
Opportunity and Challenge in Latin America and the Caribbean

By

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This is a time of challenge and of some opportunity in Latin America and the Caribbean. American interests are at stake, and democratic gains are at risk. Within our own government, it is also a time to look anew at programs. The President has instructed the National Security Council to review the range of foreign policy and national security challenges facing the nation. The National Security Council will recommend to the President, within 90 days, options for U.S. policy designed to help shape events in furtherance of U.S. goals and ideals. These policy reviews are underway. The President and Secretary of State will consult with Congress as they design and implement policies for a new era.¹ They recognize the importance of a bipartisan executive-legislative policy in Central America.

In this hemisphere, as we organize ourselves for the tasks ahead, we must take into consideration challenges that cover a wide spectrum.

- Drug traffickers are better armed and organized than ever before; their illegal operations net an estimated \$8 billion annually. Area cultivated grows by some 10 percent a year.

- Indebtedness has risen to over \$400 billion, up from \$300 billion when the first difficulties were experienced in 1982. A market naturally oriented toward the United States is less able to pay for exports of American farms and factories.

- Environmental losses from burning away Amazon rain forests last year added up to 80,000 square miles (larger than the combined area of Denmark, Belgium, Austria, and Switzerland).

- Despite important new peace openings, political extremism, terrorism, and armed conflicts persist in Central America. Although U.S. military aid to the Nicaraguan Resistance ended more than a year ago, the Soviet Union and Cuba have increased military aid that facilitates Sandinista repression at home and aggression abroad.

- Insurgencies also plague Peru and Colombia. Violence—political, social, and criminal—has escalated. Murder is the leading cause of death for male adults (18-40) in Colombia (where the government estimates some 140 private groups engage in murder).

¹The Bipartisan Accord on Central America was announced on March 24, 1989 (see Selected Documents No. 36, "U.S. Support for Democracy and Peace in Central America").

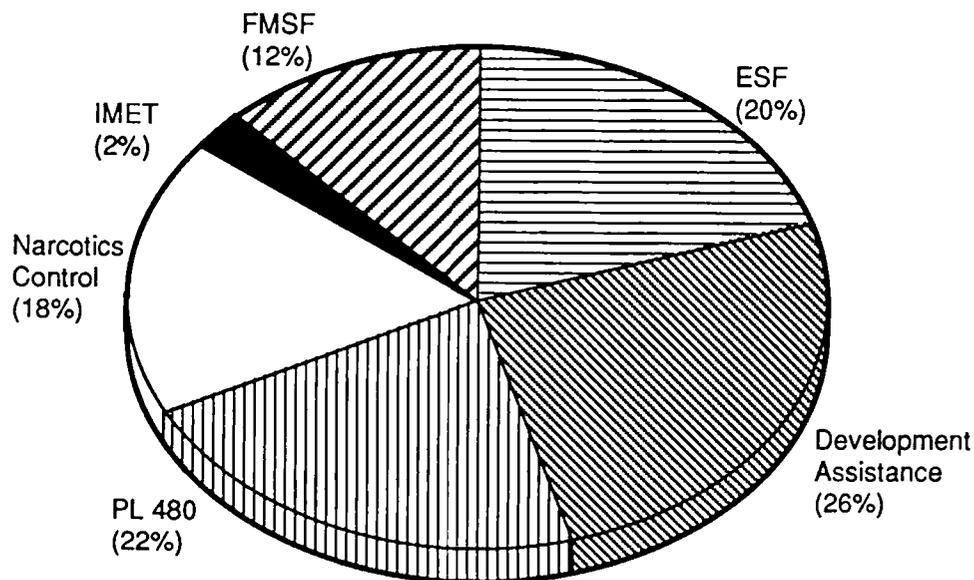
In relation to the magnitude of these challenges and their importance to our interests, U.S. assistance for Latin America and the Caribbean is very modest. Like many elements of our federal budget, foreign assistance levels are squeezed.

In fiscal year (FY) 1988, the bilateral assistance budget for Latin America and the Caribbean was the lowest in years. It included \$1,200.9 million in bilateral economic aid—including development assistance, economic support fund (ESF), P.L. 480, and narcotics control activities—and \$143.9 million in military aid—including international military education and training and military assistance program-foreign military sales/grants. Total economic and military assistance for Latin America in 1988 was \$1,344.8 million—10.09 percent of the worldwide assistance total.

In FY 1989, available resources increased slightly: estimated obligations at this time amount to \$1,258.5 million in economic and \$164.9 million in military assistance for a total of \$1,423.4 million—10.95 percent of worldwide finding. Even so, increased earmarking required the “zeroing out”—complete elimination—of elements of military or economic support programs in some countries.

For FY 1990, we are requesting \$1,204.2 million in economic aid and \$230.0 million for military aid, totaling \$1,434.2 million, which would amount to 9.76 percent of worldwide assistance.

Proposed FY 1990 Assistance to Latin America and the Caribbean



To help you assess our FY 1990 requests, I would like to review major political and economic trends affecting U.S. interests in the hemisphere, consider the fundamental principles (support of democracy; the war against illegal narcotics; and the search for peace, security and development in Central America) that underly our foreign assistance requests in the region, and finally focus on the need for improved multinational cooperation on a number of specific cases where our approach is evolving either in response to changed circumstances or to new opportunities.

POLITICAL TRENDS

The democratic transitions of the past decade in Latin America and the Caribbean have been dramatic. While these transitions have been the product of the political will of the people in each country, the constant, strong bipartisan support of the United States has been an important factor.

Through a joint effort of the Executive and the Congress, our message has been clear and constant:

- We support the democratic center against repression or threats from either the extreme right or the extreme left.
- We will not acquiesce in military takeovers of democratically elected governments regardless of the short-term interests involved.
- We will support democratic governments threatened by insurgencies and insist on respect for human rights.

The strength of this message has been its constancy. We send the same message to our friends and to our adversaries.

The democratic institutions emerging from the wave of transitions from dictatorship in the region are still frequently strained by economic crisis that erode support for the democratic center. The transition from authoritarian to democratic rule generated heightened expectations of improved economic as well as political conditions. Democratic leaders have been caught between Scylla and Charbydis—the proverbial rock and hard place—as they have sought to adopt responsible, growth-oriented policy reforms. Some have achieved notable successes, as in Colombia, Uruguay, and Costa Rica. But all too often, the results have ranged from failure to adopt essential reforms—thus prolonging the economic misery—to attempts to adopt the necessary reforms—thus provoking a popular backlash against the reformers. The uneven results have raised doubts about the generally moderate policies of the first generation of democratic leaders.

The democratic governments of the region also face active or potential challenges from insurgents, criminals, or other armed minorities. Such conditions further constrain their ability to undertake democratic reforms or to fully institutionalize civilian control over the military.

Even in the face of these difficulties, however, civilian and military leaders have both shown considerable adaptability. In Guatemala, the elected government remains under assault from a reduced but, nonetheless, lethal insurgency, and civilian and military malcontents have produced a failed coup attempt and much talk. But the military command is committed to civilian rule and realizes that respect for human rights is critical from a military as well as moral standpoint. In El Salvador, military leaders still smart at human rights criticism for their conduct of the war, while FMLN [*Farabundo Martí* National Liberation Front] atrocities receive international indifference. However, these same military leaders show no evidence of wanting to reverse the country's substantial democratic development. In Peru, there has been no coup despite deep economic troubles and a widening insurgency. And in Argentina, the elected government and the military high command have cooperated to cope with several military rebellions and a recent attack by armed leftists against a military installation.

The democratic trend, in fact, still shows signs of deepening. The power of democratic aspiration was evident in the conduct of the plebiscite in Chile last fall and the unexpected changes in Paraguay this year. Democratic practice still typically fails the ideal, but the cases of systematic and pervasive failure are becoming increasingly obvious to everyone. That may help explain

preparations for a presidential election in Panama in May and the renewed commitments by the Ortega regime to democratic changes in Nicaragua.

Under these circumstances, unwavering U.S. and international support for democratic civilian government is critical, both to avoid potential reversals of the democratic gains already in place and to promote further progress. The security and economic assistance programs proposed for FY 1990 are an integral part of that support.

ECONOMIC TRENDS

After growing rapidly in the 1960s and 1970s, Latin America has experienced painfully low economic growth during this decade: overall increases in gross domestic product (GDP) averaged only 1.1 percent in real terms from 1980 to 1986. Real per capita GDP fell by 2.1 percent in the same period. Modest 1987 recovery was followed by a weaker 1988 performance.

Inappropriate economic policies have been the main cause of this poor economic performance. Despite some progress, statist, inward-looking policies have lowered investor confidence at home and abroad. Domestic savings and investment have dried up, and capital flight exceeds commercial bank debt in some countries. Growth also has been hindered by the region's heavy external debt burden—at year end 1988, \$401 billion—over 40 percent of the total debt held by all developing countries.

U.S. debt strategy is based on renewed growth, with increased commercial and official lending to give debtor countries support needed for politically difficult economic reforms, the essential condition for resuming growth. But commercial banks have reduced their exposure to the region, and debt servicing payments now exceed new lending. Reversing this negative net resource transfer is an essential ingredient of a strategy to bring sustainable growth to the region.

Low growth and debt service burdens imperil fragile democracies in the region as key countries face renewed populist pressures in presidential elections this year. Latin leaders, individually and collectively through the Group of Eight and other forums, have pushed for some form of negotiated debt relief to give debtors more “breathing space” and support for essential economic reforms.

We will need to encourage all governments of the region to undertake economic policy reform on an accelerated basis if there is any hope that they can grow and cope with their staggering debt burden.

Our debt policy review, and debt strategies of other creditor countries, will have an important bearing on the ultimate economic success of the debtor countries. Just as important, however, is the need to keep the United States and other import markets open. We can hardly press the Latins to open their economies, and encourage export-led growth, and then shut lucrative markets to them.

The most important element, however, of any economic recovery plan is the commitment of these countries themselves. Ultimately, economic and political reform cannot be imposed from outside; the benefits of such reforms need to be seen by the government itself, and appreciated by the people, for these reforms to be undertaken and pursued in the long term.

SUPPORT FOR DEMOCRACY

Over the last decade, the security of the United States and the security of all free countries of this hemisphere has benefited greatly from the trend toward democracy. Though further progress is required, respect for human rights has improved in all the non-Marxist and non-dictatorial states

of Latin America. The marked reduction in the number of human rights abuses in recent years parallels the spread and consolidation of democracy: where democratic government has taken root, the human rights situation has changed for the better.

The democratic trend not only accords with our deepest values but also serves our national interest. We enjoy the most constructive long-term relationships with countries where government is founded on the consent of the governed. Our ability to cooperate increases in direct proportion to the values and institutions on which we and our partners find we can agree.

U.S. security assistance plays an important role in this progress by helping military institutions develop confidence in democratic systems and by increasing military loyalty to the civilian and constitutional authorities with whom we are cooperating.

Democracy has become the touchstone of relations in the hemisphere. A reversal of the movement to democracy anywhere will be rejected by us, as it will be by all the democracies in the region.

NARCOTICS AND NARCOTERRORISM

Economic difficulties are not the only challenge to regional democracy. Narcotics traffickers have the resources and influence to undermine the stability and integrity of these governments. Terrorists, often in league with narcotics traffickers, prey on the poor of the region promising what Marxism has never been able to deliver.

Narcotics trafficking based in the Andes seriously threatens the stability of the governments of the region and the well-being of families and neighborhoods across the United States. The President, Congress, and the public are rightfully demanding that we do much more.

One of the more promising new paths is more active involvement by military forces. The current, imaginative Colombian military campaign against combined Revolutionary Armed Forces of Columbia (FARC)/trafficker bases serves as a model for what we also hope will guide efforts in other countries by 1990. Bolivia recently adopted sweeping anti-narcotics legislation and exceeded its 1988 coca eradication targets. Peru, the world's largest coca cultivator, was able in 1988 to destroy over 12,000 acres of coca.

In the Caribbean, small and ill-equipped police, military forces, and judiciaries face increasing numbers of traffickers with seemingly unlimited resources. Jamaica, the Bahamas, Haiti, and the Dominican Republic are significant transshipment points for narcotics from South America. Jamaica, itself, is a major producer of marijuana. Our aid must help Caribbean governments to increase the level and effectiveness of their anti-narcotics activities.

Mexico remains the largest single source for heroin, the second largest source of marijuana, and a transit point for cocaine. Newly elected President Carlos Salinas has made narcotics control a national priority. Mexico has expanded the scope of its opium and marijuana eradication programs and is taking steps to improve operational efficiency. We are prepared to cooperate with what we expect will be a steadily improving Mexican anti-narcotics program.

DEVELOPMENT AND DEFENSE IN CENTRAL AMERICA

The challenge facing the United States in Central America is to be consistent and effective in support of human rights, development, and preservation of freedom.

We have developed the framework of our Central America policy; that policy is evolving. The President and Secretary of State have made clear that they intend to develop a bipartisan policy

to implement objectives consistent with the principles agreed to among the governments of Central America in the 1987 Esquipulas accords and in the various negotiations that have taken place since then. The principles of Esquipulas are democracy, human rights, and security. They are the right principles. What we need is the mechanisms—verification accompanied by meaningful incentives and disincentives—to ensure they work.

We will be working to coordinate to the maximum possible extent with the Central American democracies, key friends in South America and Mexico, and our European allies. In this regard, we have welcomed the nonpartisan and multilateral effort of the International Commission for Central American Recovery and Development (Stanford Commission) to explore anew policy options for economic recovery and development in Central America.

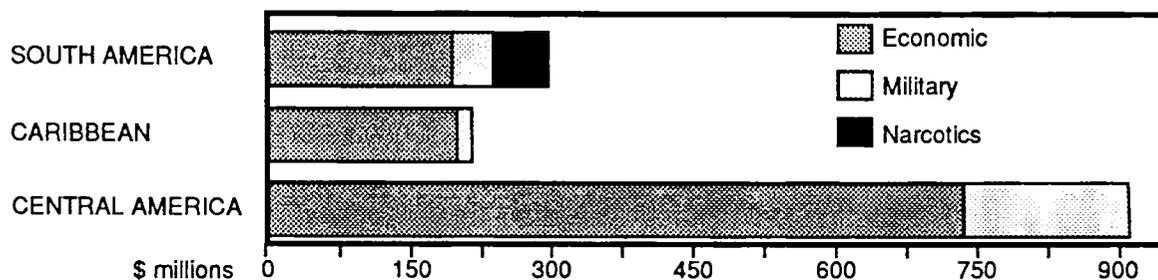
We welcome the Commission's recommendation that aid and other relations be based on compliance with Esquipulas, for we believe that any plan for the region as a whole requires that democracy and security become realities rather than promises. It is also important that the Commission also recognizes another form of conditionality—that based on economic performance.

Given the range of the Commission's effort, some differences will inevitably emerge as we study its findings. You will recall that the basic considerations underlying our own assistance policy toward Central America were formulated in 1983-84 by the National Bipartisan Commission on Central America (the Kissinger Commission). The Kissinger Commission's bipartisan focus on democratization, human rights, economic stabilization and structural transformation, and spreading the benefits of economic growth, has been the organizing principle of U.S. policy ever since.

Incidentally, on this point, we were pleased to note that the recently released report of the House Foreign Affairs Committee's Task Force on Foreign Assistance concluded that these original Kissinger Commission goals, supplemented by a clear commitment to environmental sustainability, should be our principal foreign assistance goals worldwide.

In reviewing our FY 1990 assistance requests for Central America, it is important to keep in mind that, despite the many well-known obstacles, significant progress has been made and that our assistance is an important reason that most Central American countries are more democratic and more respectful of human rights than they were 10 years ago. In El Salvador, democracy has continued to be consolidated under President Duarte.² In Guatemala, an elected civilian president is in power. In Honduras, power has been transferred from one elected civilian politician to another. In Costa Rica, honest, fair elections continue a long tradition.

Proposed FY 1990 Assistance Request by Region



² The democratic process in El Salvador was reinforced on March 19, 1989, when Salvadorans voted in the second set of free and fair presidential elections in 5 years!

U.S. assistance also plays a critical role in helping the Central American democracies cushion the short-term economic pain which often precedes the longer term economic gains realized through policy reform. In several instances, our aid has facilitated sound adjustment measures to establish the basis for self-sustaining growth. Growth in non-traditional exports also demonstrates that the region could have a sound economic future once the Esquipulas peace process succeeds in removing the obstacles created by political and physical insecurity.

The Costa Rican Case. Let me take a moment to provide some detail on a success story—how, through adopting economic policy reforms, cushioned by our economic support funds, one Central American country was able to reverse a severe economic decline.

In the early 1980s, Costa Rica was hit by severe recession. The U.S. aid response was designed in part to help Costa Rica reform its economy and set it on the path to self-sustaining, long-term growth. Due to these efforts, and to the Costa Rican Government's own willingness to reform, progress has been impressive.

The Costa Rican Government has slashed its fiscal deficit from 13.7 percent of GDP [gross domestic product] in 1981 to 0.3 percent in 1987, committed itself to privatization of state-owned companies, liberalized the banking and credit system, and maintained a realistic exchange rate. Inflation fell from 82 percent in 1982 to a more manageable 15 percent in 1987 (although it has since risen to 25 percent). Similarly, unemployment has come down from 9.5 percent in 1982 to 5.6 percent in 1987. Most impressive of all has been the phenomenal growth in non-traditional exports which jumped from \$128 million in 1983 to \$361 million in 1987, an increase of 182 percent in just 4 years. A major reason for this rapid rise in non-traditional exports has been the Caribbean Basin Incentive (CBI) and related legislation.

As a result of its aid-assisted policy reforms, the Costa Rican economy, in the last 6 years, has been growing at an average annual rate of 4.3 percent, compared to an average yearly decline of 2.9 percent during 1980-82. The reforms have also led to agreements with the IMF [International Monetary Fund] and the World Bank and will likely result in greater aid from other donors.

MULTINATIONAL COOPERATION

Consultative Groups. For several years we have encouraged the World Bank and the IMF to establish consultative groups for countries in Central America. Last June, one was established for Costa Rica, in October for Honduras, and in March 1989 for Guatemala. The goals of consultative groups are: to encourage greater donor cooperation and coordination, to develop a better organization and more visible list of priority projects, and to review the overall structural adjustment process and management of debt issues in the country. Looking at the one country, Costa Rica, for which we have more than a half-year experience, we are encouraged by preliminary results. These include:

- The completion of a second World Bank structural adjustment loan in December;
- Work on a possible new IMF standby to replace the one expiring early in March;
- The development of a list of priority projects for donor financing;
- Work on a transportation sector loan;

- Further discussion by the Bank Advisory committee on ways to mitigate Costa Rica's debt burden, including consideration of use of AID [Agency for International Development] monies to finance a Costa Rica buy-back of debt;

- An overall understanding not only by the World Bank, IMF, and the United States, but also by Japan (which has promised funds to Costa Rica), Canada, and the European countries to work from the same data and analytical framework.

The Organization of America States. The Organization of America States (OAS) can play a key role in insuring successful cooperation in the hemisphere.

- Because both the United States and the Latin American and Caribbean countries belong, the OAS is the logical locus for debate on topics of importance to the hemisphere.

- Because it is a purely regional organization recognized under the UN Charter, the OAS can take up regional issues without extraneous factors. For example, multilateral OAS action can reconcile the Charter obligation of democracy with that of nonintervention. At a Permanent Council meeting on February 15, the OAS went on record to support democratization in Paraguay.

Historically, the OAS has had a strong record of support for democracy, human rights, and the peaceful settlement of disputes. Recently, however, the OAS has been more active on human rights, drugs, and technical assistance than peace-keeping. The OAS operated a border inspection force between El Salvador and Honduras in 1969-70 and 1976-81, and the OAS Secretary General was named co-verifier (along with Cardinal Obando y Bravo) of the Sapoa accords in Nicaragua—but this role was never implemented because of objections subsequently raised by the Sandinista government.

The OAS still has the potential to make a very helpful contribution to peace in Central America under Esquipulas and Sapoa. The Central American summit agreement explicitly asks for OAS and UN assistance. The OAS will be able to exert its positive regional influence, however, only if the United States and other OAS members provide the necessary guidance and allow it to be effective by giving it the attention and the financial resources it needs.

The Caribbean Basin Initiative. A constructive and bipartisan policy, the Caribbean Basin Initiative (CBI) supports political stability in the Caribbean Basin by helping countries raise their foreign exchange earnings, diversify their economies, and employ their people. The CBI has spurred economic diversification in the region by providing the opportunity to increase exports of non-traditional goods such as apparel, seafood, and winter produce. In the first five years of the CBI, non-traditional exports to the United States grew nearly 75 percent to over \$3.5 billion. In 1988, for the first time, the region's non-traditional exports to the United States were larger than the traditional ones, such as sugar and coffee, although the high U.S. content of many non-traditional exports means the net foreign exchange earnings from traditional exports may still be larger.

The CBI does not guarantee economic growth and greater exports; it enhances the conditions and incentives for growth. Some countries in the region have done particularly well in using the CBI. Since the CBI began, Jamaica's non-traditional exports to the United States have increased by 147 percent; Costa Rica's by 254 percent; the Dominican Republic's by 195 percent. At the same time, lower oil prices and tighter sugar quotas have meant that total exports to the United States have declined some 30 percent since the CBI began.

The original CBI has some shortcomings. For example, some products important to the region were excluded from duty-free treatment. We thus welcome efforts underway in Congress to enhance the CBI. We want to continue to work closely with the Congress on such legislation,

including the bill intended to be introduced on March 2 by Representative Sam Gibbons [D-FL] and the bill which Representative George Crockett [D-MI] introduced last year. While there is yet no formal Administration position on either bill, I want to say that I appreciate the intent of that bill to promote "equitable and participatory development" in the region. I must also say that I have some concerns about the bill's emphasis on regional self-reliance and its implicit turning away from export-led growth to an inward orientation and import-substitution policies.

SPECIAL SITUATIONS AND OPPORTUNITIES

Argentine Military Aid Program. We have tried to support military professionalism in Argentina while making clear to all concerned, including the Argentine Armed Forces, that our cooperation depends on the needs expressed by Argentina's constitutional civilian leadership and requires a democratic environment. We believe an overwhelming majority of Argentines share this goal.

Over the past several years, at the request of President Alfonsin, we have developed a careful, modest program of defense cooperation. All aspects are coordinated through the Argentine's civilian-run Ministry of Defense. Initially, we concentrated on exchanges and training to help the Argentine Government to reorient the military from politics toward professional concerns.

This first phase of our plan to improve military relations worked well, although President Alfonsin's government has been constrained by budget limitations in its ability to make military equipment purchases. To demonstrate our continuing interest in supporting President Alfonsin in his desire to facilitate the professional development of the Argentine military, we have proposed an FMSF [foreign military sales financing] grant program of \$2 million in the FY 1990 budget. This program was developed in full cooperation with Argentina's civilian Ministry of Defense and the military services. An initial goal of this program is to help the Argentine Army undertake the long-delayed \$13 million refurbishment of their U.S.-made transport helicopters and armored personnel carriers. It will fulfill important and legitimate army needs with a relatively modest investment and do so without threatening regional stability. President Alfonsin personally sought our support for this refurbishment program.

Haiti. Our policy in Haiti has been to encourage a transition to an elected civilian government, respect for human rights, credible development programs, and cooperation on narcotics matters. We are encouraged by the progress the Avril government has made on this agenda since assuming power in September 1988.

- On February 23, following the recommendations of the forum of opposition political and social leaders it had convened, the government announced a decree establishing a new electoral council.

- Human rights abuses continue in Haiti, but the government has made progress in stemming the cycle of political violence that has marked Haiti since the fall of the Duvalier regime in February 1986.

- On narcotics matters, the Government of Haiti has cooperated with the U.S. authorities.

- Progress on the economic front has been less noteworthy, but the Government of Haiti is operating under severely restrictive financial constraints.

Much more remains to be done, and we want to encourage these favorable trends. We will continue to work closely with the Congress on our response to this evolving situation.

Guyana. The Government of Guyana, during the past three years, has strengthened friendly relations with the United States and other Western countries. It has also initiated several market-oriented economic reforms. We feel it is strongly in our interest to encourage these developments.

The United States has provided food under P.L. 480 totaling almost \$20 million since FY 1986. The Government of Guyana is seeking to negotiate a plan with the IMF and others to clear long-standing arrears to multilateral institutions and reschedule obligations to the United States and other bilateral donors. If these negotiations succeed, we should join other members of the international community who have already expressed willingness to assist Guyana in its efforts to change its political and economic direction.

Human Rights in El Salvador. All credible human rights organizations in El Salvador, including the Catholic Church's *Tutela Legal*, agree that politically motivated violence has diminished significantly over the past decade. The number of deaths reported in the Salvadoran press, which appear to be politically motivated, averaged 20 per month during 1988. This compares with a monthly average 23 in 1987, 22 in 1986, 28 in 1985, 64 in 1984, 140 in 1983, 219 in 1982, 444 in 1981, and 750 in 1980.

Despite this sustained improvement, however, progress in bringing to justice the perpetrators of some of El Salvador's major human rights cases has not kept pace. The fundamental issue now is to support the government's efforts to transform an archaic and inefficient judicial system into one in which the same standard of law is equally available and applicable to all. This will require a sustained effort over a long period of time working with police, prosecutors, judges, and, most important, the Salvadoran Legislative Assembly, which is constitutionally charged with reviewing and changing existing laws.

In recent times, we have witnessed some disturbing events as evidenced by the September 1988 killings near San Sebastian, El Salvador. Vice President Quayle visited El Salvador recently and indicated to the Salvadorans that we expect a better human rights performance, and we intend to watch the situation closely.

Our economic and security assistance is designed to support this transformation. Economic assistance is designed to shore up the economy while the Salvadoran people continue their resistance against violent opposition to democracy. Our military assistance supports efforts to better professionalize military forces, including the embrace of respect for human rights in a framework of loyalty to constitutional civilian authority.

Chile. Chile is on track for its December 14, 1989, general elections, the first to be held in 19 years. As in the 1988 plebiscite, the United States will continue to urge the Government of Chile to assure that open and clean elections are conducted in an atmosphere conducive to democratic decisionmaking. The successful October 5, 1988, plebiscite is a source of intense national pride to all sectors of Chilean society because it was seen as a strong reaffirmation of their democratic vocation. The armed forces are particularly proud of having presided over an honest vote. We in the executive and you in the Congress will both be watching these developments closely.

Administration of Justice. Throughout Latin America, justice systems are starved for resources, both human and material, and all too often present another obstacle to—rather than a foundation for—effective democracy. By focusing assistance programs on the administration of justice, we hope to reinforce the institutional capacity for democracy.

For example, after an elected government took office in Guatemala in 1986, administration-of-justice projects have provided training for judges and police investigators as well as technical assistance for legal library and database development and analysis.

Separate projects administered respectively by the Latin American Institute for the Prevention of Crime and Treatment of Offenders (ILANUD), a UN affiliate in San Jose, and by a prominent U.S. law school, have enabled the Guatemalan judiciary to embark on a multi-year project targeting specific problems, such as the need for administrative reorganization, improving access to legal information, and improving the handling of criminal cases.

At the same time, the International Criminal Investigative Training Assistance Program (ICITAP) of the U.S. Department of Justice has been operating in Guatemala under policy guidance from the Department of State. ICITAP began by training police investigators in modern investigative techniques but, at the request of the Guatemalan Court, soon began offering similar training at a less technical level to judges. Under Guatemalan procedure, judges have responsibility for directing investigations. The prosecutorial function as we know it in the United States does not exist in Guatemala.

ICITAP training has already been credited with successful resolution of a number of highly publicized cases in Guatemala, among them the kidnap-murder of two University of San Carlos students by Quetzaltenango police officers in November 1987, and the murder of three Chinese in June 1987. ICITAP has also assisted the National Police in establishing an Office of Professional Responsibility to investigate allegations of unprofessional conduct by officers. At the present time, the office is screening approximately 50 cases per month, with 20-30 of them referred to the civilian courts for handling.

Paraguay. Reforms have been the word of the day since long-time strongman Alfredo Stroessner left the country after a coup on February 2-3. Prospects for real and enduring change must, nonetheless, be tested over time. The new government led by Provisional President Rodriguez has begun announcing its plans for a transition with a number of positive-sounding promises concerning elections, democratic institutionalization, human rights, and drugs. [Editor's note. A national election was held in Paraguay in early May 1989, in which Provisional President Rodriguez was elected to the Presidency by popular vote, receiving 74.18 percent of the 240,379 votes cast.]

Since Paraguay has no democratic tradition to draw upon, establishing a genuine democracy will be a difficult, long-term challenge. All nations interested in the welfare of a democracy should consider a joint approach to encourage a successful transition to democratic government in Paraguay. All of us in the United States, in the Congress as well as the executive, have an interest in working and watching together to help realize Paraguay's promises.

Rigidities Caused by Earmarking. There is a final area I'd like to touch upon—that of earmarking our assistance programs. In our view, extensive earmarking, combined with constraints on overall funding levels, greatly reduce the flexibility of our assistance programs in several ways:

- When cuts are made, they fall disproportionately on unearmarked programs. These unearmarked programs serve U.S. interests no less than those that are specifically legislated. But efforts to protect one good program through earmarking often work inadvertently to destroy others when overall levels decrease.

- Countries receiving earmarks often view them as an "entitlement," which actually can make them less accessible to entering into serious discussions regarding economic policy reform.

- Consultations with international financial institutions and political changes demand a flexible U.S. Government response.

Let me relate a specific example of the problems earmarking often causes. The example relates to the narcoterrorism earmark in the Anti-Drug Abuse Act of 1988. The earmark is written in a way as to make planning for ESF spending especially difficult and inflexible. The law earmarks (but does not appropriate) \$5 million to provide protection for judges, government officials, and the press.

The law requires that these funds (which had to come from non earmarked FY 1989 ESF appropriated via another act) shall remain available until expended. This means that, regardless of whether Colombia seeks any funds for this program, we need to set aside \$5 million in ESF. In other words, this sort of earmark requires us to reserve money for a possible need, while at the same time withholding money from programs (some very important ones, including the strengthening of democracy initiatives) for which there is a current need.

We are pleased to see that the earmark issue was discussed in the House Foreign Affairs Committee task force report on foreign assistance. The report, correctly in our view, also cited the need for increased flexibility in the implementation of our assistance programs. It suggests that a new economic cooperation act would avoid most of the restrictions, directives, and earmarks of the current act.

CONCLUSION

As I stated at the outset, key elements of our policy in the region are under review. I can, nonetheless, assure you that we will remain dedicated to the support of democracy throughout the hemisphere, to prosecuting the war against narcotics and terrorism, and to the defense and development of Central America—the troubled region at our doorstep. We look forward to working with the Congress in refining and supporting our policy.