratic nations on the fingers of one hand; today the entire mainland is democratic.
 - In Panama and Nicaragua, dictatorial governments have been rejected by their peoples and the work of constructing political stability, democracy, and economic freedom is underway.

Mr. Chairman, it is true that the world is not yet a perfect place:

- The positive change that is underway is not yet complete. And like all such far-reaching change it brings with it its own uncertainties and stresses.
- There remain regional conflicts and differences in the world that bear importantly on our values and on our strategic interests.
- International drug trafficking threatens the political stability, democracy, and economic freedom of the societies caught up in it and the well-being of our own nation.
- And we face new dangers in the proliferation of weapons of mass destruction, not only nuclear, but chemical weapons as well, together with the potential spread of missiles capable of launching them on hair-trigger notice.

That said, Mr. Chairman, the whole world can take strong satisfaction and strong encouragement from the stunning progress that has been made toward political stability, democracy, and economic freedom and the prospects and opportunities before us. And I believe the American people can and should take special pride and satisfaction in these developments.

The U.S. did not single-handedly bring about the positive developments now underway. But the efforts of the U.S. since World War II have been absolutely critical in creating and maintaining a framework that protects and promotes these values and helps create conditions in which they can thrive. That framework includes:

- Strong alliances, starting with NATO, and close friendships and bilateral relations with key countries around the world.
- Strong military forces at home and abroad.
- Effective bilateral and multilateral foreign assistance programs, including training.
- Encouragement and support for development and the adoption or improvement of economic reform and market economies.
- And persistent efforts to promote East-West dialogue and arms control and peaceful resolution of regional differences around the world.

The focus of this hearing is on security assistance. But the issues you in Congress and we in the Administration must address in reviewing our foreign aid program are part of a larger question we are both wrestling with. Stated broadly, how do we design and adapt our policies and our programs to meet the demands of this newly promising though still imperfect world?

Opinions can and do vary, even within the Administration, on what specifically the U.S. should do in each specific situation. But, surely, there should be a fair degree of consensus about the broad guidelines that ought to shape our approach. We need to shape our policies to:

- Sustain and further the positive change underway and insure against the uncertainties and difficulties it can bring.
- Deal with the problems that have not changed and new dangers that have arisen.
- Maintain the framework that has been and will remain essential to the positive change we want to sustain and further, even as we adapt the framework itself to the new conditions that are emerging.
- Work in a spirit of cooperation with Congress, while seeking greater flexibility.

Mr. Chairman, these are the guidelines that shape the FY 1991 budget before you.

We believe that the program before you is a solid answer to the question of what the nation can and should do in foreign assistance in FY 1991. As we evaluate the change that has occurred and review our programs measured against new realities and reoccurring problems, our FY 1992 program may look quite different, but it will be guided by the principles I have been discussing.

Against this background, let me outline the major elements of our FY 1991 request.

EUROPE

Let me begin with a discussion of the assistance package we are requesting for Europe, since the most dramatic political and economic transformations are taking place there. Our request for Europe has two parts: aid for the profound changes underway in Eastern Europe, and continued support for our friends and allies in NATO.

Before turning to my particular responsibility and the focus of today's hearing, I would like to say a few words about our aid to Eastern Europe.

As you know, we have requested \$300 million in special economic assistance for the countries of Eastern Europe. As in the programs which we initiated in FY90 in Poland and Hungary, we propose to tailor our aid to the region to fields in which the U.S. has a comparative advantage.

A principal focus of our aid efforts will be in technical assistance and institution building. There is a critical need for the kinds of skills relevant to managing affairs in a free market system. The first order of business is to encourage policy reforms that would allow these economies to operate on a market basis and investments in the private sector that would make them flourish.

The collapse of Marxism/Leninism has made obsolete existing institutions governing economic and political life alike. To address this vacuum, our program will support democratic institutions, including those that will promote the conduct of free elections and advance political reform through the rule of law.

In assisting Eastern Europe's transition to a free market system, the cooperation of our own private sector will be key. Our program is designed to encourage substantial private sector involvement. The tools we propose to use to ease the entry of U.S. private enterprise into Eastern European markets range from negotiation of bilateral trade and investment treaties and the granting of most favored nation treatment to establishing eligibility for EXIM, OPIC, and CCC guarantees

[i.e., respectively, the Export-Import Bank, the Overseas Private Investment Corporation, and the Commodities Credit Corporation].

Finally, recognizing that the transition to a democratic, market-oriented system may be traumatic, we are prepared to offer a third level of aid, in the form of transitional economic support. In Poland, the U.S. took the lead in establishing a Stabilization Fund which was designed to help the Polish Government's bold efforts to stabilize its economy through a stiff dose of market disciplines. We are also proposing measures to help raise capital to stimulate private sector development. Those measures may be bilateral, as we have proposed through the "enterprise funds" for Poland and Hungary, or multilateral, through institutions such as the European Bank for Reconstruction and Development.

Mr. Chairman, I should note that the provision of U.S. aid to a country in transition is not automatic. We plan to base our aid on the extent to which the recipient is truly taking steps toward the achievement of four objectives in our mutual interest:

- There must be progress toward political pluralism, based on free and fair elections and an end to the monopoly of the Communist Party.
- There must be progress toward economic reform, based on the emergence of a market-oriented economy with a substantial private sector.
- There must be enhanced respect for internationally recognized human rights, including the right to emigrate and the right to speak and travel freely.
- We want a willingness on the part of each of these countries to build a friendly relationship with the United States.

In deciding on the level and mix of assistance that we provide to each individual country, we shall be influenced by their movement toward these objectives.

In looking to support a Europe in transition, we must not neglect the framework that created the conditions which made that transition possible. For more than 40 years, the Alliance has been the central element of that framework of stability in Europe. NATO has advanced positive political change by performing four functions:

- It has maintained a balance of military power that deterred not only war, but also coercion backed by military power.
- It has fostered solidarity among European states, by encouraging new forms of cooperation among its members.
- It has built a strong trans-Atlantic community to the benefit of both the United States and Europe.
- It has been a major platform and principal agent in pursuing East-West dialogue and arms control, moving us from confrontation to cooperation.

NATO needs to continue to perform these functions to remain a force for the consolidation of change and to act as the foundation for further change.

That is the principal rationale for the security assistance programs in the Southern Flank of NATO—programs which our allies believe they need, and that we think make sense in terms of NATO's purposes. But I wish to emphasize that these programs are important not only in terms of

how they help rationalize the Alliance's collective effort, but also in terms of how they fit with the bilateral defense relationships that these allies maintain with the United States—including the maintenance of military bases. For these reasons, we have requested \$1.02 billion in Foreign Military Financing (FMF) and \$95 million in Economic Support Funds (ESF) for Turkey, Greece, and Portugal.

CENTRAL AMERICA

There has been a surge towards democracy in our own hemisphere as well. In March, a freely-elected government in Chile assumed power after nearly 17 years of military rule, and a civilian President assumed office in Haiti. Today, there is only one dictatorship [i.e., Cuba] left standing in the Western Hemisphere.

The election of a democratic government in Nicaragua and the restoration of democracy in Panama are of particular significance to our foreign policy interests in the hemisphere. Mrs. Chamorro's election opens the way for fulfillment of the dream of the Central American peace process—peace and democracy in all the nations of the region. In addition, the return of democracy to Panama—most welcome in and of itself—also cut off an important base to drug traffickers, who have taken center stage as the biggest threat to democratic rule in the Americas.

We have a special role in aiding the return to democracy in this hemisphere. To underscore that role, in January the President sent forward a \$500 million supplemental aid request for Panama, and in March he submitted to the Congress a \$300 million request for an assistance program for Nicaragua as a supplemental appropriations request for FY 1990. On May 25, the President signed the Emergency Supplemental, which included the full \$300 million requested for Nicaragua and \$420 million for Panama.

In addition to the supplemental aid for FY 1990 outlined above, we have asked for a total of \$739 million in foreign assistance for the Central American democracies in FY 1991, four-fifths of which is economic aid. Our request will allow us to support the framework for democracy and for lasting peace in the region, represented by the Esquipulas, Tesoro Beach, and Tela accords. With democracy clearly in ascendance, we have today an unprecedented opportunity to effect a profound and positive change in this critical region, to contribute to the expansion of regional peace and to the consolidation of democracy.

ANTI-NARCOTIC PROGRAMS

In contrast to the positive evolution towards democracy in this hemisphere, one trend is negative. The greatest threat to democratic values and stability in this hemisphere today is the traffic in illegal drugs. In the last decade in Colombia alone, drug traffickers have killed over 1,000 public officials, 12 Supreme Court Justices, over two dozen journalists, and more than 200 judges and judicial personnel, not to mention the high toll of ordinary citizens who happened to be in the wrong place at the wrong time.

In FY 1991, for anti-narcotics programs with our Andean partners, we are requesting \$137 million in FMF and approximately \$209 million in ESF. Using the model we have found successful elsewhere in the world, we have formed a mutually beneficial partnership with our Andean friends. As our Andean partners confront the problem in their own countries, they look to us to provide them with appropriate military and economic assistance. Our military assistance supports their maintenance of mobility and other military capabilities essential to anti-narcotics operations. Our economic assistance will help them develop legitimate alternatives to the trade in illicit narcotics and to implement other structural adjustments necessary to sustain economic growth.

PAKISTAN/PHILIPPINES

Our stabilizing influence has helped bring democracy to other regions as well. In Pakistan and the Philippines, we have supported the fundamental shift in recent years to more pluralistic and democratic societies. We have embraced this trend and are helping develop the institutions and policies to make it irreversible. It is not an easy task. Both countries face internal resistance to reform, and both have embarked on painful programs to restructure their economies. We must work to foster the broader political stability that will permit these policies to succeed. This will require substantial military and economic assistance.

The Soviet withdrawal from Afghanistan has not brought peace, and final resolution of the continuing violence there will take a long time. A strong and secure Pakistan, able to play a leading role in this process, will be vital to restoring stability to the region.

Our interest in a free and stable Philippines stems from our historic ties to these islands. Continued political and economic progress in the Philippines is threatened by insurgents dedicated to seizing power through violence. Our military assistance program helps the Philippines address this threat. U.S. economic assistance is designed to support the democratic government's efforts to meet its people's economic and social needs. Continued U.S. access to military bases in the Philippines promotes regional stability and protects vital Pacific trade routes.

Our security assistance requests for Pakistan and for the Philippines are designed to enhance security and promote reform in these emerging democracies. For Pakistan, we have requested \$228 million in FMF and \$210 million in ESF. For the Philippines, we have requested \$200 million in FMF and \$160 million in ESF, in addition to our requests for development assistance, PL-480 food aid, and \$200 million in a special multilateral assistance initiative.

MIDDLE EAST

Nowhere is the task of promoting democracy and stability more challenging than the Middle East; and nowhere have our diplomatic efforts been more intense to achieve a negotiated solution to a conflict.

We have constructed a process, aimed at a breakthrough in the decades-old confrontation between Israelis and Palestinians, which could then be broadened to an effort to achieve a lasting peace between Israel and the entire Arab world. Both Egypt and Israel have worked hard with us on a framework for an Israeli-Palestinian dialogue in Cairo to discuss elections in the West Bank and Gaza. As Secretary Baker noted before Congress last week:

- The challenge for all sides is to try to put back on track the process that we had succeeded in bringing so close to success and to create a better environment for peacemaking.
- For Israelis, this means saying yes to the idea of a dialogue with Palestinians.
- We hope that the new Israeli government is willing and able to move forward to such a dialogue, and to do so in a way that makes it possible for a credible Palestinian delegation to participate.
- We're prepared to continue to try to implement the Israeli government's May 14 initiative, but we can't do it alone.
- For Palestinians, this means looking beyond the tragic human losses they have suffered and recommitting themselves to the political process.

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- The outrageous [PLO] attack of May 30 [against Israel] has raised serious questions about that commitment.
 - The PLO has to make clear that its policy of renouncing terrorism still stands and it has to do so in an authoritative and unambiguous way.
 - So far it has not done so.
 - For the Arab states, this means doing more to create an environment that can support Israeli-Palestinian reconciliation.

We need to remain steadfast in our traditional assistance to Egypt and Israel. We are again requesting \$5.1 billion in military and economic assistance for Israel and Egypt. That amount represents 61 percent of our total security assistance request. These funds meet military modernization requirements and contribute to economic stability and other development objectives.

CONCLUSION

I ask for your support for full funding for the President's balanced approach to the FY 1991 foreign assistance budget. It is the right response for today, one that carefully nurtures positive change, deals with continuing problems, and strengthens the framework that will ensure stability during this time of transition. Thank you.