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**FOREIGN ASSISTANCE LEGISLATION FOR  
FISCAL YEARS 1992-93**

**(Part 8)**

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**HEARING AND MARKUP**  
BEFORE THE  
SUBCOMMITTEE ON  
WESTERN HEMISPHERE AFFAIRS  
OF THE  
COMMITTEE ON FOREIGN AFFAIRS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED SECOND CONGRESS  
FIRST SESSION

MARCH 5 AND APRIL 17, 1991

Printed for the use of the Committee on Foreign Affairs



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**HEARINGS ON FOREIGN ASSISTANCE LEGISLATION FOR  
FISCAL YEARS 1992-93**

**Part 1—Full committee**

**Part 2—Subcommittee on International Security and Scientific  
Affairs**

**Part 3—Subcommittee on Europe and the Middle East**

**Part 4—Subcommittee on Human Rights and International Or-  
ganizations**

**Part 5—Subcommittee on Asian and Pacific Affairs**

**Part 6—Subcommittee on International Economic Policy and  
Trade**

**Part 7—Subcommittee on Africa**

**Part 8—Subcommittee on Western Hemisphere Affairs**

**Part 9—Full committee markup**

RECOMMENDATIONS OF THE SUBCOMMITTEE ON WESTERN HEMISPHERE  
AFFAIRS ON ECONOMIC AND MILITARY ASSISTANCE FOR LATIN  
AMERICA AND THE CARIBBEAN FOR FISCAL YEARS 1992-93

The Subcommittee on Western Hemisphere Affairs forwards herewith a subcommittee print containing its legislative recommendations on economic and military assistance for Latin America and the Caribbean for fiscal years 1992-93, together with a section-by-section summary of the print.

In preparation for considering and adopting its recommendations, the subcommittee on March 5, 1991, heard testimony from administration witnesses on the administration's foreign assistance request. In addition, the subcommittee held the following hearings on issues related to the request:

- the U.S. interest in post-cold war Latin America and the Caribbean (February 19);
- human rights in Latin America (February 21);
- the Andean drug strategy (February 26 and March 7);
- the situation in Guatemala and Nicaragua and options for U.S. policy (March 13); and

## VII

-- the situation in El Salvador and options for U.S. policy (April 11).

The recommendations were adopted by the subcommittee on April 17, 1991, by voice vote. Some members, however, expressed disagreement with various recommendations, and reserved their right to offer amendments at full committee or on the floor.

The subcommittee did, however, agree on the following two statements:

First, the subcommittee recommends strongly that the committee authorize the administration's entire request for Latin America and the Caribbean.

There are disagreements on the subcommittee with regard to the policies, conditions, and restrictions that should apply to the assistance. These issues will be debated as the legislative process proceeds. But the subcommittee is united on the proposition that the entire request must be authorized if the United States is to fulfill its responsibilities in our hemisphere.

-- Central America's reconstruction and development needs, following a "lost decade" of conflict and economic decline, are enormous. Available aid resources are already inadequate; a cut in the administration's request would further exacerbate the situation.

## VIII

-- Significant resources are likewise required for the Andes, where alternative development programs are a central part of our country's anti-narcotics strategy.

-- It is essential to protect the Caribbean--and, particularly, the new democracy of Haiti--from the cuts that have devastated U.S. assistance programs to that region in recent years.

Second, the subcommittee did not adopt recommendations with respect to El Salvador. This does not reflect any lack of concern on the part of the members of the subcommittee with the situation in El Salvador. On the contrary, the subcommittee does intend to act on El Salvador at the appropriate time.

However, at the time of the subcommittee's markup, intensive negotiations were underway between the Government of El Salvador and the FMLN that could lead to a settlement in the near future. Out of a desire to avoid any action that could inadvertently prejudice the talks, the subcommittee, at the request of the administration, decided to take no action at this time.

The subcommittee wishes to make clear to the parties that its recommendations with respect to assistance for El Salvador will be guided by their good faith in the negotiations, and by their willingness to forgo actions that would undermine the talks. The subcommittee also reiterates its long-standing position that the Government of El Salvador must take further steps to investigate and prosecute the Jesuits case.

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SECTION-BY-SECTION SUMMARY

WESTERN HEMISPHERE AFFAIRS SUBCOMMITTEE RECOMMENDATIONS

CHAPTER 1--EL SALVADOR

[El Salvador provisions to be considered at a later date.]

CHAPTER 2--OTHER PROVISIONS PERTAINING TO CENTRAL AMERICA

SEC. 711. PROMOTING CENTRAL AMERICAN RECOVERY AND DEVELOPMENT.

Sec. 711 provides policy statements with respect to Central American recovery and development (H.R. 554).

SEC. 712. MILITARY AIRCRAFT TRANSFERS.

Sec. 712 requires that Congress be notified of military aircraft transfers to Central America 15 days in advance of the transfer.

SEC. 713. ASSISTANCE FOR GUATEMALA.

Sec. 713 (a) prohibits military aid and sales to Guatemala.

Sec. 713 (b) provides that the President may waive the prohibition of subsection (a) if he reports that specified improvements have occurred in the human rights situation in Guatemala.

Sec. 713 (c) provides that military aid and sales to Guatemala pursuant to subsection (b) are subject to the procedures governing reprogramming notifications.

Sec. 713 (d) provides that military aid and sales to Guatemala pursuant to subsection (b) may not include lethal equipment.

Sec. 713 (e) provides that economic and food assistance to Guatemala--

(1) may only be used by civilian agencies and nongovernmental organizations;

(2) may only be used for specified purposes; and

(3) may not be used for partisan political purposes or as an instrument of counterinsurgency.

SEC. 714. ASSISTANCE FOR NICARAGUA.

Sec. 714 provides that assistance may not be provided for any member of the Nicaraguan resistance who has not disarmed or is not abiding by the terms of the cease-fire agreement.

SEC. 715. ASSISTANCE FOR REFUGEES AND DISPLACED PERSONS.

Sec. 715 earmarks \$25,000,000 in economic support funds to support the International Conference on Central American Refugees (CIREFCA).

**CHAPTER 3--THE CARIBBEAN**

**SEC. 721. CARIBBEAN REGIONAL DEVELOPMENT ACT.**

Sec. 721 contains the text of the Caribbean Regional Development Act as passed by the House in the 101st Congress (H.R. 5762).

**SEC. 722. ASSISTANCE FOR HAITI.**

Sec. 722 (a) contains a statement of the Congress with respect to Haiti's democratic transition.

Sec. 722 (b) states the sense of Congress with respect to assistance for Haiti.

Sec. 722 (c) states that, for each of the fiscal years 1992 and 1993, United States assistance for Haiti under the Foreign Assistance Act of 1961 and the Agricultural Trade Development and Assistance Act of 1954 should total at least \$100,000,000, including at least \$35,000,000 in economic support funds and at least \$40,000,000 in development assistance.

Sec. 722 (d) provides that military assistance for Haiti is subject to reprogramming procedures.

**SEC. 723. HAITIAN SUGAR CANE HARVESTERS IN THE DOMINICAN REPUBLIC.**

Sec. 723 provides that \$1,000,000 in economic support funds shall be withheld from the Dominican Republic unless the President reports that the Government of the Dominican Republic has taken specified steps to improve the situation of Haitian sugar cane harvesters in the Dominican Republic.

**SEC. 724. ASSISTANCE FOR GUYANA.**

Sec. 724 (a) states that, for fiscal years 1992 and 1993, assistance may be provided to the Government of Guyana only if the President reports that such Government is in power as a result of free and fair elections.

Sec. 724 (b) provides that subsection (a) does not apply with respect to international narcotics control assistance and elections assistance.

Sec. 724 (c) states the sense of Congress that, if a report is made under subsection (a), the United States should provide significant and sustained assistance to Guyana, totalling not less than \$20,000,000 for each of the fiscal years 1992 and 1993.

Sec. 724 (d) earmarks \$3,000,000 in economic assistance for Guyana for each of the fiscal years 1992 and 1993.

**CHAPTER 4--ANDEAN INITIATIVE**

Chapter 4 amends the International Narcotics Control Act of 1990.

**SEC. 731. ECONOMIC ASSISTANCE FOR THE ANDEAN COUNTRIES.**

Sec. 731 (a) authorizes \$300,000,000 in economic assistance for the Andean countries for each of the fiscal years 1992 and 1993.

Sec. 731 (b) provides that priority in the use of such assistance shall be given to alternative development programs.

Sec. 731 (c) provides that up to \$16,000,000 of such funds should be used for administration-of-justice programs, of which up to \$1,000,000 should be used to support certain governmental human rights offices.

**SEC. 732. MILITARY AND LAW ENFORCEMENT ASSISTANCE.**

Sec. 732 (a) authorizes \$100,000,000 in foreign military sales financing for the Andean countries for each of the fiscal years 1992 and 1993.

Sec. 732 (b) limits the aggregate amount of military and law enforcement assistance for the Andean countries for each of the fiscal years 1992 and 1993 to \$200,000,000, half for military assistance and half for police assistance.

Sec. 732 (c) prohibits assistance for Peru's Sinchi Police.

**SEC. 733. EXTENSION OF REQUIREMENT FOR PRESIDENTIAL DETERMINATION**

Sec. 733 extends to fiscal years 1992 and 1993 the provision that assistance and excess defense articles provided under the International Narcotics Control Act of 1990, except assistance for alternative development programs, may be provided to an Andean country only if the President determines that: (1) the country is implementing programs to reduce the flow of cocaine to the United States, (2) the country's armed forces and law enforcement agencies are respecting human rights, and (3) the country's government has control over the military and the police.

**SEC. 734. CONDITIONAL WAIVER OF BROOKE-ALEXANDER AMENDMENT.**

Sec. 734 continues in effect the conditional waiver of the Brooke-Alexander amendment for the Andean countries for fiscal years 1992 and 1993.

**CHAPTER 5--OTHER PROVISIONS PERTAINING TO THE REGION**

**SEC. 741. ADMINISTRATION OF JUSTICE PROGRAM.**

Sec. 741 provides that training for the police or other law enforcement personnel in the Caribbean may be provided only by the International Criminal Investigative Training Assistance Program (ICITAP) of the Department of Justice, and authorizes \$10,000,000 for such program, of which \$2,500,000 is earmarked for the Caribbean.

**SEC. 742. INTER-AMERICAN FOUNDATION.**

Sec. 742 (a) authorizes \$28,800,000 for the Inter-American Foundation for fiscal year 1992 and \$31,000,000 for fiscal year 1993.

Sec. 742 (b) requires that future appointments to the foundation's Board have development experience and that the Board be bipartisan in its makeup.

Sec. 742 (c) provides that the foundation shall maintain its principal office in the metropolitan Washington, D.C., area.

Sec. 742 (d) provides authority for the foundation to use funds directly to support grantee travel within and outside countries in the region, and exempts the foundation from the requirement (from which AID and the Peace Corps are currently exempt) that all printing and binding of its publications be done by the Government Printing Office.

**SEC. 743. MILITARY ASSISTANCE AND SALES FOR CHILE.**

Sec. 743 provides that military assistance and sales for Chile are subject to reprogramming procedures.

**SEC. 744. SUSPENSION OF ASSISTANCE IF A MILITARY COUP OCCURS.**

Sec. 744 provides that all assistance shall be terminated to the government of a country in Latin America and the Caribbean if the elected President of that country is deposed by a military coup.

**SEC. 745. STRENGTHENING CIVILIAN CONTROL OVER THE MILITARY.**

Sec. 745 provides that military assistance and sales may be delivered to the armed forces of any country in Latin America and the Caribbean only with the prior approval of that country's head of government.

**CHAPTER 6--DEFINITIONS**

Chapter 6 provides definitions.

# FOREIGN ASSISTANCE LEGISLATION FOR FISCAL YEARS 1992-93

TUESDAY, MARCH 5, 1991

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 10 a.m., in room 2172 Rayburn House Office Building, Hon. Robert G. Torricelli, (chairman of the subcommittee) presiding.

Mr. TORRICELLI. The subcommittee will please come to order.

We meet today for an update on United States policy towards Latin America and the Caribbean and to receive the Administration's request for foreign economic and military assistance for Latin America and the Caribbean.

The subcommittee led off the year with an interesting hearing that we called United States Interest in Post Cold War Latin America and the Caribbean. What I got from that hearing, and indeed, what was my intention to establish is that the end of the Cold War should not end our interest in this region.

## THE IMPORTANCE OF THE REGION TO THE UNITED STATES

Our interests or concerns with the region began before the Cold War and are founded on a far deeper set of bases. The region remains important to us because of its potential as a trading partner; because of its debts to us as a nation, and to our banks; because of our responsibility to assist in the reconstruction in Central America; because of dire poverty and inequality with all the potential they bring for instability; because of the vast number of migrants, both legal and illegal who seek to enter our country, fleeing political and military upheavals and its poverty; because it is the custodian of some of the Western Hemisphere and the world's most critical natural resources; because it is the source of the most of the cocaine that is poisoning our cities and our schools, robbing our nation of a generation; because it is the home of Mexico, a nation that has been called second only to the Soviet Union in its importance to the U.S.; and of Brazil, a potential world power; and, perhaps most importantly, because it is a region whose people aspire to share our example of successful democratic government in a context of respect for human rights.

What I received from the hearings is the end of the Cold War offers us opportunities to liberate ourselves from old ways of think-

ing and cooperatively to tackle the hemisphere's real problems that we all share.

#### WORLD EVENTS DISTRACTING OUR ATTENTION FROM THE REGION

I wish I could say that I believe the Administration has always pursued vigorously these opportunities, but I'm not certain they have. Justifiably, perhaps, we have been distracted by events, first in the Soviet Union, and in Eastern Europe, and then in the Persian Gulf.

What has happened in Latin America and the Caribbean is exactly what everyone predicted. It has disappeared to some extent from the radar screen. We are not exercising vigorous leadership to end the war in El Salvador and to launch economic and political recovery.

#### NEED FOR POLICY TO DEAL WITH DEBT, DRUGS, AND ENVIRONMENT

We still lack a bold policy for dealing with one of the key impediments to growth and development in the hemisphere, which is debt. Opponents of the North American Free Trade Agreement have gotten the jump on the Administration, again, and question congressional approval for new such agreements. We remain mired in controversy with the Andean governments that should be our partners in fighting the drug war.

We have no effective policy, that I am aware of, for addressing problems of environment and development in this hemisphere. We seem to consider the inauguration of civilian governments to be the end of our responsibility rather than the beginning of a job of rebuilding viable democracies.

I'm pleased that we will be able today to give the Administration an opportunity to articulate its policy in these areas, to convince us that our country is going to exercise leadership in the hemisphere. I am particularly pleased that we will be hearing today from Secretary Aronson, along with Ambassador Michel and Secretary Dorn.

It is welcomed that at a time when attention will be returning again to Latin America, when the hemisphere will again be in focus on its problems, that the Administration has chosen such able leadership to begin to construct its policy and to lead the formation of a new American response to this long list of needs.

I would at this time like to ask Mr. Lagomarsino if he would like to offer any opening comments.

Mr. Lagomarsino.

Mr. LAGOMARSINO. Mr. Chairman.

Mr. Chairman, although world attention is focused, and appropriately so, on other regions right now it's imperative that we not take for granted the accomplishments of this Administration in encouraging a remarkable move towards democratic governments here in the Western Hemisphere.

#### THE ACHIEVEMENTS OF DEMOCRACY IN THE PAST TWO YEARS

The Bush administration, and specifically the witnesses before us today, Secretary Bernard Aronson, Ambassador Jim Michel, and Secretary Dorn have implemented a series of policy initiatives and diplomatic efforts which in the past two years have resulted in the

remarkable achievement of promoting democratic governments in countries where many believed it would never occur.

There's no question that many of these fledgling democracies are fragile and in need of great financial and moral support and there's also no question that the United States simply does not have the resources to solve all the problems that these nations face. But because the challenge is that much greater, we must not turn our backs away from the region.

We must explore innovative approaches to broaden and strengthen the democratic gains and to ensure effective economic reform and development.

#### PRAISE FOR SECRETARY ARONSON

In offering praise for the Administration's efforts, particularly in Central American Haiti, I cannot overlook this opportunity to cite particularly the efforts of Secretary Aronson. Those of us who have long been impressed with his intelligence and common sense have had that reinforced time and again, that he is the right person in the right job. I can't think of another occasion when someone in his position has been able to strike such careful balance between sustaining support for critical policy objectives, while implementing pragmatic solutions for conflicting interests.

It's been an impressive performance, Bernie, and one which deserves our highest praise. Congratulations.

And thank you, Mr. Chairman.

Mr. TORRICELLI. Thank you.

Mr. Aronson, we have had the year of the reuniting of Europe, changing relations with the Soviet Union and now a complete national focus on the problems of the Middle East. It is soon in our collective judgment to be the time of Latin America again.

To echo what Mr. Lagomarsino has said, our country could not be better represented. The Administration could not have made a better judgment than to place that responsibility in your hands.

We would at this time invite you to make whatever oral testimony you would like to present. Of course, anything you would like submitted for the record will be entered in its entirety. Please proceed.

#### STATEMENT OF HON. BERNARD W. ARONSON, ASSISTANT SECRETARY OF STATE, BUREAU OF INTER-AMERICAN AFFAIRS

Mr. ARONSON. Mr. Chairman and ranking Member Lagomarsino, first of all, I want to thank you for your kindnesses in what you said about me personally, but I think as in any administration, whatever successes we have achieved have been due to the leadership of the President and the Secretary of State, but also, in many instances, the strong bipartisan cooperation of the Congress and this committee, and we appreciate that.

I'd also like to note that this is my first hearing with the new chairman of this committee. We look forward to working closely with you. I very much welcomed your statement at the original hearing that you want this to be an active committee, exploring the full range of challenges and opportunities in this hemisphere.

I pledge to you on behalf of the State Department, and I know the entire Administration, our hope to cooperate with you and the committee in that pursuit.

#### NEW OPPORTUNITIES OPENING WITH END OF COLD WAR

I agree, Mr. Chairman, with the first half of your opening remarks, and I'll try to convince you that the second half may need to be revised. But the first and most important point you made I would underscore, and that is that the waning of the Cold War in no way should signal a disengagement from this hemisphere, nor has it for this Administration.

Just the opposite. As you said, it opens up new opportunities which we are intent on seizing in partnership with the nations of the hemisphere, and hopefully, in cooperation with the Congress. Just as we have new leadership on this committee and an opportunity to rethink old policies and hopefully, forge new solutions, the peoples and leaders of Latin America and the Caribbean have been thinking anew, shedding old myths and failed policies.

#### WITNESS TO A DEMOCRATIC REVOLUTION IN THE HEMISPHERE

Mr. ARONSON. As I said, the leaders and the people of Latin America and the Caribbean have been thinking anew, shedding old myths and failed policies. We have been rightly thrilled as a people and a nation to see the democratic revolutions in Eastern Europe, and fundamental changes in Southern Africa.

But I would submit that the beginning of that democratic revolution was in this hemisphere and nowhere has it been more far-reaching or more impressive, nor purchased at a greater price.

#### DEMOCRATIC VICTORIES IN NATIONS THROUGHOUT THE HEMISPHERE

Dictatorships no longer have legitimacy in this hemisphere. In the short tenure of this Administration, we've seen Paraguay overthrow a forty-year dictatorship and begin to move into the mainstream of democracy. We have seen Chile complete an important transition from authoritarian rule and emerge as what might become a model of democratic stability and economic opportunity.

We've seen the fundamental and important transfer of power peacefully and democratically in Argentina and Brazil and Uruguay.

We've seen Colombia, despite relentless violence from drug traffickers and guerrillas, renew its democratic mandate even after three presidential candidates were murdered by the drug traffickers.

#### SURINAME IS ONLY EXCEPTION TO DEMOCRACY YET HOLDS HOPE

Indeed, we meet, Mr. Chairman, at a time when all of South America, with the exception of Suriname, is led by democratically elected governments, and even the exception in some ways prove the rule because when the Surinamese military intervened to overthrow the democratically elected government, they had to at least go through the facade of constitutional norms and pledge new elections this May, which the OAS hopes to supervise.

## COMPLETELY DEMOCRATICALLY ELECTED GOVERNMENTS IN CENTRAL AMERICA

When we took office, Panama was tyrannized and terrorized by a military dictatorship allied with drug traffickers. Nicaragua was completing the tenth year of its Sandinista dictatorship. Today all of Central America, for the first time in its history, is led by democratically elected leaders.

More importantly, there is today the first real chance to end the remaining conflicts in the region and build lasting stability and peace. Despite the challenges, we think this is the year to end the war in El Salvador and the war in Guatemala, and we are fully committed to working with the United Nations and the governments of those countries to achieve those goals.

### HAITI INAUGURATES ITS FIRST DEMOCRATICALLY ELECTED LEADER

In the Caribbean I had the pleasure February 7th of attending the first inauguration in Haiti's 200-year history as a republic of a democratically elected leader. Many naysayers doubted we would ever reach that point, but I must say this committee on a bipartisan basis were strong supporters of our efforts and that's an achievement of which the U.S. can be rightly proud, but the greatest tribute belongs to the Haitian people.

### AN ECONOMIC REVOLUTION IS RESHAPING THE HEMISPHERE

As important as this democratic revolution which holds out such hope for the hemisphere, is economic revolution that is every bit as profound and is fundamentally reshaping the economies and societies of the hemisphere.

There is more new thinking in economic policy in Latin America today and, more importantly, more new practice than in any other part of the world. Perhaps most encouraging, there are models of success emerging.

### WITNESS TO ECONOMIC GROWTH THROUGHOUT THE HEMISPHERE.

Once again, the conventional wisdom has been wrong. Two years ago many who watch Latin America with interest and have academic credentials were predicting that Mexico would be in a political and economic crisis. Last year Mexico boasted steady real growth, has attracted new foreign investment, and as you mentioned, has proposed an historic trilateral free trade negotiation with the United States and Canada.

Panama, which a year ago was a devastated economy, reduced its unemployment rate by more than ten points last year and boasted 4 percent real growth, beginning to offer hope and new opportunity for the people of that nation.

Venezuela, which a year-and-a-half ago saw food riots in the street, after a comprehensive economic reform program, has seen steady real growth and new investment returning.

I could go down the list. Five years ago Bolivia had a 25,000 percent inflation rate. Today their inflation rate is lower than ours and their growth is steady and continues. Colombia and others have boasted real growth. So has Guatemala, Costa Rica, Jamaica,

and others. This Administration from the beginning has sought to engage with these hopeful trends in Latin America.

#### POLICIES AND NEGOTIATIONS FOR DEBT MANAGEMENT IN REGION

Within five weeks of this Administration taking office we announced, with the Congress' support, a major replenishment of the Inter-American Development Bank, a new policy of lending to support these economic reforms.

Within seven weeks, we announced a major new debt reduction program called the Brady Plan. Already, Mexico, Costa Rica, Venezuela, and Uruguay have negotiated successful debt reductions. Ecuador is under such talks today and we hope that other nations in the hemisphere follow soon in that path.

#### U.S. HAS TAKEN LEAD IN PROMOTING DEMOCRACY

Within nine weeks of this Administration taking office, we negotiated a bipartisan accord with Central America, which I think was an historic opportunity to end the political and poisonous divisions of our own country and unite behind democratic change in Central America.

Once again, the naysayers said elections in Nicaragua would not be held or that the democratic forces could not win, but they were held and the democratic forces prevailed.

Contrary to the suggestion that we are disengaged from the region, the United States has taken the lead in organizing a multilateral institution called the Partnership for Democracy and Development in Central America, which unites the OECD countries of Central America, Mexico, Venezuela, and Colombia.

We had our first meeting in November in Washington at the State Department. The formative meeting will be held in San Jose, Costa Rica in April.

#### SERIOUS EFFORTS TO CONFRONT DRUGS

This Administration, as well, by entering into a serious dialogue with Latin America on drugs, symbolized by the Cartagena Summit in February of 1990, ended a feudal and decade old argument about who is responsible for drugs in this hemisphere, producers or consumers.

We wasted many years pointing fingers at each other. We've ended that practice and united behind a comprehensive strategy, both to reduce demand at home, which we must do to break up the narco-trafficking networks, which is beginning to happen in countries like Colombia, and to work with Latin America to find alternative economic opportunities when that interdiction is successful.

Here, the Congress has an opportunity to send an important signal to the drug producing countries, Mr. Chairman. The President of Colombia was in to see President Bush recently. I know he saw this committee and I think he probably told you what he told us; that he is looking to the Congress to speedily pass the President's Andean trade preference initiative as a clear statement of our political will to support Colombia and other countries that are sacrificing in this fight against narco-trafficking.

## INTRODUCTION OF ENTERPRISE FOR THE AMERICAS

As you know as well, the President in June announced the Enterprise for the America initiative which vastly expands our efforts to support both democratic consolidation and economic reform and liberalization in the areas of debt, trade and investment.

I won't go into the details of that initiative, but once again, I would urge the Congress and this committee to move speedily in supporting the request of the Administration to enact legislation that will permit us to reduce A.I.D. excess bank concessional debt. I would note since you mentioned the environment in your opening statement that under the debt reduction plan, once the debt reduction is completed, the debtor country pays its interest in local currency into an environmental trust fund that will go to support local environmental programs.

## THE NORTH AMERICAN FREE TRADE AGREEMENT: FAST TRACK

You mentioned as well the North American Free Trade Agreement. We have it in our power in this Congress to complete the world's largest free trading agreement and build the world's largest free trading regime. This opportunity is an historic opportunity which will reap enormous dividends to our country across the board, but nowhere more than in our economy.

I know we will get into that in our discussion, but I would like to stress the importance of renewing the fast track authority that the President has requested.

For a decade we have been urging, prodding, cajoling and lecturing the nations of this hemisphere to liberate their trade regime to reduce tariffs, to privatize, to enact intellectual property rights provisions, to remove licensing requirements, and across the board in this hemisphere, they are moving in this direction.

The question they are asking us is whether we can take yes for an answer. I can't think of any more destructive or self-destructive signal we could send to this hemisphere than to abandon fast track authority, which is necessary both to complete the Uruguay Round, which holds out so much promise for hemispheric trade, and which is necessary to complete this North American Free Trade Agreement.

I note that it is often asked as you asked in your opening statement, what are our interests in the post Cold War era. I would submit that every problem that we care about as a people is better addressed and only addressed when we have stable democracies in this hemisphere.

## WEAPONS PROGRAMS ENDED IN SOUTH AMERICA

When this Administration took office, we had a meeting with the new Menem government and one of the first issues we discussed was the production of the Condor missile system, which is a medium range ballistic missile that had been developed by the military dictatorship under Argentina, with funding from Middle East sources.

This democratic administration, led by President Menem has definitely ended that Condor missile program, and did so in the very first weeks of its administration. Had it not done so, had that

missile program proceeded all of those years and been ready and available for the Persian Gulf, the outcome could have been very different.

Under the old military dictatorship that governed Brazil a parallel nuclear program was underway to create the elements to produce nuclear weaponry. President Collor and President Menem had both committed to adopt IAEA safeguards and put their nuclear programs under international inspection. Chile has committed to follow up when they do so.

All three countries are likely to bring into force the Latin America equivalent of the Treaty of Tlatelolco, which is a regional nuclear nonproliferation treaty.

#### ALMOST ENTIRE HEMISPHERE SUPPORTED SANCTIONS AGAINST IRAQ

I would note that every nation in this hemisphere, with the exception of Cuba, supported the sanctions against Iraq voted by the United Nations even though for many such as Uruguay and Brazil, that was at enormous economic cost. At a time when oil prices were skyrocketing and our own economy and those of our allies were threatened, Venezuela, Mexico and Colombia increased their oil production. Argentina sent ships to the Persian Gulf coalition, and Honduras offered troops.

So our friends were real partners when we needed them and when the international community was trying to defend the rule of law. We must be equally engaged partners when they need us on the host of issues that we have talked about.

#### THE OAS AND ITS ROLE IN HEMISPHERE EVENTS

I would like to make a point about the OAS. The OAS tried to tackle the Panama issue and did not entirely succeed and that is all that some remember about the OAS. But I think that was a turning point for this institution, and it redoubled its efforts to be engaged.

The Nicaraguan elections and the demobilization of the resistance would not have been possible without the OAS. The Haitian elections would not have been possible without the OAS. Today in El Salvador, as El Salvador prepares for its seventh democratic election, it's the OAS whose observers are risking their lives to ensure security for that important contest.

We're committed to working with this institution to strengthening it, to making it a viable regional forum for tackling problems of this hemisphere.

#### ACHIEVEMENTS OFFER CHANGES FOR HEMISPHERE ADVANCEMENTS

Finally, Mr. Chairman, I would just like to end with one point. Almost every achievement that we have worked on together was doubted by the critics, but we have chosen to act on our hopes and not our fears in Latin America. I think that we need to continue to do so. I think we have in this Congress and in this Administration's lifetime the chance to build the foundation of the world's first complete democratic hemisphere.

We have a chance to create the first hemisphere in which trade is free, from Alaska to Argentina. We have the chance to build the

first hemisphere in which every nation has pledged never to develop or permit the spread of nuclear weapons. We have the chance to build a hemispheric partnership committed both to the preservation of the environment and an end to narcotrafficking.

I believe we have a chance to build a hemisphere in which the rule of law prevails and human rights are respected, though none of us have any doubts about the magnitude of that challenge.

I welcome the interested engagement of the committee. I look forward to working with you. Thank you.

[Prepared statement of Mr. Aronson follows:]

Prepared Statement of  
Bernard W. Aronson  
Assistant Secretary of State  
Bureau of Inter-American Affairs  
Before The  
Subcommittee on Western Hemisphere Affairs  
House Committee on Foreign Affairs  
House of Representatives  
March 5, 1991

Mr. Chairman, I am pleased to be here this morning to share with you and the Subcommittee my perspective on the state of our hemisphere and U.S. policy. I want to discuss the Administration's policy priorities with regard to Latin America and the Caribbean, and to present our security assistance request for fiscal 1992.

We want to work with the Congress to achieve five basic objectives in this hemisphere: consolidating democracy and advancing human rights; encouraging economic reform and development in which the poor will benefit; promoting regional peace; ridding the hemisphere of the scourge of drugs; and cooperating with the nations of this hemisphere on a post-Cold War agenda of safeguarding our environment and stopping the spread of missile and nuclear weapons technology around the world.

The opportunity to achieve these objectives is great. In the last decade, voters led a political revolution throughout the Americas, burying a tradition of dictatorship through the peaceful act of going to the polls. In this decade, the leaders they elected are driving an economic revolution of equally far-reaching consequence.

Revolution is a strong word, but it is no exaggeration. When Argentina sells its state airline and telephone company to private companies, that's revolutionary. When Mexico cuts its tariffs from over 100 percent to an average of ten percent, that's revolutionary. And when Jamaica opens its largest export industry -- tourism -- to private investment, that's revolutionary. These are but three examples of a sharp turn to a new economic philosophy that sees opportunity, not danger, in economic freedom and full participation in the competitive international marketplace.

This revolution is widespread, but it hasn't yet succeeded. In many cases, it involves a political struggle against the entrenched elites that benefit from the privileges of the old, protected economic system. Let there be no doubt that we have a profound interest in its success.

A democratic hemisphere with modern, open economies will be a stable hemisphere. It will be a hemisphere that fulfills the promise of human rights, not just as people vote in elections but as they make free choices in the marketplace. It will be a hemisphere of social justice, where greater economic freedom leads to a broad-based prosperity.

And it will be a hemisphere that offers increased opportunity for American workers and businesses. Right now about 13 percent of our exports -- \$47 billion in 1989 -- go to Latin America and the Caribbean. If you doubt that successful economic reform in Latin America can make a difference to the U.S. economy, just look at Mexico, a country leading the way in economic reform, where our exports have doubled between 1986 and 1989.

To help this economic revolution succeed, and to achieve our broader objectives in this hemisphere, we need the help of Congress.

Reauthorization of fast-track negotiating authority for free trade agreements is essential, not just for the North American Free Trade Agreement with Mexico and Canada, but also for the President's vision of an entire hemisphere free of trade barriers.

The Enterprise for the Americas Initiative offers more than the vision of free trade -- it encourages the free flow of international investment and offers new opportunities for debt reduction and environmental protection. To make these investment and debt initiatives possible, we urge Congress to pass the Enterprise for the Americas Initiative Act.

As we ask the Andean nations to stop the supply of cocaine, we need to respond to their need for greater export opportunities. The Andean Trade Preferences Act is a key component of the war on drugs, and I urge you to support its passage.

Our foreign assistance request is the absolute minimum we need to help our democratic partners to reach the political and security goals we have in common, and we need your help in securing its approval in Congress.

Mr. Chairman, I want to underscore one central point: we stand to benefit from a period of nearly unprecedented opportunity in this hemisphere. Democracy is strong. Economic policy is on the right track. Nations want to cooperate with us in the war on drugs. We have ended the rancorous debate over Central America that distanced us from our neighbors and divided us at home.

This hemisphere is turning to the democratic processes and free market policies the United States has long espoused. The question before us is whether we can take yes for an answer. We owe it to our neighbors and to ourselves to respond with energy and creativity to the extraordinary opportunities before us.

### The Persian Gulf

Let me turn briefly to the Persian Gulf and this hemisphere's reaction to the crisis. We are heartened by the nearly uniform solidarity of the hemisphere to the crisis. Argentina provided two ships for the allied effort, and Honduras offered troops. Venezuela, Mexico and Colombia all boosted oil production and exports to make up for the Persian Gulf production shortfall. Every country in the hemisphere except Cuba has supported the sanctions against Iraq -- even though for some it means real economic sacrifice. And even Cuba condemned Iraq's invasion of Kuwait. We have also enjoyed full cooperation in protecting against terrorist threats related to the Gulf situation.

### The Caribbean

On February 7 I attended the inauguration of the first democratically elected Haitian president in recent memory. The atmosphere in Port au Prince was full of optimism, as Haiti joined the hemisphere's democratic mainstream. Under the auspices of the OAS and the UN, and with U.S. financial support, some 200 election observers from 22 countries witnessed the Haitian election and helped guarantee its fairness.

I am proud that insistent U.S. support for democratization in Haiti, and financial support for the elections, contributed to this happy result. In the past year this support included an invitation to interim President Trouillot to meet with President Bush in Washington and a visit to Haiti by Vice President Quayle. I made three trips to Haiti myself. We are now committed to assisting President Aristide in consolidating democracy and improving the lot of the Haitian people.

The task is daunting. The poorest country in the hemisphere, Haiti's needs for both human and infrastructure development are enormous. Its infant mortality rate of 12 percent is twice the region's average, while the percentage of secondary school age population actually enrolled -- 17 -- is one third of the hemisphere's average. Sound growth-inducing policies and well-targeted social investments can, however, move Haiti rapidly forward. At President Aristide's request, we also are reexamining the sensitive issue of Haitian migration to the United States.

The island nations of the Caribbean are among our closest neighbors and best friends. Most of them are poor with a narrow economic base -- this leaves them vulnerable to sudden changes in the world economy and, most dangerously, to exploitation by drug traffickers. Through the Caribbean Basin Initiative and the Enterprise for the Americas Initiative, we want to help these nations diversify their economies through expanded trade and investment.

In most of the Caribbean, democracy and respect for human rights have quietly flourished for a quarter century. The exceptions to this trend remain Suriname and, of course, Cuba. We deplore the December military coup in Suriname that overthrew a democratically elected government. We urge the interim government in Paramaribo to keep its pledge to hold free and fair elections on May 25, to make them open to full international observation, and to respect the results. OAS Secretary General Baena Soares also has insisted that the present government guarantee the observers' autonomy in carrying out their mission. We are also concerned about indications that Suriname is serving as a transit point for cocaine shipments to Europe and, more recently, the U.S. This hemisphere will not tolerate another drug dictatorship.

In Cuba, where a Marxist dictator makes all the decisions, there is little consideration of democratic reform, and human rights are systematically denied. Defenders of human rights are routinely intimidated or arrested for exercising their basic right of free speech. One example is Samuel Martinez Lara, the leader of the Cuban Human Rights Party. He was jailed for nearly a year without charges, then last month was accused of "nonviolent rebellion" and sentenced to three years' probation. Even after the wave of democracy that swept Eastern Europe, the Cuban government has rejected international calls for a plebiscite.

As Cuba's former allies in Eastern Europe have turned to democracy and economic freedom, they have limited their economic relationship with Cuba. Aid from Eastern Europe is

almost non-existent; trade once amounting to 15 percent of Cuba's total trade is less than half its previous level. Soviet oil deliveries fell by 20 percent from 1989 to 1990, and will remain at 1990 levels this year; aid and technical assistance will be reduced. In an interview February 14, Fidel Castro described the impact on Cuba's economy of changes in Eastern Europe and the Soviet Union as catastrophic. The Soviets have urged Cuba to adopt economic reform in order to compensate for reduced trade and aid; to date this advice has fallen on deaf ears. Castro's response has been extensive rationing, sending people from the cities to do farm labor, replacing farm machinery with animals, and importing hundreds of thousands of bicycles. The Cuban government's behavior has isolated Cuba -- from Cuba's former allies, from the rest of the hemisphere, and from the United States.

We would like to see a change in our relationship with Cuba, and I believe that change must come. Our relations with the Soviet Union improved because the Soviet Union committed itself to new thinking in foreign policy and undertook economic and political reform. The critical question is when will the Cuban government see that reform -- both political and economic -- is inevitable. Our hope, like that of many Cubans, is that democratic change will come soon and peacefully.

#### Mexico

Nowhere in the hemisphere are the prospects for a closer, more cooperative bilateral relationship brighter than in Mexico. President Carlos Salinas has embarked on a bold course of economic reform. We should assist and encourage his efforts. The Salinas administration has reduced tariffs, privatized state-owned companies, and has announced its readiness to negotiate a free trade agreement with the United States and Canada.

A North American Free Trade Agreement is an important goal of this Administration. It will -- and already has -- given momentum to the entire hemisphere's drive to lower trade barriers. Already, Argentina, Brazil, Uruguay and Paraguay are negotiating a common market for the southern cone. Already, the Andean nations have established an ambitious plan for regional economic liberalization. If Congress fails to approve fast track negotiating authority, it will send a crushing, negative signal to the entire hemisphere at a time when our neighbors, after a decade of stagnant growth rates, are moving aggressively to remove barriers to global trade and investment.

A North American Free Trade Agreement will spur growth in both the U.S. and Mexico, and it will help make both economies

more competitive vis-a-vis the rest of the world. Free trade with Mexico also means jobs -- not jobs lost, but jobs gained. According to U.S. Department of Commerce estimates, every billion dollars we add to U.S. exports creates 25,000 new jobs for American workers. In 1990 we exported nearly \$30 billion in goods to Mexico, double our exports of only four years ago. According to that estimate, those increased exports would translate into 375,000 new jobs.

But our interests with Mexico go far beyond trade. I can tell you today that our relations with Mexico are stronger across the board than they have been in many years. To cite just one key example, our cooperation in the war against drugs has never been better. We have established the Northern Border Response Force, we are cooperating on patrol flights by U.S. P-3 aircraft, and we have provided helicopters to Mexico to bolster interdiction efforts. We have seen significant progress in marijuana and opium poppy eradication. Most of Mexico's naval operations and 25 percent of its army personnel are devoted to counternarcotics activity.

### Central America

Central America has made great progress in the last decade, and has great opportunity ahead. Elected governments that took the reins of power from military juntas at the beginning of the last decade have been replaced, peacefully and quietly, by new democratic successors. Elections and dialogue have shown the way to ending military conflict. Full regional peace, once achieved, will allow Central Americans to devote their energies once again to the twenty-year-old dream of economic integration. This time, the effort will be led by governments that see strength, not danger, in full participation in the competitive world economy.

The Central American republics have a common historical identity dating from their independence in 1821. They think in regional terms, and in our day we see that they prefer to address problems through common regional approaches. From Washington, we all see that the crisis atmosphere of the 1980's is past, but we cannot allow this to draw our attention away from this region. Instead, our foreign policy must seize today's opportunities and build on the progress already made.

We will keep our focus on Central America, and we want to keep our friends around the world involved as partners in the region's development. During the past year, the Administration has been working to foster an international partnership -- the Partnership for Democracy and Development in Central America. The objective of the PDD is to pool the energies of the

governments of the 24 OECD nations, the six Central American countries, Colombia, Mexico, Venezuela and representatives of key international institutions in a common effort to support democracy, peace and economic development in Central America. This concept is receiving strong support from key European and Far Eastern nations as well as from our Central American neighbors themselves. I will be going to San Jose, Costa Rica on April 10, along with representatives of the countries I just mentioned, to participate in the Partnership's organizational meeting.

The recent elections in Guatemala and the inauguration of President Jorge Serrano are clear signs of progress and hope. This marks the first time in Guatemala in 40 years that the candidate of an opposition party has been elected in a free, honest vote and allowed to assume office peacefully.

During the Cerezo Administration, Guatemala's failure to effectively pursue the investigation of the murder of an American citizen, Michael Devine, made it necessary to suspend security assistance in December 1990. Earlier, other failures to prosecute human rights cases led us to recall our Ambassador in March 1990. In contrast, the first signals from President Serrano -- starting in his inaugural address, when he warned the security forces that their human rights violations would no longer be met with impunity -- tell us that Guatemala has a president who is firmly committed to establishing civilian authority over security forces and instituting broad respect for human rights and the rule of law. President Serrano's economic policies show similar promise, and we are engaged in an active dialogue with him and his government to help him meet these important goals.

Voters in El Salvador will go to the polls on March 10 to elect all 84 members of the legislative assembly, plus mayors and municipal council members in all 262 municipalities. Twenty-four seats were added to the legislative assembly as the result of an agreement among the full range of Salvadoran political parties. Twenty of these seats will be filled by at-large candidates running on national lists -- this should help smaller opposition parties to win seats.

This will be the seventh election since an era of democratic reform began in El Salvador in 1979. The people of El Salvador alone deserve the credit for this achievement, and for the broad political space beginning to be enjoyed by people of all points of view. But we should be proud of our role -- consistent U.S. support for the democratically elected governments of the late President Jose Napoleon Duarte and President Alfredo Cristiani has been an important factor in the expansion of democracy in El Salvador.

Like previous elections in El Salvador, this election will take place under the microscope of international observation. The OAS, to its great credit, is leading the observation effort with over 120 observers deployed in El Salvador's 14 departments, including those where military conflict has been most intense.

I would note as well that last year El Salvador's economy -- despite the systematic destruction and violence wreaked upon it by the FMLN -- enjoyed positive real growth and one of the lowest inflation rates in the hemisphere. That is a tribute to the reform policies of the Cristiani government, but bipartisan U.S. support for economic reform -- steady, patient, continuing -- also contributed significantly to this achievement.

Over a year ago, the world was shocked by the brutal murder of six Jesuits, their housekeeper and her daughter in San Salvador. Even though nine Salvadoran officers and enlisted personnel were arraigned in this case -- and four others have been charged with obstructing justice -- the armed forces have not fully cooperated in the investigation. The Government of El Salvador knows that the disposition of this case will deeply influence our future relationship.

At the same time, under the auspices of the United Nations, negotiations between the Government of El Salvador and the Farabundo Marti National Liberation Front aimed at bringing an end to El Salvador's decade-long civil conflict continue. The U.S. fully supports these negotiations and hopes that the international community will energetically support a prompt negotiated solution to El Salvador's civil war. There are many obstacles in the path of a lasting peace and sustained democratic rule in El Salvador, but I am still optimistic that this is the year for peace in El Salvador.

In Nicaragua, the democratically elected government of Violeta Chamorro will soon celebrate its first anniversary. Nicaraguans still bear the heavy burden of a decade of Sandinista misrule -- high inflation, unemployment, a bloated and costly collection of bureaucracies and state enterprises, and deep social division. But President Chamorro has brought a new spirit of optimism with her tireless effort to heal old wounds and the promise of thorough economic reform. She already has several achievements to her credit -- the war is ended, the Resistance peacefully demobilized, the state's foreign trade monopoly is abolished, wasteful subsidies have been eliminated, confiscated properties are being returned, and the army has been reduced by over 50 percent, to name just a few.

National reconciliation is moving forward despite the tragic assassination of Enrique Bermudez and the killing of some 40 former Resistance fighters over the past year. We join with President Chamorro in condemning such violence and urging those responsible to end the last vestiges of political polarization and join in the effort to move the country towards greater individual freedom and economic well-being.

Our aid programs are playing a significant role. Working with \$30 million in funds we provided, the International Commission of Verification and Assistance -- directed by the OAS and the UN -- has helped some 90,000 former combatants and family members of the Nicaraguan Resistance to return to civilian life.

Since Mrs. Chamorro's election we have pledged \$537.1 million in economic assistance to Nicaragua. Of that total, \$35.1 million was in immediate emergency assistance. A \$300 million assistance package was approved for fiscal 1990, and an additional \$202 million for fiscal 1991. Since April 1990 the U.S. has signed agreements obligating \$289.4 million of the 1990 aid package, of which \$155.1 million has been disbursed. Of the 1990 funds, \$128 million have been set aside to provide balance of payments assistance in support of Nicaragua's economic stabilization and structural reform. An additional \$50 million has been set aside for the international effort to clear Nicaragua's IDB and World Bank debt arrearages. \$47 million has been allocated for the repatriation of the ex-Resistance and refugees. \$75 million is being used for long term development projects, to generate immediate jobs, to provide new textbooks for the public school system, and for emergency medical supplies.

Panama is another Central American democracy emerging from a debilitating period of dictatorship. We are working closely with President Endara and his government to strengthen democracy and spur economic recovery.

Under President Endara's administration and with U.S. assistance, Panama's economy grew last year at an annual rate of nearly four percent, among the highest in the region. To assist the recovery, we are providing Panama with some \$452 million in economic aid and \$500 million in loans and guarantees for fiscal 1990 and 1991, the largest aid package in the hemisphere and the third largest in the world. The United States also made immediately available to the new democratic government some \$430 million in Canal fees which was held in escrow for the government of Panama during the last two years of the Noriega regime.

Part of our aid is repairing war damage, providing new housing for the residents of the Chorillo neighborhood in Panama City, which was destroyed by the fleeing Noriega forces during Operation Just Cause. Other aid has been used for the health care system, public works, and to provide new credit for the private sector.

Panama is committed to transform the former corrupt, Noriega-dominated Panama Defense Forces into a civilian-led national police. Most officers above the rank of captain have been replaced. \$13.2 million of our aid is devoted to an extensive police training program administered by the Justice Department's International Criminal Investigative and Training Assistance Program. The first class of police trainees at the newly established U.S.-supported police academy graduated last February 22.

At the end of this decade, Panama will assume full control of the Canal and its operations, as provided in the 1979 treaties. Last September, in accord with the treaties, the first Panamanian citizen, Gilberto Guardia, was installed as Administrator of the Panama Canal Commission. Panamanian participation in the Canal workforce has grown to 86 percent.

It is fashionable to denigrate the achievements of Panama's new democratic government -- measuring it against a standard of perfection instead of how far it has come from where it began. But a little over one year since American forces bravely liberated Panama in Operation Just Cause, Panama is free; honest and open elections for National Assembly seats have been held; the economy is growing and unemployment has been reduced by ten full percentage points; civilians -- not the military -- make political decisions; the country successfully restructured its official bilateral debt at the Paris Club and is moving to regularize its financial relations with the World Bank, IMF and Inter-American Development Bank; tough statutes have been enacted on money laundering; the Panama Canal Treaties are being implemented; and Panama has been welcomed into the Central American regional economic and political summit talks. The United States can be proud of the role it has played in the liberation of Panama.

### South America

The democratic governments of South America today are eager to define their new role in a post-Cold War world and their relationship to the United States, and need our continued support. The large countries of South America -- notably Brazil and Argentina -- are increasingly important global actors. Democratic Chile will also assert itself on the

international stage in the period ahead. We hope to strengthen our cooperation with these countries in key areas such as curbing nuclear proliferation and supporting for regional stability elsewhere in the world.

Argentines, Brazil and Peru are still grappling with serious inflationary pressures and a daunting array of related economic problems. These problems derive from the ingrained statist and protectionist economic model, which resulted in the region's poor growth record during the 80's. Most countries in the region have begun to pursue market-oriented and private-sector driven policies. Some, such as Chile, Bolivia, Colombia and Mexico, have made significant progress and achieved deep structural changes. Although reform often carries short-term social costs, these costs pale in comparison to the prospect of repeating another "lost decade" under the old economic policies. The new thinking is taking hold, and in key countries investor confidence is beginning to return.

In Brazil, President Fernando Collor, the first directly elected president in 29 years, has embarked on a bold economic reform program designed to break Brazil's inflationary spiral and liberalize economic and trade policy. Much remains to be done, including reduction of the government's deficit and privatizing state industries, in order to reduce Brazil's high inflation.

We are working closely with the Collor government to improve our cooperation in scientific research. We are also working to address the problem of controlling the spread of technologies with potential military applications.

The survival and preservation of Brazil's Amazon region is an important environmental concern. In April 1989, the government of Brazil introduced a program called "Our Nature" to preserve the Amazon; it included suspension of certain tax incentives that encouraged deforestation. When President Collor took office, he eliminated those tax incentives permanently. His government is moving aggressively to create guidelines and zoning regulations for land use, with an emphasis on the Amazon. As a further sign of President Collor's commitment to work with the international community to address environmental concerns, Brazil will host the 1992 UN Conference on Environment and Development. The Agency for International Development has also recently initiated a new cooperative program with Brazil to address problems related to the issue of global climate change.

In the struggle against narcotics, the United States continues to assist the signatories of the Declaration of

Cartagena in their efforts to reduce production, improve interdiction, control precursor chemicals, and stop money laundering. Just two months after Cartagena, Attorney General Thornburgh joined some 20 other ministers of justice in an OAS-sponsored meeting in Ixtapa, Mexico to give region-wide application to the Cartagena principles. With full support from the Administration, the OAS has developed the world's toughest model standards on the export and import of precursor chemicals. Our Justice Department is helping OAS experts to draft comprehensive model codes to curb money laundering in the hemisphere.

In Colombia, President Gaviria, like his predecessor, has shown great political courage in dealing with the problems of violent drug traffickers and insurgency. In 1990, Colombia seized over 50 tons of cocaine, destroyed over 200 cocaine labs and arrested over 7000 suspects on trafficking charges. In the first two months of this year, about twelve metric tons of cocaine were seized. Last month, President Gaviria came to Washington for a working visit with President Bush and signed an agreement that will help our two governments share evidence in narcotics investigations. No nation has shown more courage or commitment in the war against narcotrafficking or paid a greater price than Colombia.

We are also encouraged by recent successes in negotiating a peaceful end to Colombia's guerrilla insurgencies. We support the initiative of President Gaviria to offer dialogue to the EPL and FARC guerrillas and hope they respond affirmatively.

President Fujimori of Peru faces the triple scourges of an entrenched, brutal guerrilla war, powerful cocaine trafficking organizations, and now pandemic cholera. In the past, anti-narcotics programs in Peru have suffered from a lack of firm policy guidance, but President Fujimori is working on comprehensive approaches to stop drug trafficking and provide economic alternatives for peasants now dependent on the cocaine economy. We are funding a \$27.9 million Upper Huallaga Valley Special Project to provide agricultural services and community development support to ex-coca farmers who switch to alternate crops.

The Fujimori government has courageously sought to address the economic and debt crises it inherited. It needs and deserves the international community's continued support as it moves forward on the path of economic reform.

Bolivia, the region's second largest producer of coca leaves, is making steady, progress toward its commitment to

reduce and eventually eliminate illicit coca production. Nevertheless, the threats of corruption and growing terrorism remain of serious concern.

In 1990 the U.S. provided \$45.5 million to Bolivia for basic economic reform and for alternative development projects. For the past three years, an AID-funded project has provided irrigation to the arid and poor Cochabamba high valleys to eliminate the population's need to earn extra income through seasonal work in the Chapare coca region. Before the program started, surveys showed that up to 75 percent of the available men migrated from the high valleys to the Chapare for temporary work. This year almost none have left. Other projects we fund have employed over 100,000 laborers in roadbuilding and other community development work.

Five years ago, Bolivia faced a 25,000 percent inflation rate; today their inflation is lower than ours -- a testament to Bolivia's steadfast commitment to sound economic policy.

In the Southern Cone, our relations with the new democratic government of Chile continue to expand and strengthen. In his December visit to Chile, President Bush addressed a joint session of the Chilean Congress and supported Chile's democratic transition and pace-setting free-market policies. In many ways Chile is emerging as a model for Latin America -- a model of democratic consolidation and national reconciliation, and a model of economic reform that produces real gains, as Chile's steady record of growth and new investment demonstrates.

Chile has expressed interest in a Free Trade Agreement similar to the one being negotiated with Mexico. We have restored GSP benefits to Chile, lifted sanctions imposed on the previous regime, and made progress in bilateral trade and investment issues. We are concerned, however, about the escalation of terrorism against U.S. interests in Chile.

Perhaps nowhere in the region has the shift in foreign policy emphasis been clearer than in Argentina under President Carlos Menem. Argentina has renewed diplomatic relations with the United Kingdom and contributed naval vessels to the Gulf coalition. Just before President Bush's South America trip, on November 28, 1990 Presidents Menem and Collor announced that they will place all their nuclear facilities under International Atomic Energy Administration safeguards and work to bring the Treaty of Tlatelolco, the Latin American non-proliferation treaty, into force. This agreement is a major step forward, and it could be a model for similar agreements elsewhere in the world. On the economic front,

privatizations of the national telephone company (Entel) and airline (Aerolineas Argentinas) are beginning to reverse state domination of the economy. Politically, it is clear after the failed military revolt last December that the Argentine people have no desire to return to authoritarian rule.

President Bush also visited Uruguay on his five-nation tour of South America, underscoring our support for democracy and for President Lacalle's efforts to create a more open, market-oriented economy, and spelling out the benefits to be derived from the Enterprise for the Americas Initiative. Uruguay, as a middle income developing country, is not eligible for some kinds of U.S. assistance, but we have provided some security assistance to enhance Uruguay's ability to interdict drugs. We also made a surplus food grant last year, the sale of which provided about \$2.8 million for Uruguay's Social Investment Fund. To their credit, both Uruguay and Brazil adhered with great integrity to UN economic sanctions against Iraq, despite the serious cost.

In Paraguay, President Rodriguez is steadily, courageously leading his nation -- so long locked into dictatorship -- into the mainstream of the hemisphere's democracies. The U.S. has reinstated GSP benefits contingent on the reform of labor practices, including the right to organize. We also are providing, through the National Endowment for Democracy, money to train observers for the May 1991 municipal elections, the first such vote in Paraguay's history. Finally, Paraguay has joined its Southern Cone neighbors in negotiations for a common market and in negotiating a joint framework agreement with the U.S. under the Enterprise for the Americas Initiative.

#### The Enterprise for the Americas Initiative

When I began my statement, I discussed a revolution in economic thought and policy in this hemisphere -- a sharp turn away from statist, protectionist policy and toward economic freedoms. For the poor of this hemisphere, for those who want to see democracy succeed, for those who look to participate in the economy of the Americas, this change in thinking represents a profound opportunity, and its impact can be far greater than any amount of aid we would extend.

President Bush got a strong sense of this new thinking in February 1990 when he went to the Andean drug summit in Cartagena, Colombia. The president he met gave him an emphatic message -- more than aid, they want their citizens to have the opportunity to sell their goods in the world economy, including the U.S. market. On the flight home from Cartagena,

President Bush told his advisors that we owe our neighbors a bold response.

Within four months, on June 27, 1990, the Enterprise for the Americas Initiative was born. In its spirit, it is an offer of partnership among countries eager to forge ahead with economic reform. It is based not on dependency and aid, but on concerted action to free our economies from restrictions that have helped economic elites and stifled the poor and the industrious. It offers a vision of free trade throughout the Americas.

The programs of EAI promote prosperity through trade and investment liberalization and debt relief, with a new emphasis on environmental protection. EAI offers the most to those that are doing the most to reform. We are encouraging other nations, especially Japan, to pursue similar objectives for the region. We hope that Japan and the European Community will contribute to a proposed EAI Multilateral Investment Fund to be administered by the Inter-American Development Bank. The fund would provide \$300 million in grants annually over the next five years to support comprehensive reforms in investment policy, privatization and human capital needs.

Since the EAI was launched, we have negotiated framework agreements with five countries, and discussions are underway with nine others. These agreements establish principles for cooperation on trade and investment, and can set the framework for negotiating free trade agreements. We trust that the Congress will provide the President the authority necessary to move ahead in expanding free trade in this hemisphere.

We are also working with the Inter-American Development Bank on a new program that will provide lending to support countries that removing impediments to international investment.

I also urge the Congress to take rapid action on the remaining portions of the debt element of the EAI. We are moving forward quickly with debt reduction agreements on P.L. 480 programs under the authority granted by the 1990 farm legislation. We still need authority for debt reduction agreements on concessional debt administered by AID, and for debt-for-equity and debt-for-nature swaps relating to Commodity Credit Corporation and Ex-Im programs.

The Latin American region today is in a position to launch self-sustaining growth within a democratic and stable political framework. There is nothing automatic nor guaranteed about continued progress, but it is certain that the programs of the EAI provide powerful leverage to continue economic reforms.

### Overview of Our Budget Request

The Administration's request for assistance for Latin America and the Caribbean for fiscal 1992 balances the vital interests of the United States, the need to meet the challenges that the region poses, and the reality of ever-increasing fiscal constraints.

For fiscal 1992 we are requesting \$1.520 billion for economic and anti-narcotics assistance and \$280.2 million for security aid. This represents an increase of \$104 million, or six percent over levels requested for fiscal 1991. The total requested, \$1.799 billion, accounts for less than 17 percent of our worldwide assistance request, a modest sum considering the importance of the region to the United States.

### Security Assistance

At this point I would like to address the security assistance component of our request. In fiscal 1992, we have requested \$713.9 million in Economic Support Funds (ESF) and \$280.2 million for military assistance (FMF and IMET), totalling \$994.1 million, or 12.1 percent of the requested worldwide security assistance. In addition, AID has targetted \$406 million in development assistance with special emphasis on job creation to benefit the poor, primary health care, education, strengthening of democratic institutions, and preserving the environment.

Of the sum requested for military assistance, \$13.75 million will go to the International Military Education and Training (IMET) program. As you know, Mr. Chairman, in past years this popular program has provided professional and technical training to Latin American military officers and noncommissioned officers. Through well-structured courses, this program gives the future military leaders of our region important training in human rights and civil-military relations. In the hope that we can build on the successes of the past, we are requesting IMET programs in virtually all countries in Latin America and the Caribbean with which we maintain diplomatic relations.

This year, thanks to the initiative of friends in the Congress, we have a revision in the fiscal 1991 IMET legislation which enables us to include civilian officials in our IMET training programs. Effective civilian control of the military will become reality only when there are enough well trained civilians who can play leading roles in defense programs and budgets, strategic planning, force structure management, and of course the management of the U.S. military assistance programs. We are working to make IMET-funded courses for civilians begin within the next few weeks.

Of the \$266.4 million in Foreign Military Financing (FMF) that we have requested, \$137 million will support the Andean Counternarcotics strategy in Bolivia, Colombia and Peru. It also includes \$5 million for Ecuador. A total of \$108.9 million in FMF will support the key democratic countries in Central America. This leaves only a request for \$15.5 million in FMF outside the Andes and Central America. Of that amount, \$11.9 million is for the drug-threatened Caribbean. The remaining \$3.5 million will go toward reinforcing civil-military relations in Argentina, Chile, Paraguay and Uruguay.

We have taken steps to ensure that our security assistance, including that provided to fight narcotics trafficking, supports our key policy objectives in the region. Together with the Defense Department, the DEA and other agencies, we have developed a human rights training program which will be administered to our officials, both military and civilian, before they assume duties related to the implementation of our counter-narcotics and military assistance programs in our embassies. The training will provide our personnel with a thorough understanding of human rights law and policy, as well as information about the human rights situation in the country to which they will be assigned.

Our security assistance has helped us make progress in the drug war in the first year of the Andean strategy. We have helped Colombia to maintain its vigorous campaign against narcotics traffickers, yielding a 37 percent increase in seizures over the previous year. Accomplishments include the seizure of over 50 metric tons of cocaine, the destruction of over 300 processing labs, and 7,000 arrests. Colombian police also have eradicated virtually all marijuana cultivation in traditional growing areas. The Government has dealt severe blows to the leadership structure of the Medellin cartel by keeping drug kingpins such as Pablo Escobar constantly on the run. Colombia extradited 14 drug suspects to the United States in 1990; the total extradited since August 1989 is 26. Three other major traffickers have surrendered under President Gaviria's amnesty decrees which guarantee confessing traffickers a shortened sentence and no extradition. However, Colombian security forces continue to pay a heavy price. In the last year, over 400 National Policemen have died at the hands of the traffickers.

Our narcotics-related security assistance has yielded good results in Bolivia as well. Coca eradication during the year reached a record level of over 8,000 hectares, making possible a net reduction in the amount of coca cultivation for the first time. Joint police, Air Force, and Navy task forces

have expanded counternarcotics operations, disrupting trafficking patterns. A major narco-trafficker was arrested, along with his lieutenants, planes, laboratories, and other personal assets, in a combined operation.

In Peru, President Fujimori has expressed his government's commitment to fight narcotics trafficking. Though concrete actions have, until recently, been limited, we are beginning to see promising signs. There are increasing reports of effective Peruvian military and police coordination against traffickers in the Upper Huallaga Valley. In addition, the Peruvian Air Force has forced down two planes in the Upper Huallaga Valley, both laden with narcotics. President Fujimori has proposed an innovative, comprehensive agreement, integrating alternative development and law enforcement, which should provide a solid framework for our future counter-narcotics cooperation. Negotiations should conclude shortly. We thus are hopeful that our two governments will soon be jointly working effectively against narcotics production and trafficking.

Our focus is fighting narcotics, not insurgency, notwithstanding the evidence of collusion between narco-traffickers and guerrilla groups in Colombia and Peru. Our assistance is in all instances channelled through the civilian governments. While our preference is to work with established police forces, we have seen that these units are often not trained or equipped to engage the paramilitary forces of narcotics traffickers in remote and dangerous areas. Thus, we believe that specially-trained military units can bring a significant resource in the war on drugs, if properly coordinated and directed by civilian authorities. I want to stress that our military trainers will be limited in number and will not become directly involved in counternarcotics operations. As their title conveys, they will only train.

#### Conclusion

Mr. Chairman and Members of the Subcommittee, I have submitted this detailed statement to give you a full picture of the challenges and opportunities we face in this hemisphere. I am optimistic about the future of the Americas, and I believe our policies respond to our interests and to our neighbors' concerns. Moreover, I am confident that we are delivering a dollar's worth of good for U.S. interests for every dollar we spend in the region. My staff and I look forward to working with all of you to make our policies and programs a success.

**NOTING THE EXPANSIONS THROUGHOUT THE REGION**

**Mr. TORRICELLI.** Thank you, Mr. Aronson. If you haven't persuaded me on the second half of my remarks, you've certainly provided good balance for them, because indeed there is no denying that for whatever frustrations remain in policy, from Panama to the Mexican trade talks, to the Andean initiative to the Enterprise for Americas, there are some bold policies being offered that, indeed, are thoughtful and helpful.

In particular, the successes in arms proliferation and working with the Argentineans and the courageous and well-reasoned policy the Administration took with regard to human rights in Guatemala should in particular be singled out, all of which are a credit to the leadership you've offered in the Department.

As you have stated, whether by coincidence, design or leadership, the fact remains that in this time we are experiencing the greatest expansion of democracy, making it a nearly common form of government in an entire hemisphere, and also experiencing the potential for the greatest expansion of free trade in history. They are both taking place.

Before proceeding, in the interests of balance and fairness, they should all be noted.

Ambassador Michel.

**STATEMENT OF HON. JAMES A. MICHEL, ASSISTANT ADMINISTRATOR, LATIN AMERICA AND THE CARIBBEAN BUREAU, AGENCY FOR INTERNATIONAL DEVELOPMENT**

**Mr. MICHEL.** Thank you, Mr. Chairman, Mr. Ranking Minority Leader, members of the subcommittee.

I'm very pleased to be here today to discuss with you the situation in the Western Hemisphere, the prospects for the fiscal year 1992 and beyond, and the role of the Agency for International Development in seeking to further U.S. interests and objectives in the region.

I, too, have a prepared statement, Mr. Chairman, which I request be included in the record, and I will try to summarize.

**Mr. TORRICELLI.** Without objection all three prepared statements will be entered into the record and please proceed.

**Mr. MICHEL.** In summarizing, I've brought some pictures, each of which is worth a thousand words, to try to keep the summary as brief as possible.

**A.I.D.'S PROGRAM FOR FY 1992**

The theme of this hearing so far would appear to be one of new opportunities. I'd like to continue that theme in describing A.I.D.'s program for the coming fiscal year and into the 1990s.

There is a broad consensus throughout the region and within the international community that a new strategy of cooperation based on mutual respect and responsibility is needed to deepen the roots of democracy, to restructure economies and to achieve economic stability, prosperity and social justice.

Much has been accomplished, but the gains are fragile and the outcomes are not assured. President Bush said, when he launched the Enterprise for the Americas Initiative, that "the future of

Latin America lies with free governments and free markets." To support that vision, we are requesting from the Congress \$1.4 billion dollars in economic assistance for fiscal year 1992.

That includes \$713.9 million in economic support funds; \$406.2 million in development assistance, and \$300.2 million in Public Law 480 including the Title 1 programs administered by the Department of Agriculture.

As this first chart shows, our A.I.D. levels to the hemisphere have had a cyclical pattern, and it has tended to follow perceptions of national security threats. Levels rose in the 1960s when Fidel Castro took power, fell sharply in the 1970s, and rose again when the Sandinistas came to power in Nicaragua.

The question for us in 1991 is whether we will repeat the cycle just as the broad consensus in favor of political and economic freedom is beginning to show results. The hemisphere is on the threshold of achieving what has so long eluded most of the people of the region.

It would be tragic, I submit, if we were again to turn our attention away from Latin America and the Caribbean at this moment of new opportunities.

### THREE OBJECTIVES OF ECONOMIC ASSISTANCE PROGRAM

The objectives of the economic assistance program for the 1990s are three. First of all, broadly based sustainable economic growth; second, the evolution of stable democratic participatory societies; and third, to respond to the specific challenges to the attainment of that growth and democracy, specific challenges being, in particular, the threat of drugs.

Sustainable economic growth is necessary to reduce poverty and increase opportunities for participation in society. The poor need jobs that a growing economy can create to pay for their needs. Without economic growth, public and private sectors cannot make the investment that is necessary in education, health care, sanitation, and infrastructure.

To support growth, much is needed. I would join Secretary Aronson in urging the committee's support for early enactment of the Andean Trade Initiative, the legislation to implement the debt reduction authorities in the Enterprise for the Americas Initiative, as well as support for the continuation of fast track authority and the North American Free Trade Agreement.

With respect to the Agency for International Development, our program of support for broadly based and sustainable growth focuses on four elements.

First, market-directed policies that will promote investment, productive employment and outward oriented diversification; second, a vigorous response by the private sector to a favorable policy environment; third, increased participation and opportunities for the disadvantaged who have been shut out of economic growth that has occurred in the past; and finally, for this growth to be sustainable, the preservation of the natural resource base.

## REFORM AND ECONOMIC POLICY

On the subject of reform and economic policy, we've learned that poor economic policies tend to erase the benefits of even the targeted humanitarian programs. Overvalued exchange rates, fiscal deficits, high inflation, inefficient state enterprises all hurt poor people the most.

The majority of our request for economic support funds for fiscal year 1992 will be used in support of economic policy reform with local currency generations from that assistance used primarily for public investment by the beneficiary countries in order to cushion the temporary impact of adjustment on the most needy as the new opportunities of growth begin to appear.

Because of the limited investment that A.I.D. can make, we need to target our assistance in a way that will maximize benefits and reach the largest numbers of the poor.

Many countries, as has been noted, have begun to implement economic reform programs which are achieving annual growth rates that are positive. This chart illustrates that with examples from South America, from the Caribbean, and from Central America. Each of these countries has been in the process of reforming its economic policies.

The numbers never tell the whole story, and I would point out that in the case of Ecuador, the large growth rate is attributable in large part to the fact it is an oil producing country. But it is also due in part to the fact that Ecuador, like the other countries represented on that chart, has been putting in place economic reforms that are making a difference.

### RISE IN EXPORTS FROM LATIN AMERICA

As this process has occurred, the exports from Latin America to the United States have begun to rise. Chart 3 shows that rise in exports which continues in 1990. If we had another bar on the chart, it would be taller than the last bar on the right. In my prepared statement the chart includes a bar for 1990.

As policy reform leads to more market-based exporting economies, new and growing markets are also opening up for the United States. These growing economies need machinery and all kinds of inputs for their expansion. As a result, increased exports by Latin America don't hurt our economy, they help it. Our exports have risen from \$26 billion in 1983 to \$48 billion in 1989, and we estimate in 1990 that it will reach \$55 billion.

### RECOVERY FROM DEBT CRISIS

Mr. TORRICELLI. Ambassador, in real dollar terms, have we now made up from the period of the collapse when the debt crisis began? In real dollars, are we ahead of where we were then?

Mr. MICHEL. We were in the \$40 billion range, I believe, at the beginning of this decade, and we're now just over \$50 billion in terms of our trade with Latin America and the Caribbean. However, that is not in constant dollars—it does not factor in inflation—so we may be still a little bit behind, but the trend is a positive one.

I should note also that U.S. market share has gone up as well as the total of our exports. In 1980, we had 50 percent of the imports to the region; in 1989, we had 56 percent. Our market share has gone up even faster in the Caribbean Basin Initiative beneficiary countries. Again, the benefits that we extended to the Caribbean Basin in terms of duty-free entry have benefited us as well, and our trade with that region has grown for mutual benefit.

#### RESPONSE OF THE PRIVATE SECTOR

The second element, the response of the private sector, is important so that it isn't just left to the market to produce results. Those results will come, but we hope that they would be accelerated by our assistance programs.

We'll provide about \$100 million in fiscal year 1992 to help the private sector in various ways; helping local businesses obtain marketing information and services through export and investment promotion activities and helping to link local and United States business.

We are working with the Department of Commerce in this effort, having established and inaugurated just last month the Latin American and Caribbean Business Development Center to serve as an information clearinghouse for United States businesses interested in the region.

The third element, increased participation in the economy by the disadvantaged, is one in which substantial resources will be invested.

I'd like to point out that as you look at these first two elements of a positive economic policy environment and a vigorous response by the private sector, what you get is growth in employment through non-traditional export performance improvement. The non-traditional exports of Costa Rica have risen an average of 28 percent each year over the last 8 years and in that process unemployment has fallen to about 4½ percent.

#### EXPORT-LED GROWTH IN COSTA RICA

GDP growth has averaged over 4 percent in the last 3 years. All levels of Costa Rican society benefited from this export-led growth, but a breakdown of income by deciles of the population shows that it is the poorer income brackets, the lower income brackets, that receive as a percentage the greatest benefit from this growth, contributing to a more level distribution of income within the society as a whole.

Costa Rica is not representative of the region in some respects, and in particular, its century of democratic stability, but its traditional economy was fairly typical, being largely agricultural with reliance on a few basic commodities like bananas and coffee for its export earnings.

As Costa Rica has shifted to non-traditional exports, the society is creating new industries, new jobs, and new products and services. There are similar situations in other countries where, like Costa Rica, economic reforms are being adopted.

Indeed, the pattern of non-traditional export growth in the case of Costa Rica is also true in the case of the other countries of the region.

#### OPPORTUNITIES FOR THE DISADVANTAGED

Now, just as the A.I.D. private sector program seeks to broaden and accelerate the benefits of a sound policy environment, so, too, will we seek to broaden and accelerate opportunities for the disadvantaged to participate in a growing economy. For fiscal year 1992, the A.I.D. resources for the region include approximately \$50 million for child survival, \$29 million for other health programs, \$8 million for combating the spread of AIDS, \$57 million for population activities, and \$22 million for basic education.

There have been significant social advances over the last few years. Infant mortality rates are down. Primary school retention rates are up. Nevertheless the countries of the region need to address problems to deliver social services more efficiently and to reach more broadly into the population.

A.I.D. is helping governments seeking to restructure and improve the efficiency of their social service programs. In addition, we will continue to work with private organizations, microenterprises, private voluntary organizations, and seek to address barriers to the integration of the informal sector into the economy.

#### THE IMPORTANCE OF THE ENVIRONMENT

Finally, on the point of broadly based and sustained growth, I want to reiterate again the importance of the environment. A.I.D. is working to provide leadership and environmental management and sustainable use of natural resources throughout the region. We're seeking to improve and expand programs in protection of biodiversity, tropical forest management, global climate change, pest management, coastal zone management, environmental education and many other programs.

We are requesting \$66.3 million in fiscal year 1992 for this purpose in addition to the local currency generations that are devoted to environmental programs.

#### SUPPORT FOR DEMOCRATIC GOVERNMENTS

Economic development, of course, occurs in a political context. The last picture illustrates a point that Secretary Aronson made about the dramatic change that has occurred in this hemisphere. To the left is 1981, which shows the white space occupied by countries that did not have elected civilian governments, and to the right, 1991, you don't see much white space on that map. You see Suriname and Cuba.

Experience demonstrates that development can be best sustained over the long term in a political environment in which individual liberty is protected and nourished, and in which human rights are respected. One needs to look only to the difference between Eastern and Western Europe to see that political freedom and economic freedom are mutually reinforcing in support of the well-being of a nation's citizens.

Our program for the 1990s will focus on support for strengthened governmental institutions that provide checks and balances, decentralized authority, and diminish the concentration of political power, as well as activities to support a vigorous civil society and the strengthening of democratic values and beliefs.

I want to emphasize in this area of support for democracy that our strategy will reflect what we have learned from our experience of the past decade and in our collaboration with our neighbors. Our program seeks to respond to their priorities. The movement for democracy in this hemisphere is not a "made in the United States" prescription.

#### THE ANDEAN INITIATIVE

Mr. Chairman, on the subject of special challenges, I feel that I must address the Administration's Andean counterdrug initiative for which we are requesting \$250 million for fiscal year 1992.

The A.I.D. program will provide macroeconomic and alternative development assistance to help offset the loss of foreign exchange from counterdrug activities while also helping to stimulate legitimate economic growth to produce jobs that will replace those related to the production and processing of drugs.

#### SIGNS OF PROGRESS

We are seeing the beginnings of progress. In 1990, there was for the first time a reduction of coca cultivation in Bolivia. Also, non-traditional fresh fruit has been produced in the Chapare Valley of Bolivia and shipped to Argentina, the first significant non-coca shipment in five years. Arrangements have been made for a continuing process by which those shipments will continue on a commercial basis.

Also, workers from the surrounding high valleys of the Chapare have not been migrating to work in the coca fields. They've been staying home and cultivating alternative crops. Also A.I.D. is assisting with short-term jobs in road maintenance and community development to combat the lure of the coca business.

#### SUPPORT FOR EDUCATION AND JUSTICE PROGRAMS

We are putting increased resources for fiscal year 1992 into education and prevention programs. Also, administration of justice and other democratic initiatives are focused on the special challenge of drugs. In particular, I'd like to mention the substantial increase in the administration of justice program for Columbia, which recognizes the priority need to strengthen Columbia's judicial system so that the narco-traffickers can be brought to justice in that country's own courts.

#### RECOGNITION OF REGIONAL PROBLEMS

With respect to Central America, there is a special challenge also. That challenge is how these countries, who for the first time in history have democratically elected governments committed to market based economic policies, are going to work together as a region. Many of the problems facing each country are rooted in common regional problems.

A.I.D. has developed a new strategy for United States economic assistance for Central America in the 1990s which will support the broad objectives identified by the Central American presidents in the Declaration of Antigua and the Declaration of Puntarenas. We will place greater emphasis in this strategy on implementing initiatives identified by the Central Americans within a regional framework.

#### REGIONAL OBJECTIVES

We will encourage reforms to further liberalize trade within Central America to strengthen democracy and protect human rights, and to safeguard the region's natural resource base. Much of the effort will be made within the framework of the Partnership for Democracy and Development and working with key regional institutions.

Mr. Chairman, copies of the Central America strategy document have been furnished to the subcommittee and I will not intrude further on the committee by describing it to you this morning at this time.

I'd just like to conclude by saying that I believe the A.I.D. program for fiscal year 1992 and beyond is responsive to the needs and aspirations of the people of Latin America and the Caribbean and that it supports vital United States interests in the hemisphere that we share with them.

It focuses on key objectives. It is results oriented. I hope that the Congress and the American people will support it and that we can work together with you, as Secretary Aronson said, acting on our hopes and not on our fears.

Thank you.

[Prepared statement of Mr. Michel follows:]

PREPARED STATEMENT OF JAMES H. MICHEL  
Assistant Administrator  
Latin America and the Caribbean Bureau  
Agency for International Development  
before the  
Subcommittee on Western Hemisphere Affairs  
Committee on Foreign Affairs  
U.S. House of Representatives  
Washington, D.C.  
March 5, 1991

Mr. Chairman, Members of the Committee, it is a pleasure to be here today to discuss the current state of affairs in the Western Hemisphere, the prospects for FY 1992 and beyond, and A.I.D.'s role in helping further U.S. interests and objectives in the region.

There is a new political and economic landscape in this Hemisphere. With the spread of democratically-elected governments and the growing acceptance of market-based economic policies, Latin American and Caribbean (LAC) countries have begun the process of recovery from the crises of the 1980s.

While much has been accomplished to achieve peace, democracy, and economic recovery in the Hemisphere, much remains to be done. The gains are fragile and future outcomes satisfactory to U.S. interests are not assured. It is important that U.S. policy seek to sustain these favorable trends toward a democratic and prosperous hemisphere.

There is a broad consensus throughout the region and within the international community that a new strategy of mutual cooperation based on mutual respect and responsibility is needed. The vision of the Enterprise for the Americas Initiative (EAI) sets the tone. The Initiative contemplates a cooperative endeavor to advance our increasingly shared interests and values, embracing the three issues of greatest importance to Latin America -- trade, investment, and debt. It will build upon the efforts already underway in the region to deepen the roots of democracy, restructure economies, and achieve economic stability and prosperity.

President Bush said when he launched the Enterprise for the Americas last June that "the future of Latin America lies with free governments and free markets." To support this vision, A.I.D. has carefully designed its program for the 1990s to respond to the new challenges and new opportunities in the Hemisphere. We are requesting from the Congress a program level of \$1.4 billion for FY 1992. This includes \$713.9 million in Economic Support Funds (ESF), \$406.2 million in Development Assistance (DA), and \$300.2 million in P.L. 480 resources, including Title I programs administered by the U.S. Department of Agriculture.

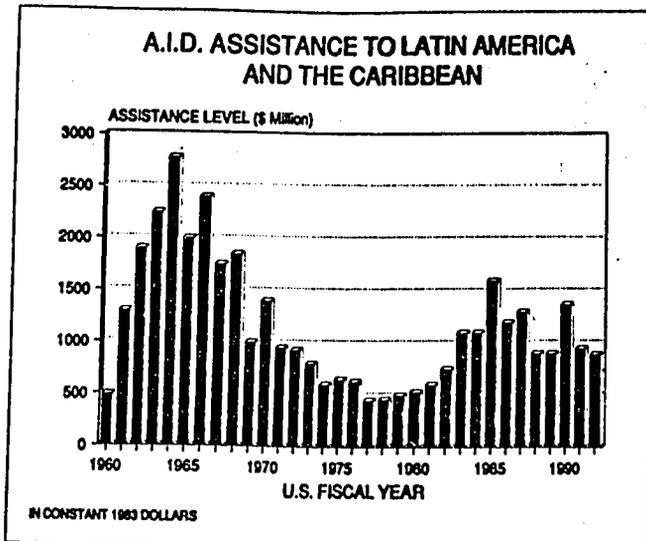
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I realize that an investment of nearly \$1.4 billion is a large amount to ask the Congress and the American taxpayers to make. I certainly believe that such an investment is needed. If we fail to provide adequate support for our neighbors in the Hemisphere at this critical juncture, today's bright prospects for long-term stability and broadly based growth may be in jeopardy. If elected governments carrying out market-based economic policies cannot demonstrate that their principles work in practice for the benefit of all segments of society, then desperate people may again be tempted by extremists. And we will be faced in a few short years with the prospects of a much larger investment to protect our national interests.

Our aid levels to the Hemisphere have had a cyclical pattern which follows the rise and fall of national security threats. Levels were high in the early 1960s when Fidel Castro took power in Cuba. Through the 1970s, aid levels fell. However, we significantly increased levels again when the Sandinistas took control in Nicaragua and began to support insurrection in neighboring countries.

The broad consensus in favor of political and economic freedom is beginning to show results. The Hemisphere is on the threshold of achieving the political stability, economic prosperity, and social justice that have for so long eluded most of the people in the region. It would be tragic if we were again to turn our attention away from Latin America and the Caribbean at this moment of new challenges and new opportunities by once again reducing our assistance too far, too fast.

Chart 1



The FY 1992 A.I.D. request reflects the minimum requirements necessary to ensure that the prospects for long-term stability and broadly based growth are realized. Our A.I.D. program is designed to get maximum benefit from the investment we are asking the Congress and the American taxpayers to make.

A.I.D.'s Objectives for the 1990s in the Western Hemisphere

The objectives of our program for the 1990s are:

- (1) support broadly based, sustainable economic growth;
- (2) support the evolution of stable democratic societies; and
- (3) respond to specific challenges to the attainment of growth and democracy.

Broadly based, Sustainable Economic Growth

It is axiomatic that sustainable economic growth is necessary to reduce poverty and increase opportunities for participation in society. If economic growth does not occur, very little can be done to alleviate poverty. In fact, as with the economic crises of the 1980s, economic decline causes the number of poor to increase. The poor need economic growth which leads to real and lasting jobs. Only with the creation of such employment will individuals earn enough income to pay for their essential needs of food, shelter, water, health care, and education. Also, without economic growth, public and private sectors cannot make and maintain adequate investments in education, health care, sanitation, and basic infrastructure.

In order to promote the achievement of broadly based, sustainable economic growth in the LAC region, A.I.D. is focusing on: (a) market-directed economic policies that promote investment, productive employment, and outward-oriented diversification; (b) promotion of a vigorous response by the private sector to such a policy environment; (c) increased participation in the economy by the disadvantaged; and (d) the preservation and sustainable use of the natural resource base.

(a) Promoting market-based economic policy reforms

We have learned over the years that poor economic policies cause enormous harm to the poor and tend to erase the benefits of even the best targeted humanitarian programs. Overvalued exchange rates, for example, limit employment and growth while promoting consumption of imported goods -- goods which are mainly consumed by middle- and upper-income people, not by the poor. Large fiscal deficits lead to high inflation, a condition which almost invariably hurts poor people the most. Inefficient and money-losing parastatal enterprises soak up

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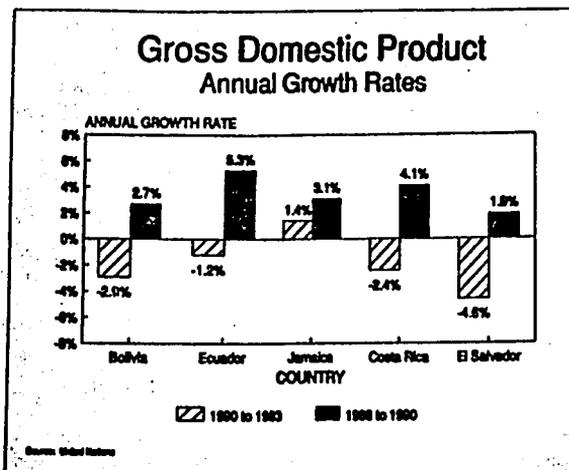
scarce government resources -- leaving less for higher priorities like education and health -- and provide little employment opportunities for all but the politically well-connected.

Because of the limited amount of investment that A.I.D. can make, it is critical that we target that assistance to maximize benefits and reach the largest number of poor and disadvantaged. Supporting policies that create an environment for economic growth that is broadly-based, creates jobs, and improves incomes is more likely to have a greater impact on the poor than providing only temporary relief that reaches only a few and lasts only while external funding continues.

Responding to the hemisphere-wide movement toward market-based economies, A.I.D., along with other international donors, is placing an important emphasis on helping governments reform their economies. As many of the countries in the region begin to change their policies, A.I.D.'s program will help ease the difficult adjustment to market-based economies. Policy changes that A.I.D. plans to support with a majority of the \$713.9 million in ESF resources requested include correcting overvalued exchange rates, reducing fiscal deficits, controlling inflation, diversifying exports, promoting investment, and privatizing government enterprises.

Most nations throughout the Hemisphere have realized that reforming their policies is the best way to help their citizens. Many countries have already begun to implement economic reform programs. For a number of these countries, positive results have already begun with gross domestic product (GDP) annual growth rates improving over the last few years (Chart 2).

Chart 2

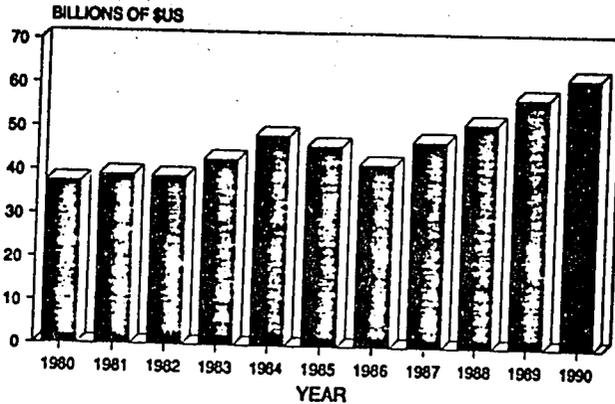


A.I.D. support for policy reform has been instrumental in assisting countries in Latin America and the Caribbean to adjust their economies so they can compete in world markets. More open, competitive economies have produced a growing volume of exports, generating foreign exchange and creating much needed jobs at all levels of society.

Exports from the LAC region to the U.S. have been on the rise over the last four years as many countries have begun to open up their economies. Exports were flat or were slightly declining throughout most of the early and mid-1980s, when the impact of the economic crises was the most severe (Chart 3).

Chart 3

### LATIN AMERICA EXPORTS TO THE US 1980 TO 1990

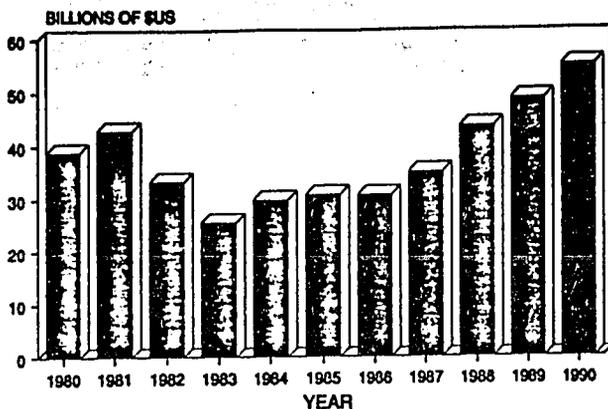


Source: Based on LC reports provided by Department of Commerce.

It is important to underscore that as policy reform in the region leads to more market-based economies and increasing exports, the benefit is realized not only by the developing countries. As the Hemisphere develops economically, new and larger markets closer to home are opening up for the United States. As a result of the economic problems of the early 1980s, purchases of U.S. goods fell sharply from \$42 billion in 1981 to \$26 billion in 1983. This cost the United States an estimated 400,000 jobs. As many of the economies began to recover in the late 1980s, U.S. exports to the region rose to \$48.8 billion in 1989 and an estimated \$55 billion in 1990 (Chart 4).

Chart 4

## US EXPORTS TO LATIN AMERICA 1980 TO 1990



Source: Department of Commerce

Of particular interest is the fact that U.S. market share of total exports to the LAC region increased from 50% in 1980 to 56% in 1989. When focusing only on the countries of the Caribbean Basin, the shift is even more dramatic: U.S. market share rose from 63% in 1980 to 71% in 1989.

As the region continues to develop, the opportunities for increased trade and investment will expand. Many U.S. businesses are already looking to the Hemisphere. In 1989, total outstanding U.S. direct investment in the region stood at \$61 billion, or 67% of all such U.S. investment in developing countries. In addition to quickly improving quality of products, services, and labor, other positive aspects of the region are attracting U.S. businesses, such as the shorter shipping routes and the fact that most of the region shares U.S. time zones.

### (b) Encourage a vigorous response by the private sector

As a more favorable policy environment is being generated, A.I.D.'s program also seeks to encourage the private sector to respond to the improved policy environment with increased investment and expansion, thus leading to job creation and higher incomes. A.I.D. is focusing its efforts on working with progressive elements within the private sector who are committed to broad-based development and a democratic society.

A.I.D.'s program for FY 1992 will provide over \$100 million in ESF and DA assistance to the private sector in a variety of ways. Activities range from business counseling to training and technical assistance to the provision of credit to microenterprises. A.I.D. also supports financial market development to mobilize capital for new business starts and expansion of existing businesses. Through the International Executive Service Corps, A.I.D. supports volunteers from the United States who work with senior management in local businesses to help achieve more productive use of resources.

A.I.D. is helping local businesses to obtain timely, relevant information and targeted services through export and investment promotion institutions. A.I.D. programs also help to link local and U.S. businesses for joint ventures, and provide technical assistance in marketing, packaging, shipping, and production.

In addition, A.I.D. is working with U.S. businesses to involve them in the development process while at the same time generating new markets and opportunities for them. The new A.I.D. Partnership for Business and Development Initiative emphasizes that sustainable economic growth is inextricably linked to the strength of the partnership between business and development.

As U.S. businesses get involved in the region through investment and trade, they will have a positive impact on development. As development occurs in the region, there will be greater opportunities for U.S. firms as they compete in the world marketplace. In short, U.S. business is good for development, and development in the Hemisphere is good for U.S. business.

As part of the Business and Development Initiative, A.I.D. is working closely with the Department of Commerce, having established the new Latin America and Caribbean Business Development Center. The Center serves as an information clearinghouse and a "one-stop-shop" in Commerce for U.S. businesses interested in the LAC region.

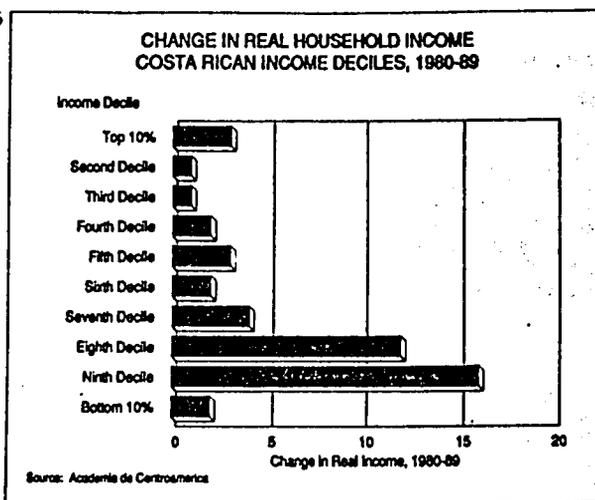
A.I.D. also provides assistance to U.S. firms located in the region. Information and services are provided in areas such as investment opportunities, market analyses, joint venture production, possibilities for sourcing, and import/export procedures.

In 1990, A.I.D. assistance to U.S. firms engaged in local production contributed to 312 investments averaging \$1.6 million. A.I.D. assistance to local firms in the region helped produce an additional 393 investments averging \$683,000.

**(c) Increase participation in the economy by the disadvantaged**

Costa Rica is an example of a country where the benefits of economic reforms are being realized. GDP has risen an average of 4.1% over the last three years and unemployment has fallen to the 4.5% range. What contributed significantly to the improvement was the tremendous growth in non-traditional exports which resulted from an outward-oriented economic policy. Non-traditional exports have risen an average of 28% each year over the last 8 years. Most of the exports are from labor-intensive agriculture and manufacturing businesses which provide opportunities that benefit low-income workers. All levels of Costa Rica's society benefited from export-led growth, with the lowest income brackets receiving the highest increases in income (Chart 5).

Chart 5



Costa Rica is used as an example because reliable data is readily available. Although Costa Rica is not representative of the region in some respects, especially in its century of democratic stability, the structure of its economy is typical of Latin America. It was largely agricultural, with exports consisting primarily of a few basic commodities produced on a large scale -- such as bananas, coffee, and sugar.

The growth of Costa Rica's economy, and the economies of other countries that have implemented economic reforms, is not due to the surge in demand for those commodities. Rather, growth in exports and in gross domestic product is attributable

largely to the dramatic diversification that is creating new industries, new jobs, and new products and services. The pattern of non-traditional export growth that has so profoundly affected the incomes of the poor in Costa Rica holds true for other countries in the region as well. For those that started with an even, more skewed income distribution, it is likely that the impact has been even more profound.

For example, in Jamaica, economic reforms were implemented beginning in the mid-1980s, including lowering tariffs, eliminating a number of quantity restrictions, removing price controls and untargeted food subsidies, and privatizing a number of public enterprises. The results are impressive: GDP growth rate for the last three years has averaged 3.1%, non-traditional exports have risen an annual average of over 30% in the last five years, and over 100,000 jobs were added between 1985 and 1988. Manufacturing employment which affects the lower income brackets grew by 35%, adding 34,000 jobs.

In Guatemala, small farmers are growing winter vegetables for the U.S. market in part because of a favorable exchange rate and reduced red tape for exports. This is much more profitable and labor intensive than traditional crops like corn. In other cases, whole villages of Guatemalan Indians are now sewing clothing for the U.S. market. Incomes in villages engaging in exports have risen significantly.

In addition to supporting policy reforms that result in job creation and rising incomes, substantial amounts of Development Assistance will be targeted to benefit the disadvantaged. A.I.D. will continue to help LAC countries increase access to basic education and primary health care, with an emphasis on improving child survival, family planning, and nutritional services, and improve the efficiency of those delivery systems. For FY 1992, total A.I.D. resources to be allocated to the LAC region include approximately \$50 million for child survival activities, \$29 million for health activities, \$8 million for AIDS activities, \$57 million for population activities, and \$22 million for basic education.

There have been significant social advances over the past few years throughout the region. Infant mortality rates are down; primary school retention rates are up. Nevertheless, most health and education services are poorly administered and inefficient. LAC countries need to address problems in education and health sectors in order to be able to develop sustainable, more efficient, decentralized educational and social service delivery systems.

In order to ensure the sustainability of the social services well into the next century, A.I.D. is helping various governments restructure and improve the efficiency of their own social services programs, rather than being a direct provider of health care and education.

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For example, on average, 90% of the education budget pays for personnel, leaving very little for textbooks, teacher manuals, equipment, and other critical operating expenses. Most ministries of education in the region are inefficient bureaucracies. As a result, programs and projects experience delays, and available resources do not reach the local level.

A.I.D. plans to target assistance to help governments in a variety of ways including: reallocation of resources within their education budgets, improvement of curriculum and the quality of instruction, development of national capacities for textbook production, decentralization of administrative functions, and computerization of management information systems to improve efficiency.

The health sector has similar inefficiencies that A.I.D. plans to address as well. Those include weak management and inadequate administration, poor allocation of funds between curative and preventive services, poor access to primary health services, and more.

In addition to these sectoral reforms, A.I.D. will continue to support small and microenterprises in both rural and urban areas, as well as addressing barriers to the integration of the informal sector into the economy. A.I.D. will also continue to direct local currency generated from the ESF balance of payments support to social investment funds targeted for the extreme poor.

Another A.I.D. initiative, Family and Development, recognizes the family as a fundamental building block in social and economic development. As part of its efforts to increase the participation in the economy by the disadvantaged, the Agency will focus on the family unit as a starting point. Analysis of family units can prove useful for determining what people need, how they use the resources they have, and what impediments exist to full access to the economy. A.I.D. will identify innovative ways to increase the mobilization of family resources to stimulate economic growth and social development.

(d) The preservation and sustainable use of the environment

Clearly economic growth cannot be sustained without preserving the environment. As one of its highest priorities, the Agency is providing leadership in environmental management and the sustainable use of the natural resource base in the LAC region through policy dialogue, institution building, training, and demonstration projects.

For example, in the area of policy dialogue, A.I.D. has been conducting a series of natural resource policy inventories across Central America to document the diverse and fragmented policies and laws, lack of institutional and financial resources, and limited coordination among institutions responsible for enforcing natural resource management

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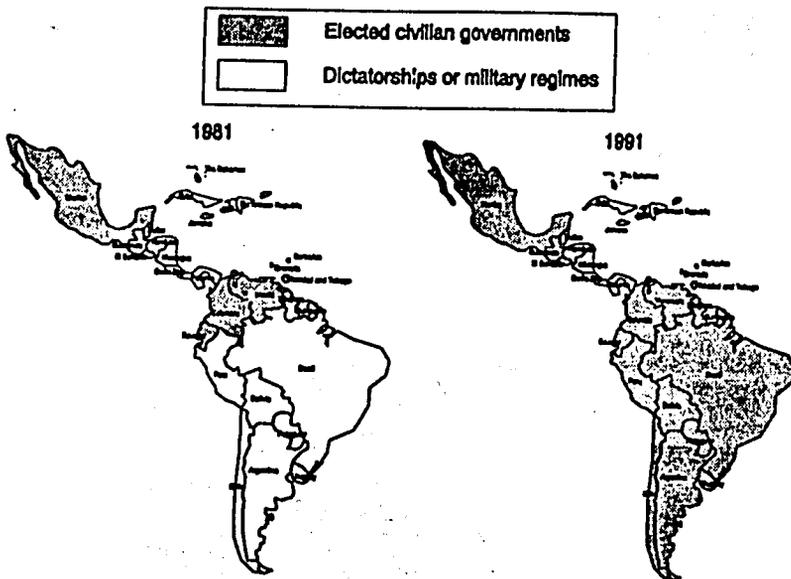
policies. Based on these inventories, we are encouraging policy alternatives and suggesting future areas of research.

A.I.D. is also improving and expanding programs in the protection of biodiversity and tropical forest management, global climate change, integrated pest management, coastal zone management, debt-for-nature exchanges, environmental education, environmental business development, and grass-roots support through nongovernmental organizations. For environmental activities in FY 1992, A.I.D. is planning \$64.6 million in DA and a substantial amount of ESF and local currency.

### Evolution of Stable Democratic Societies

As I have already mentioned, extraordinary changes have occurred in the Hemisphere over the past decade. For the first time in history, nearly every nation has a democratically elected government (map).

## LATIN AMERICA AND THE CARIBBEAN



In addition to a variety of initiatives focused on helping them move towards more market-based economic policies, the new democratically-elected governments need assistance in deepening the roots of democracy. While elections have been held throughout the LAC region, many democratic institutions are still weak.

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With its Democracy Initiative, A.I.D. has made strengthening democracy a major goal of its program. Latin America and the Caribbean have been in the forefront of this effort since the transition to democracy began at the end of the 1970s. By helping democratic societies evolve, A.I.D. is helping governments become more responsive to the needs of the people. As citizens views are better represented in government, then the needs of the people will be better identified and addressed.

Experience has repeatedly demonstrated that development can best be sustained over the long term in a political environment in which individual liberty is protected and nourished and in which human rights are respected. There are many examples that support the conclusion that political freedom and economic freedom are mutually reinforcing in support of the well being of a nation's citizens.

In a fully functioning democratic society, individuals are better able to obtain the economic freedoms they need by pressing for policy changes through the democratic process. The democratic process also leads to better designed health care and education systems which respond to the needs of the people. Better environmental policies tend to be implemented when people's concerns are well represented in government.

It is no coincidence that Costa Rica, where democracy has been in existence for 100 years, has the most extensive national parks system in all of Latin America, and Haiti, which only recently had its first democratic elections, has some of the worse environmental problems in the Hemisphere.

A.I.D.'s program for the 1990s will focus on (a) strengthening the competence of government institutions with checks and balances and decentralization of authority that avoid the concentration of political power; (b) helping create a pluralistic, autonomous, vigorous civil society that can balance and limit state power while providing channels for the articulation and practice of democratic interests; and (c) strengthening the democratic values, attitudes, beliefs, and information that support democratic pluralism and are required for effective leadership.

During the past year A.I.D. has been developing a comprehensive five-year strategy for meeting these democracy objectives in the region. Our deliberations have reflected what we have learned from our experience of collaboration with our neighbors. Our program is responsive to their priorities in their ongoing efforts to strengthen democracy; it is not a "made in the U.S.A." prescription.

Like other development problems, strengthening democracy will require a long-term effort. For FY 1992, we are requesting \$91.8 million in DA and EGF resources.

(a) Strengthening the competence of government institutions

In order to merit the confidence of the people, governments need to be accountable and responsive. The rule of law must be taken seriously, with a strong judicial system in place to enforce the law and protect human rights. Legislatures should be strengthened to improve government responsiveness to citizens and to check excessive executive power. Honesty and competence in government should be the norm, particularly in the area of financial management. Beyond the decentralization of power at the national level, political power needs to be decentralized geographically and local and municipal governments strengthened.

Through training and technical assistance in such areas as legislative organization and management, the administration of justice and financial management systems, A.I.D. can make a significant contribution in this area.

(b) Helping create a civil society

Just as economic competition is essential to the notion of free markets, so too is intellectual and political competition essential to a truly democratic political system. In addition to ensuring democratic competition, non-governmental organizations contribute to the public awareness and the deliberation of issues of common concern. Political parties across the spectrum, free press and media, "think tanks", labor unions, business organizations, and other grassroots and civic organizations are all essential to a fully functioning democracy and need to be strengthened.

A.I.D.'s program will involve assistance in areas such as training in standards of journalism, the development of indigenous public policy research centers, and seminars for labor leaders and other advocacy groups.

(c) Strengthen democratic values and leadership

Formal democratic structures do not succeed where citizens do not share a commitment to common democratic values. Political participation, tolerating diverse opinions, abiding by the rules and accepting the results of political competition are all concepts which must gain acceptance.

In the LAC region, A.I.D. assistance includes civic education programs, assistance in the development of independent centers of research and policy analysis, and support for organizations protecting human rights. A.I.D. also provides short-term and long-term training for potential leaders, bringing them to the United States to observe our democratic values and practices.

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A.I.D.'s democracy programs are designed to complement those efforts being carried out by other organizations such as the National Endowment for Democracy, other U.S. agencies such as the U.S. Information Agency (USIA), and other donors. A.I.D. will continue to work closely with other U.S. agencies such as the Departments of State and Justice and USIA. It should be emphasized that we fully recognize that our contribution in strengthening the institutional structures of democracy is only a part of a broader U.S. policy, the success of which must ultimately depend as much on political will and popular demand as on institutional capacity.

### Special Challenges

#### Andean Counterdrug Initiative

The production, trafficking, and consumption of drugs is a serious problem that affects every corner of the Hemisphere and threatens to interfere with the attainment of market-based economic growth and the evolution of stable, democratic societies. The \$250 million in EGF resources requested for the Andean Counterdrug Initiative will be used to help address this challenge.

The Andean countries need to strengthen their legitimate economies in order to enable them to move away from dependence on a cocaine economy. As part of President Bush's overall Andean Counterdrug Initiative, A.I.D. is providing both macroeconomic and alternative development assistance to help offset the loss of foreign exchange inflows resulting from counterdrug activities, while helping stimulate legitimate economic growth which will produce the jobs necessary to replace the drug-related ones. Alternatives must be available in order to persuade individuals to stop growing, producing, and processing illicit drugs.

The overall goal of the Andean Counterdrug Initiative is to disrupt and dismantle the multinational criminal organizations that support the production, processing, transportation, and distribution of cocaine to the United States and to other nations. It is only within this overall context that alternative development and income-substitution programs will have any chance of success. Sustained, vigorous law enforcement can successfully disrupt the coca market and lower the farm-gate price of coca leaf. Alternative economic opportunities then become viable.

As a result of U.S. assistance this past year, much progress has already been made. For the first time there was a net reduction of coca cultivation in Bolivia of 2,600 hectares in 1990. Recently, 16,000 pineapples were bought from Chapare Valley farmers and shipped to Buenos Aires, the first major non-coca shipment in five years. More shipments of pineapple and bananas are expected this year.

The United States has widened the scope for cooperation with Central America through the EAI and has called for broad multilateral support for the region through a Partnership for Democracy and Development (PDD). At the same time, U.S. foreign assistance levels for Central America are declining from the historic amounts that were provided during the conflicts and economic crises of the last decade. The challenge for the 1990s is to sustain the positive but still very fragile trends towards political freedom and economic growth, utilizing diminished resources in a manner that will have the maximum impact.

A.I.D. has developed a new strategy for U.S. economic assistance for Central America in the 1990s which will support the broad objectives identified by the Central American Presidents in the Declaration of Antigua adopted in June 1990, as well as the commitments they made in the Declaration of Puntarenas in December 1990.

To foster regional cooperation, A.I.D. will place greater emphasis on implementing initiatives identified by the Central Americans within a regional framework. A.I.D. will encourage policy, legal, and other reforms to further liberalize trade within Central America, to strengthen democracy and protect human rights, and to safeguard the region's natural resource base. Much of the effort will be made within the framework of the PDD, working with key regional institutions while at the same time helping them to achieve greater self-sufficiency and reduce their dependence on donor resources.

A.I.D. will pursue these objectives through its bilateral and regional programs, and through heightened collaboration with other U.S. Government agencies, multilateral development institutions, and other bilateral donors. A.I.D.'s implementation strategy will emphasize greater concentration of resources on the solution of specific sectoral problems as macroeconomic environments improve.

### Conclusion

Mr. Chairman, Members of the Subcommittee, I believe that the A.I.D. program for FY 1992 and beyond is responsive to the needs, and aspirations of the people of Latin America and the Caribbean, and that it supports vital U.S. interests in the Hemisphere we share with them. It focuses on key objectives and it is results-oriented. I hope that the Congress and the American people will support our proposed \$1.3 billion investment as one that is modest in cost with excellent prospects for returning substantial dividends.

Thank you.

Mr. TORRICELLI. Thank you, Ambassador Michel. That was not only very thoughtful but also very informative testimony. We appreciate receiving it.

Ms. Dorn, your statement has already been entered into the record in its entirety, but please summarize it as you wish.

**STATEMENT OF NANCY P. DORN, DEPUTY ASSISTANT  
SECRETARY OF DEFENSE FOR INTER-AMERICAN AFFAIRS**

Ms. DORN. Thank you, Mr. Chairman, Mr. Lagomarsino and Members of the committee.

As the third member of this distinguished team, I will not only submit my testimony for the record, but summarize my summary so that we can get to the questions that you want to ask.

**DEMOCRATIC INSTITUTIONS THROUGHOUT MOST OF THE HEMISPHERE**

As you know, we all were enthusiastic supporters and found the transition to democracy in Latin America over the last decade to be a welcome change, and one which can certainly benefit all of our nations.

At this point, with the exceptions of Cuba, and Suriname, as Secretary Aronson mentioned, all the citizens of the Western Hemisphere can now choose representatives freely at the polls. But democracy is much more than simply voting. I believe our challenge for the 1990s is to strengthen democratic institutions in Latin America.

**FOSTERING THE PROPER ROLE OF THE MILITARY IN A DEMOCRACY**

As you well know, Latin militaries have been traditionally strong actors, not only in governance of these countries, but also in political control. The focus of our strategy, therefore, is to foster the proper role of defense establishments in a democracy. We must instill a more profound appreciation and respect for civilian authority, human rights and democratic ideals in the armed forces of Latin America.

We believe an important tool in this effort is the IMET Program, where we emphasize these values through instruction and example. We're very encouraged by legislation that the Congress passed last year which allows us to train both military and civilian defense leaders to better manage defense resources and programs.

**PILOT PROGRAM IN ARGENTINA**

We're currently working with the government of Argentina in developing the pilot program for this very important initiative. The authority in 1991 allowed an extra \$1 million for this training. The government of Argentina has greeted this very enthusiastically, and we hope that we will not only be able to launch a program with Argentina, but hopefully with the government of Chile as well.

**CONCERN ABOUT DRUGS**

While we applaud the many triumphs of democracy in the region, let me address a few areas of concern. As Ambassador Michel mentioned, the large scale nature of narcotics production

and trafficking has raised new menaces to democracy in Latin America and the Caribbean. It has caused much human anguish here at home.

While we must reduce demand, the President's comprehensive drug control policy recognizes the importance of extending to the Andean nations and others the capability to stem the flow of cocaine and other illicit drugs. Security assistance is an important component of the war on drugs.

One year after the Cartagena agreement, I think that we have begun to see progress in stemming the flow of narcotics from the Andean countries, and more importantly, we are beginning to see results here at home.

#### INITIATING A COMPREHENSIVE NARCOTICS CONTROL STRATEGY

We have also worked, I think, very cooperatively with this committee in addressing some of the many problems that we have faced in initiating a comprehensive narcotics control strategy. I would make special mention of the committee's provision in last year's legislation which required us to take a long and hard look at the riverine aspects of the narcotic strategy. That provision in law triggered a study that took about three months, and which I think is a very honest and candid reassessment of our riverine strategy in the Andean countries. I think it will accrue to the benefit of both the Administration and the Congress.

#### PROTECTING U.S. POLITICAL AND STRATEGIC INTERESTS IN THE REGION

On a topic near and dear to this committee, we continue to seek equitable resolutions of conflicts in the region. Our military assistance programs support democratically elected governments and signal steadfast resolve to oppose insurgent terrorist violence.

I would mention that our fundamental security interests in the Western Hemisphere also remain. We must be able to protect and help our regional allies protect sea lanes, trade routes, lines of communication, national and international air space, and our access to oil and other strategic resources. It's important to note that in Operation Desert Storm that the vast majority of equipment, supplies, men, and materiel were shipped through the Caribbean Basin trade routes, to which we have access as a result of our good relationships with those countries.

As the histories of Latin America and the Caribbean are so closely entwined with that of the United States, so will be our future. The potential benefits of a free democratic hemisphere where trade is unfettered, investment climates stable, relationships sound, and security is not threatened are incalculable. We have a long way to go before we reach such an enviable state, and we must be consistent in our efforts to promote these goals.

Security assistance is but one part of this formula, but it is an important part.

We look forward to working with the committee to secure a consistent and stable policy, and consistent funding in these areas.

I'd be happy to answer any further questions that you might have.

[Prepared statement of Ms. Dorn follows:]

PREPARED STATEMENT OF NANCY P. DORN  
DEPUTY ASSISTANT SECRETARY OF DEFENSE  
FOR INTER-AMERICAN AFFAIRS  
BEFORE THE  
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS  
COMMITTEE ON FOREIGN AFFAIRS  
U.S. HOUSE OF REPRESENTATIVES  
5 MARCH 1991

INTRODUCTION

MR. CHAIRMAN, I APPRECIATE THE OPPORTUNITY TO DISCUSS WITH YOU AND THE OTHER DISTINGUISHED MEMBERS OF THE COMMITTEE THE PRESIDENT'S FY 1992 SECURITY ASSISTANCE PROGRAM FOR THE INTER-AMERICAN REGION. SECURITY ASSISTANCE IS A VITAL COMPONENT OF AN INTEGRATED U.S. STRATEGY THAT SEEKS TO STRENGTHEN U.S. NATIONAL SECURITY BY SUPPORTING LATIN AMERICAN EFFORTS TO CONSOLIDATE DEMOCRACY, STIMULATE ECONOMIC GROWTH, DEVELOP FREE MARKETS, COMBAT ILLEGAL NARCOTICS PRODUCTION AND TRAFFICKING, RESOLVE CONFLICTS, IMPROVE NATIONAL AND REGIONAL SECURITY, AND PROTECT OIL AND OTHER STRATEGIC RESOURCES. A STABLE, DEMOCRATIC LATIN

AMERICA AND CARIBBEAN WOULD PRESENT CLEAR POLITICAL, ECONOMIC AND SOCIAL GAINS FOR ALL CITIZENS OF THE WESTERN HEMISPHERE.

WE ARE PROUD OF THE TRIUMPHS OF DEMOCRACY IN LATIN AMERICA, AND BELIEVE THAT SECURITY ASSISTANCE HAS CONTRIBUTED TO THE PROCESS WE HAVE SEEN TAKE ROOT IN RECENT MONTHS AND YEARS. BUT VICTORY OVER SOVIET EXPANSIONISM DOES NOT MEAN THAT OUR WORK IS DONE. WE MUST HELP DEMOCRACY GROW, AND CONSISTENTLY SUPPORT OUR LATIN PARTNERS.

LATIN AMERICA AND THE CARIBBEAN STILL FACE THE SAME GRAVE POLITICAL AND ECONOMIC PROBLEMS THEY FACED DURING THE COLD WAR. THEY ALSO CONFRONT DISTORTIONS FROM THE DRUG TRADE. A / CONSISTENT U.S. POLICY, INCLUDING SECURITY ASSISTANCE, PROMOTES STABLE, EFFICIENT GOVERNMENTS AND HEALTHIER ECONOMIES. WITHOUT CONTINUED U.S. SUPPORT, WE FORESEE CONTINUED NARCOTERRORISM, CIVIL AND MILITARY CONFLICT, AND ECONOMIC STRIFE. WE SINCERELY BELIEVE THAT THE SITUATION IS ONE OF "PAY ME NOW, OR PAY ME LATER."

## PURPOSES OF U.S. MILITARY ASSISTANCE

MILITARY ASSISTANCE (THE FOREIGN MILITARY FINANCING (FMF) AND INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET) PROGRAMS) IS PART OF AN INTEGRATED, MULTI-DIMENSIONAL STRATEGY TO PROMOTE STABILITY AND BETTER RELATIONS IN THE WESTERN HEMISPHERE. FURTHERING THESE AIMS WOULD HELP ENSURE A STABLE SECURITY ENVIRONMENT FOR THE UNITED STATES IN THIS HEMISPHERE. I WILL NOW EXPLAIN EACH OF THESE AIMS IN GREATER DETAIL.

### CONSOLIDATING DEMOCRACY

MANY COURAGEOUS LATIN AMERICANS--SUCH AS FORMER PRESIDENT ALFONSIN IN ARGENTINA, PRESIDENT AYLWIN IN CHILE, AND COUNTLESS OTHERS--HAVE STRUGGLED AND SACRIFICED FOR FREE ELECTIONS AND THE RULE OF LAW. DEMOCRATICALLY-ELECTED GOVERNMENTS REIGN WITH THE EXCEPTIONS OF CUBA AND SURINAME. BUT WHILE WE APPLAUD THE BLOOMING OF DEMOCRACY IN LATIN AMERICA, WE MUST REMEMBER THAT DEMOCRACY IS MUCH MORE THAN VOTING. THE CHALLENGE OF THE 1990'S IS TO REINFORCE DEMOCRATIC INSTITUTIONS SO THEY MAY WITHSTAND THE PRESSURES THAT HAVE TOPPLED THEM IN THE PAST.

OUR IMET PROGRAM SEEKS TO STRENGTHEN ALLIANCES AND FOSTER THE PROPER ROLE OF DEFENSE ESTABLISHMENTS IN A DEMOCRACY. A FUNDAMENTAL MISSION IS TO INSTILL DEEPER RESPECT FOR CIVILIAN AUTHORITY AND HUMAN RIGHTS IN THE ARMED FORCES. AS FUTURE MILITARY LEADERS STUDY IN U.S. SCHOOLS, WE EMPHASIZE PROTECTING HUMAN RIGHTS, ENSURING MILITARY JUSTICE, AND STRENGTHENING CIVILIAN-LED, DEMOCRATIC INSTITUTIONS THROUGH INSTRUCTION AND EXAMPLE.

THANKS TO LEGISLATION CONGRESS ENACTED LAST YEAR, WE CAN NOW TRAIN BOTH MILITARY AND CIVILIAN DEFENSE LEADERS TO BETTER MANAGE DEFENSE RESOURCES AND PROGRAMS. WE ARE WORKING WITH THE GOVERNMENT OF ARGENTINA IN PLANNING AND IMPLEMENTING A PILOT PROGRAM. THE PROGRAM WILL EMPHASIZE DISTINCT ROLES FOR MILITARY AND CIVILIAN PERSONNEL IN A DEMOCRATIC SOCIETY WHEN FORMULATING AND IMPLEMENTING NATIONAL DEFENSE STRATEGY. WE HOPE ALSO TO WORK WITH THE GOVERNMENT OF CHILE, WHERE THE AYLWIN GOVERNMENT HAS MADE HISTORIC STRIDES IN RETURNING CHILE TO ITS DEMOCRATIC TRADITION.

WE ALSO ARE WORKING WITH OUR MILITARY COUNTERPARTS AND THEIR RESPECTIVE GOVERNMENTS TO REEXAMINE THEIR SECURITY NEEDS IN THE POST-COLD WAR ERA. FOR EXAMPLE, BRAZIL HAS COOPERATED WITH U.S. SECURITY OBJECTIVES IN NUCLEAR NONPROLIFERATION BY DECLARING AN END TO ITS NUCLEAR WEAPONS DEVELOPMENT PROGRAM. ARGENTINA HAS PUBLICLY DECLARED AN END TO THE INFAMOUS CONDOR PROGRAM.

AS THE ARMED FORCES REDEFINE THEIR MISSIONS WITHIN THE CONTEXT OF DEMOCRATIC, CIVILIAN-LED GOVERNMENTS, THEY WILL ALSO REEXAMINE THEIR INTERNATIONAL RESPONSIBILITIES. AS DEMOCRACY MATURES, THESE COUNTRIES COULD PLAY INCREASINGLY IMPORTANT ROLES IN THE UN AND THE OAS. AS THE PERSIAN GULF CRISIS INDICATED, MULTILATERAL ORGANIZATIONS ARE KEY SECURITY INSTRUMENTS. WHILE ONLY ARGENTINA COMMITTED TROOPS TO THE ALLIED EFFORT, OTHERS SUCH AS COLOMBIA, HONDURAS, MEXICO AND VENEZUELA PLAYED KEY SUPPORTING ROLES. OUR MILITARY ASSISTANCE PROGRAMS WILL BETTER ENABLE OUR HEMISPHERIC NEIGHBORS TO CONTRIBUTE TO FUTURE MULTILATERAL PEACEKEEPING EFFORTS.

**COMBATTING NARCOTICS PRODUCTION AND TRAFFICKING**

AS YOU ARE AWARE, THE FY 1989 DEFENSE AUTHORIZATION AND APPROPRIATIONS ACTS DESIGNATED DOD AS THE SINGLE LEAD AGENCY OF THE FEDERAL GOVERNMENT FOR THE DETECTION AND MONITORING OF THE AIR AND SEA TRANSIT OF ILLEGAL DRUGS INTO THE U.S., ALONG WITH THE REQUIREMENT TO INTEGRATE COMMAND, CONTROL, COMMUNICATION, AND INTELLIGENCE ASSETS INTO AN EFFECTIVE COUNTERNARCOTICS NETWORK. ADDITIONALLY, IN SEPTEMBER 1989, SECRETARY CHENEY DIRECTED THAT DOD ENTITIES ENGAGED IN THE IMPLEMENTATION OF THE PRESIDENT'S NATIONAL DRUG CONTROL STRATEGY ASSIST U.S. AND HOST NATION COUNTERNARCOTICS LAW ENFORCEMENT AGENCIES BY ENHANCING COUNTERNARCOTICS EFFORTS AT THE SOURCE, IN TRANSIT, AND WITHIN THE U.S. BECAUSE THE SUBCOMMITTEE PLANS A SEPARATE HEARING ON THE ANDEAN STRATEGY WITH OTHER ADMINISTRATION REPRESENTATIVES, MY COMMENTS WILL FOCUS ON DOD'S ROLE. LET ME ALSO STATE THAT WE RECOGNIZE THAT WE CANNOT WIN THE WAR ON DRUGS WITHOUT REDUCING U.S. DEMAND, BUT THIS TOO IS OUTSIDE THE SCOPE OF MY TESTIMONY.

AT THE SOURCE, THE ANDEAN STRATEGY IS THE CORNERSTONE OF THE PRESIDENT'S PROGRAM. IT IS A COMPREHENSIVE, MULTI-FACETED APPROACH TO CONTROLLING THE COMPLEX PROBLEM OF COCAINE PRODUCTION AND DISTRIBUTION WITHIN COOPERATING HOST NATIONS. THE PLAN DEVELOPED BY DOD ELEMENTS, THE COUNTRY TEAMS AND EACH HOST GOVERNMENT EMPHASIZES DEVELOPING HOST NATION CAPABILITIES THROUGH TRAINING, MATERIEL, INTELLIGENCE, AND TECHNOLOGICAL SUPPORT. IN ADDITION, NATION BUILDING ASSISTANCE IS AN INTEGRAL PART OF THE OVERALL CONCEPT.

WHILE U.S. MILITARY ASSISTANCE IS AN IMPORTANT ELEMENT OF THE ANDEAN STRATEGY, IT IS ONLY ONE PART. LET ME ASSURE THE COMMITTEE THAT WE DO NOT CONTEMPLATE A LARGE U.S. MILITARY PRESENCE IN THE ANDES, NOR DO WE SEEK TO CREATE LARGE, NEW PARAMILITARY FORCES IN THE REGION. OUR GOAL IS TO ASSIST THE DEMOCRATIC GOVERNMENTS OF THE ANDES SO THAT THEY CAN DEFEAT THE NARCOTRAFFICKING ORGANIZATIONS THEMSELVES. THIS POLICY IS THEN COMPLEMENTED BY EXPANDED ECONOMIC ASSISTANCE TO THE ANDFAN

COUNTRIES TO HELP OFFSET THE NEGATIVE IMPACT ON THE LOCAL ECONOMY AS COCA IS PHASED OUT AS A RESULT OF OUR EFFORTS.

APPROXIMATELY 51% OF OUR FMF REQUEST IN FY 1992 WILL SUPPORT THE ANDEAN STRATEGY. OUR MILITARY ASSISTANCE IS DESIGNED TO INCREASE THE EFFECTIVENESS OF MILITARY AND LAW ENFORCEMENT ORGANIZATIONS TO COMBAT COCAINE AND OTHER ILLICIT DRUG TRAFFICKING.

IT IS IMPORTANT TO REMEMBER THE LARGE SIZE OF THE ANDEAN COUNTRIES AND THE REMOTENESS OF GROWING AREAS AND PROCESSING CENTERS. NARCOTICS LAW ENFORCEMENT UNITS DO NOT HAVE THE RESOURCES, EQUIPMENT, OR TRAINING TO COPE WITH THE SCALE OF THE PROBLEM. HOST NATION MILITARY FORCES CAN PROVIDE TRANSPORTATION AND LOGISTICS IN SUPPORT OF LAW ENFORCEMENT FORCES; PATROL RIVERS AND COAST LINES; AND PROVIDE SECURITY AGAINST INSURGENTS. FOR THESE REASONS, PARTICIPATION BY THE HOST COUNTRY MILITARIES IS NECESSARY.

KNOWING OF THE COMMITTEE'S CONCERN FOR HUMAN RIGHTS, I CANNOT STRESS ENOUGH THAT WE ARE WORKING HARD TO EMPHASIZE

RESPECT FOR HUMAN RIGHTS IN ALL OUR TRAINING, INCLUDING COUNTERNARCOTICS TRAINING. U.S. SPECIAL FORCES MILITARY TRAINING TEAMS ARE REQUIRED TO TEACH RESPECT FOR HUMAN RIGHTS IN BOTH FORMAL CLASSROOM LECTURES/DISCUSSIONS AND IN PRACTICAL HANDS-ON INSTRUCTION. STUDENTS ALSO ARE TAUGHT THE CONSTRUCTIVE BENEFITS FROM POSITIVE CIVIC ACTIONS, SUCH AS PROVIDING MEDICAL TREATMENT TO CIVILIANS.

ONE MEASURE OF OUR SUCCESS IN THE ANDES MAY BE THE SHIFT IN ILLEGAL DRUG TRADE TO OTHER COUNTRIES. OUR SECURITY ASSISTANCE REQUEST FOR FY 1992 REFLECTS INCREASED RESOURCES TO POTENTIAL SOURCE AND TRANSIT COUNTRIES. WE CANNOT RELENT IN OUR WAR ON NARCOTRAFFICKERS SIMPLY BECAUSE THEY MOVE THEIR OPERATIONS OUT OF THE ANDEAN RIDGE. OUR POLICY MUST REMAIN FLEXIBLE.

AFTER THE FIRST YEAR OF THIS FIVE-YEAR STRATEGY, THERE HAVE BEEN NOTABLE ACHIEVEMENTS. NEW, DEMOCRATICALLY-ELECTED GOVERNMENTS IN EACH NATION HAVE REPEATEDLY VOICED THEIR COMMITMENT AND PUT RESOURCES FORWARD TO COUNTER THE NARCOTICS TRADE. THE U.S. HAS SUPPORTED THE INTERNAL PROGRAMS OF THE

THREE NATIONS TO IMPROVE THE OPERATIONAL AND INTELLIGENCE CAPABILITIES OF THEIR LAW ENFORCEMENT AND MILITARY FORCES ENGAGED IN THE DRUG WAR. THESE PROGRAMS HAVE INCREASED PRESSURE ON THE TRAFFICKING ORGANIZATIONS.

IN SUPPORT OF INM, WE HAVE HELPED IMPROVE COUNTERNARCOTICS COOPERATION WITH THE POLICE IN THE ANDEAN COUNTRIES. WE HAVE ASSISTED THE ARMED FORCES OF COLOMBIA AND BOLIVIA TO ASSUME A MORE VIGOROUS ROLE, PRODUCING DRAMATIC SEIZURES IN RECENT YEARS. THIS COMBINED LAW ENFORCEMENT AND MILITARY EFFORT REDUCES DUPLICATION OF LOGISTICS, MAINTENANCE AND OTHER KEY SUPPORT ELEMENTS ESSENTIAL FOR EFFECTIVE COUNTERNARCOTICS OPERATIONS.

THE INTENT OF THIS COOPERATIVE EFFORT, BASED ON A CONTINUING ASSESSMENT, IS TO CONTINUE PROGRESS WHILE ADDRESSING SHORTCOMINGS. KNOWING THAT THE U.S. MUST SUSTAIN A VIGOROUS PROGRAM, THE ADMINISTRATION IS DETERMINED TO PURSUE THOSE EFFORTS THAT HAVE PRODUCED RESULTS, REASSESS THOSE THAT HAVE NOT, AND SEEK NEW APPROACHES THAT WILL ENHANCE OUR CHANCES FOR SUCCESS.

**COUNTERINSURGENCY VS. COUNTERNARCOTICS**

THE QUESTION HAS BEEN RAISED AS TO WHETHER THE U.S. SHOULD SUPPORT ANDEAN MILITARIES, SOME WITH POOR HUMAN RIGHTS RECORDS, IN CONFRONTING INSURGENT GROUPS CLEARLY INVOLVED IN NARCOTICS TRAFFICKING. WE CANNOT GLOSS OVER PAST ABUSES. THE U.S. OPPOSES THESE ABUSES AND ALWAYS WILL. BUT WE SHOULD NOT SUBSCRIBE TO THE NOTION THAT ORGANIZATIONS LIKE THE SENDERO LUMINGSO OF PERU OR THE FARC IN COLOMBIA ARE CHAMPIONS OF HUMAN RIGHTS. THESE GROUPS ARE PROFITING FROM THE NARCOTICS INDUSTRY, AND ARE CONTINUING THEIR TERRORIST TACTICS.

ALTHOUGH THE FOCUS OF THE U.S. EFFORT IS COUNTERNARCOTICS, NOT COUNTERINSURGENCY, COLOMBIAN AND PERUVIAN INSURGENTS ARE INVOLVED IN NARCOTICS AND, ALONG WITH THE TRAFFICKERS, HAVE CREATED A MILITARIZED SITUATION. IT IS A MISTAKE TO ASSUME THAT ECONOMIC DEVELOPMENT IN COCA GROWING REGIONS IS POSSIBLE WITHOUT PROVISION OF A SECURE ENVIRONMENT IN WHICH TO WORK. NO SOCIAL OR ECONOMIC APPROACH TO THE DRUG DILEMMA CAN SURVIVE IN THE ENVIRONMENT OF INTIMIDATION AND VIOLENCE THAT NOW PREVAILS.

**HELPING TO RESOLVE CONFLICTS**

THE CHANCES OF FOREIGN MILITARY INTERVENTION IN LATIN AMERICA OR THE CARIBBEAN HAVE GREATLY DIMINISHED WITH THE END OF THE COLD-WAR. HOWEVER, INSURGENCIES STILL CONTINUE IN LATIN AMERICA, AND ARE LIKELY UNTIL THE MAJOR SOCIO-ECONOMIC PROBLEMS OF THE REGION ARE SETTLED. WE WILL CONTINUE TO SUPPORT NATIONAL AND MULTILATERAL EFFORTS TO NEGOTIATE SATISFACTORY AND JUST SOLUTIONS TO CONFLICTS IN THE HEMISPHERE. AT THE SAME TIME, WE WILL MAINTAIN OUR SUPPORT FOR CIVILIAN, DEMOCRATICALLY-ELECTED GOVERNMENTS CONFRONTING INSURGENCIES.

**LET ME NOW TURN TO SPECIFIC CASES:**

EL SALVADOR CONTINUES TO BE THE MOST PROMINENT CONFLICT IN THE REGION, AND STABILITY IN CENTRAL AMERICA AS A WHOLE REMAINS THREATENED SO LONG AS IT CONTINUES. THE CONFLICT HAS BEEN LONG AND BLOODY, AND RECENT NEGOTIATIONS TO MOVE TOWARD A CEASE-FIRE AND FINAL AGREEMENT BETWEEN THE GOVERNMENT AND THE FMLN REMAIN STALLED. IN ACCORDANCE WITH OUR POLICY, WE HAVE SUPPORTED THE EFFORTS OF THE UN.

ESPECIALLY THOSE OF SPECIAL ENVOY DE SOTO. WE HAVE ALSO CONTINUED OUR MILITARY ASSISTANCE PROGRAM TO THE DEMOCRATICALLY-ELECTED GOVERNMENT OF EL SALVADOR. AS A RESULT OF THIS STEADFAST SUPPORT, THE GOVERNMENT OF EL SALVADOR CAN NEGOTIATE CONFIDENTLY WITH THE FMLN TO ENSURE AN EQUITABLE RESOLUTION.

OUR CONTINUED INTERACTION WITH THE SALVADORAN ARMED FORCES OVER THE 11 YEARS OF THE CONFLICT HAS RESULTED IN CONSIDERABLY FEWER HUMAN RIGHTS VIOLATIONS BY THE MILITARY. NONETHELESS, WE ABHOR ANY AND ALL HUMAN RIGHTS VIOLATIONS AND WILL CONTINUE TO PRESS THE MILITARY TO BETTER RESPECT HUMAN RIGHTS. WE ALSO CONTINUE TO PRESS FOR JUDICIAL REFORM AND TO BRING TO JUSTICE THE MURDERERS OF THE SIX JESUIT PRIESTS, THE THREE U.S. SERVICEMEN WHO RECENTLY DIED AS A RESULT OF FMLN AGGRESSION, AND OTHER UNRESOLVED CASES. IN GUATEMALA, THE OUTLOOK IS MORE PROMISING. PRESIDENT SERRANO HAS EMPHASIZED ENFORCEMENT OF HUMAN RIGHTS STANDARDS REPEATEDLY, AND HAS STATED HIS INTENTION TO PRESS FOR

PROSECUTION OF THE DEVINE MURDER CASE. HE HAS ALSO ASSERTED HIS AUTHORITY OVER THE ARMED FORCES BY MAKING SEVERAL SIGNIFICANT CHANGES IN THE MILITARY LEADERSHIP. THE PRESIDENT HAS EXPRESSED HIS HOPE THAT THE GOVERNMENT AND THE INSURGENTS CAN SETTLE THEIR DIFFERENCES. THE URNG HAS INDICATED THAT IT IS READY TO NEGOTIATE, AND EFFORTS ARE UNDERWAY TO BRING THE TWO SIDES TOGETHER, PERHAPS AS EARLY AS THIS SPRING.

IN COLOMBIA, THE OUTLOOK IS MIXED. THE M-19 GUERRILLA MOVEMENT WAS RECENTLY BROUGHT INTO THE LEGITIMATE POLITICAL PROCESS AND IS PARTICIPATING IN THE ONGOING CONSTITUTIONAL ASSEMBLY. PRESIDENT GAVIRIA HAS DECLARED HIMSELF OPEN TO DIALOGUE WITH OTHER INSURGENT GROUPS, BUT THE FARC AND THE ELN REMAIN IN ARMED OPPOSITION. THE INSURGENTS HAVE RECENTLY INCREASED THEIR ATTACKS AGAINST ECONOMIC INFRASTRUCTURE TARGETS, PARTICULARLY PETROLEUM PRODUCTION AND TRANSPORTATION ASSETS.

IN PERU, THE CURRENT OUTLOOK IS NOT ENCOURAGING. TWO MAJOR INSURGENT GROUPS, THE NOTORIOUS SENDERO LUMINOSO AND THE MRTA, ARE ACTIVE AND HAVE DE FACTO CONTROL OF SOME RURAL AREAS. THESE TERRORIST GROUPS HAVE DRIVEN MANY PEOPLE FROM OUTLYING RURAL AREAS INTO THE GHETTOS OF LIMA, COMPOUNDING PERU'S SERIOUS SOCIAL AND ECONOMIC PROBLEMS. THE RECENT OUTBREAK OF CHOLERA STRAINS AN ALREADY DESPERATE SITUATION. INSURGENT GROUPS ARE ACTIVE IN COCA GROWING AREAS, AND THEIR LINKS WITH THE ILLICIT DRUG TRADE ARE EXPANDING.

#### NATIONAL AND REGIONAL SECURITY

OUR PROVISION OF DEFENSE ARTICLES AND SERVICES THROUGH BOTH MILITARY ASSISTANCE AND FOREIGN MILITARY SALES PROVIDES OUR FRIENDS AND ALLIES IN THE REGION WITH ADDITIONAL RESOURCES TO ASSIST IN THE COMMON DEFENSE OF REGIONAL INTERESTS. PERMIT ME TO PRESENT A FEW MATERIAL FACTS:

- LATIN AMERICA PROVIDES OUR ENTIRE STRATEGIC PETROLEUM RESERVE;
- MEXICO AND CANADA PROVIDE OVER HALF THE OIL WE CONSUME;

- THE CARIBBEAN POSSESSES MANY OF THE MAJOR REFINERIES FOR OUR IMPORTED OIL;
- THE U.S. DEPENDS ON LATIN AMERICA FOR MANY STRATEGIC RAW MATERIALS, INCLUDING ANTIMONY, MANGANESE, TIN, AND 96% OF OUR BAUXITE;
- IN 1989, WE EXPORTED APPROXIMATELY \$48.4 BILLION IN GOODS AND SERVICES TO LATIN AMERICA; AND
- AS WE CAN SEE FROM OPERATIONS DESERT SHIELD AND DESERT STORM, WE RELY ON THE SEA LANES IN THE REGION NOT ONLY FOR TRADE, BUT TO SUPPORT OUR FORCES OVERSEAS.

I COULD GO ON, BUT THE POINT IS THAT IT IS IMPERATIVE THAT WE HELP PROTECT THE MANY SIGNIFICANT ECONOMIC AND TERRITORIAL ASSETS OF THE HEMISPHERE. MILITARY ASSISTANCE HELPS THE SOVEREIGN GOVERNMENTS IN THE REGION SECURE NATIONAL BORDERS, KEEP OPEN SEA LANES AND OTHER LINES OF TRADE AND COMMUNICATION, PROTECT NATIONAL AND INTERNATIONAL AIRSPACE, AND SAFEGUARD LAND TRANSPORTATION NETWORKS. IN FACT, IMPROVED CONTROL OF THE SEA LANES, RIVERINE AREAS, AND NATIONAL AND INTERNATIONAL AIRSPACE

WOULD GREATLY ASSIST OUR NARCOTICS INTERDICTION EFFORTS. MILITARY ASSISTANCE TO OUR ALLIES IS A COST-EFFECTIVE PART OF THE NECESSARY DEFENSE OF OUR MUTUAL INTERESTS.

WITH THE IMPROVEMENT OF U.S. RELATIONS WITH THE SOVIET UNION, AND WITH CUBA RECEIVING LESS SOVIET AID AND ATTENTION, WE ARE REVIEWING OUR LEVELS OF MILITARY PRESENCE IN THE AREA. REDUCTIONS WILL BE IN ACCORDANCE WITH THE BEST INTERESTS OF BOTH THE U.S. AND OUR LATIN NEIGHBORS. OF COURSE, WE WILL MAINTAIN OUR KEY CAPABILITIES TO PROTECT LAND, SEA, AND AIR ROUTES AND ESSENTIAL RESOURCES, AND ACTUALLY ENHANCE OUR FLEXIBILITY TO RESPOND TO SMALL AND FAST MOVING REGIONAL CRISES, SUCH AS THE ONE IN PANAMA.

MILITARY ASSISTANCE ALSO SUPPORTS OUR REGIONAL SECURITY ARRANGEMENTS, WHICH PROMOTE COLLECTIVE SECURITY AND STABILITY IN RELATIONS AMONG COUNTRIES. FOR EXAMPLE, WE SUPPORT THE CENTRAL AMERICAN REGIONAL SECURITY COMMISSION (CASC), WHICH ADDRESSES REGIONAL ARMS REDUCTION AND CONFIDENCE BUILDING MEASURES, AND

THE REGIONAL SECURITY SYSTEM (RSS), WHICH FUNCTIONS IN THE CARIBBEAN.

AS I MENTIONED BEFORE, MULTILATERAL ORGANIZATIONS ARE LIKELY TO BECOME INCREASINGLY INFLUENTIAL. THE U.S. WELCOMES THIS DEVELOPMENT, AND BELIEVES SUCH ORGANIZATIONS WILL COMPLEMENT THE STRONG BILATERAL RELATIONS IN THE REGION.

#### PROMOTE ECONOMIC PROSPERITY

OUR INTEGRATED STRATEGY FOR LATIN AMERICA AND THE CARIBBEAN RECOGNIZES THE IMPORTANCE OF ECONOMIC STABILITY FOR THE CONSOLIDATION OF DEMOCRACY IN THE REGION. THE PRESIDENT'S ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI), PROVIDES A FRAMEWORK FOR STABILIZATION IN LATIN AMERICA BY EXPANDING FREE TRADE AND INVESTMENT, EASING DEBT BURDENS AND FACILITATING ENVIRONMENTAL PROJECTS. THE EAI IS A FLEXIBLE VEHICLE FOR ENHANCED REGIONAL COOPERATION--AN INVITATION TO OUR LATIN PARTNERS TO WORK TOGETHER TO ACHIEVE SUSTAINABLE ECONOMIC GROWTH IN THE HEMISPHERE.

WE ARE PREPARED TO WORK WITH OUR LATIN PARTNERS ON CIVIC ACTION PROJECTS IN KEEPING WITH OUR "PEACETIME ENGAGEMENT" APPROACH, WHICH SECRETARY CHENEY OUTLINED TO THE HOUSE ARMED SERVICES COMMITTEE LAST MONTH. PEACETIME ENGAGEMENT IS A COORDINATED COMBINATION OF POLITICAL, ECONOMIC AND MILITARY ACTIONS AIMED PRIMARILY AT COUNTERACTING LOCAL VIOLENCE AND PROMOTING NATION-BUILDING. HOWEVER, CONSISTENT WITH THE EAI, WE BELIEVE THESE PROJECTS SHOULD ONLY BE PERFORMED BY THE MILITARY WHEN THE PRIVATE SECTOR IS UNWILLING OR UNABLE TO PERFORM THE SERVICES. FURTHERMORE, U.S. PARTICIPATION IN SUCH PROJECTS SHOULD BE TIED TO STEPS TO IMPROVE RELATIONS BETWEEN CIVILIAN AUTHORITY AND THE MILITARY.

AN ECONOMICALLY HEALTHY LATIN AMERICA IS IN THE STRATEGIC INTEREST OF THE UNITED STATES. I BELIEVE RELATIVELY SMALL INVESTMENTS IN THE REGION TODAY COULD HAVE SIGNIFICANT PAYOFFS IN THE FUTURE, INCLUDING DECREASES IN ILLEGAL IMMIGRANTS AND DRUGS ACROSS OUR BORDERS.

## MAJOR CONCERNS IN THE INTER-AMERICAN REGION

I HAVE OUTLINED FOR THE COMMITTEE THE PURPOSES OF THE SECURITY ASSISTANCE PROGRAM, ASSESSED OUR PERFORMANCE, AND IDENTIFIED AREAS WHICH WE NEED TO ADDRESS. I WOULD NOW LIKE TO DISCUSS FOUR COUNTRIES THAT WE BELIEVE MAY POSE SPECIAL CHALLENGES FOR THE UNITED STATES:

NICARAGUA: A HIGHLIGHT OF LAST DECADE'S WORLDWIDE MARCH TO DEMOCRACY WAS VIOLETA CHAMORRO'S STUNNING UPSET OF THE SANDINISTAS. THE NICARAGUAN PEOPLE, IN FREE ELECTIONS, OVERWHELMINGLY REJECTED THE SANDINISTA EXPERIMENT AND VOTED FOR A RECOGNIZED OPPONENT OF SANDINISTA POLICIES AND IDEALS. THE SANDINISTA THREAT TO CENTRAL AMERICAN HAS DIMINISHED CONSIDERABLY AS A RESULT, BUT HAS NOT DISAPPEARED. THE SANDINISTAS STILL RETAIN CONSIDERABLE INFLUENCE IN THE ARMED FORCES AND TRADE UNIONS, AND THE RECENT ASSASSINATION OF ENRIQUE BURMUDEZ, THE FORMER NICARAGUAN RESISTANCE MILITARY COMMANDER, IS SYMPTOMATIC OF THE INTERNAL INSTABILITY THAT PLAGUES THAT NATION.

PANAMA: ALTHOUGH NOT A MILITARY ASSISTANCE RECIPIENT, PANAMA IS OF CONCERN. DESPITE SIGNIFICANT PROGRESS, THE NEW PANAMA PUBLIC FORCE (PPF) IS EXPERIENCING GROWING PAINS ASSOCIATED WITH EQUIPMENT, CAPABILITY, AND MORALE. IN THE MEANTIME, NARCOTRAFFICKING, ARMS TRADING, AND OTHER CRIMINAL ACTIVITIES CONTINUE.

HAITI: IN FREE ELECTIONS, JEAN BERTRAND ARISTIDE WAS ELECTED WITH OVER 70% OF THE VOTE. WHILE THE TIME BETWEEN THE DECEMBER ELECTION AND THE FEBRUARY INAUGURATION WAS MARKED BY A COUP ATTEMPT AND SPORADIC MOB VIOLENCE, THE SITUATION APPEARS TO HAVE COOLED. WE NOW AWAIT SIGNALS FROM PRESIDENT ARISTIDE AS TO THE COURSE HE INTENDS TO PLOT FOR HAITI'S FUTURE. THE MILITARY SEEMS WILLING TO RESPECT CIVILIAN AUTHORITY, BUT WE WILL CLOSELY MONITOR EVENTS.

CUBA: ALTHOUGH THE SOVIETS ARE DECREASING THEIR ASSISTANCE TO CUBA, THIS REDUCTION HAS NOT CAUSED CASTRO TO CHANGE COURSE. WHILE CASTRO WILL LIKELY FACE MOUNTING ECONOMIC AND POLITICAL PROBLEMS WITHIN CUBA, HE REMAINS VIRULENTLY ANTI-

U.S. AND MAY ATTEMPT TO COUNTER HIS WANING INFLUENCE THROUGH A MORE AGGRESSIVE POLICY OF DESTABILIZATION OF DEMOCRATIC GOVERNMENTS. CASTRO'S CUBA WARRANTS CLOSE MONITORING AND WE MUST BE PREPARED TO THWART POSSIBLE "LAST GASP" ATTEMPTS TO CREATE TURMOIL IN THE REGION.

#### CONCLUSION

MANY OF THE PROBLEMS FACING LATIN AMERICANS HAVE A DIRECT IMPACT ON THE EVERYDAY LIVES OF MANY AMERICANS. FOR EXAMPLE, 1,046,420 PEOPLE WERE APPREHENDED ALONG OUR SOUTHERN BORDER IN FY 1990. THE VAST MAJORITY OF THESE PEOPLE CAME TO FIND ECONOMIC OPPORTUNITIES IN THE U.S. THAT DO NOT EXIST IN THEIR OWN COUNTRIES. IN DECEMBER 1990, THE NATIONAL INSTITUTE ON DRUG ABUSE CLAIMED THAT THERE WERE 662,000 WEEKLY COCAINE USERS IN THE U.S. THE COCAINE FEEDING THIS DEBILITATING HABIT PRIMARILY COMES FROM LATIN AMERICA. HOW MUCH MONEY IS WASTED ON THIS INSIDIOUS NARCOTIC, AND HOW MANY LIVES DOES IT CLAIM? HOW DO WE MEASURE THE INDIRECT COSTS OF LOST PRODUCTIVITY AND HUMAN

POTENTIAL? NO ONE KNOWS FOR CERTAIN, BUT IT IS SAFE TO ASSUME THAT THE COSTS ARE ENORMOUS.

OUR FMF, IMET, AND ECONOMIC SUPPORT FUNDS (ESF) REQUESTS FOR LATIN AMERICA FOR FY 1992 TOTAL LESS THAN \$1 BILLION, WITH FMF AND IMET TOTALING ABOUT \$280 MILLION. THESE FIGURES ARE MEAGER WHEN COMPARED TO THE COSTS OF COCAINE AND ILLEGAL IMMIGRATION ALONE. WHEN WE CONSIDER THE POTENTIAL MUTUAL BENEFITS OF UNFETTERED TRADE, SECURE INVESTMENT CLIMATES, CONTINUED ASSURED ACCESS TO STRATEGIC RESOURCES, AND FRIENDLY POLITICAL RELATIONS, WE REALIZE THAT A RELATIVELY SMALL INVESTMENT NOW IN LATIN AMERICA AND THE CARIBBEAN MAY REAP GREAT BENEFITS LATER.

LATIN AMERICA WILL REMAIN STRATEGICALLY IMPORTANT TO THE UNITED STATES--AS OUR HISTORIES ARE INTERTWINED, SO ARE OUR FUTURES. SECURITY ASSISTANCE WILL BE A CRUCIAL ELEMENT OF A NEW, INTEGRATED STRATEGY TO ACHIEVE AN HISTORICAL OBJECTIVE--THRIVING DEMOCRACIES THROUGHOUT THE WESTERN HEMISPHERE AND GROWING ECONOMIES BASED ON FREE-MARKET PRINCIPLES. SECURITY ASSISTANCE HELPS TO PROMOTE THE STABILITY NECESSARY FOR

DEMOCRACY AND ECONOMIC GROWTH TO FLOURISH. MILITARY ASSISTANCE WILL CONTINUE TO BE ESSENTIAL IN RESOLVING EQUITABLY THE CONFLICTS THAT STILL INFLICT THE REGION. IT ALSO HELPS PROTECT OUR ACCESS TO STRATEGIC RESOURCES, SEA LANES, LINES OF COMMUNICATION, AND OTHER CRITICAL ASSETS. THE IMET PROGRAM ITSELF WILL BE AN IMPORTANT INSTRUMENT IN THE CONSOLIDATION OF DEMOCRACY AS WE SEEK TO INSTILL APPRECIATION AND RESPECT FOR DEMOCRATIC VALUES IN THE ARMED FORCES THROUGHOUT LATIN AMERICA AND THE CARIBBEAN. FINALLY, BUT CERTAINLY NOT LEAST, SECURITY ASSISTANCE PLAYS A PIVOTAL ROLE IN OUR WAR ON DRUGS.

WE AND THE REGIONAL GOVERNMENTS HAVE MADE GREAT STRIDES IN LATIN AMERICA AND THE CARIBBEAN OVER THE PAST DECADE, BUT MUCH WORK REMAINS TO BE DONE. WE HOPE TO CONTINUE THE POSITIVE CHANGES THROUGH CONTINUED SECURITY ASSISTANCE THAT WORKS HAND-IN-HAND WITH OVERALL U.S. STRATEGY, ESPECIALLY THE PRESIDENT'S ENTERPRISE FOR THE AMERICAS INITIATIVE. IT IS MY SINCERE HOPE THAT YOU WILL SUPPORT OUR REQUEST, AND THAT WE CAN WORK TOGETHER TO ADVANCE THESE WORTHY GOALS.

Mr. TORRICELLI. Thank you, Ms. Dorn, very much.

#### RESTORING AID TO EL SALVADOR

Mr. Aronson, in a few days the self-imposed 60-day extension on the withholding of 50 percent of Salvadoran aid expires. Is anything going to happen in these few days, or inevitably, is full restoration about to occur?

Mr. ARONSON. Mr. Chairman, when the President announced that he would voluntarily suspend any disbursement of those military funds to El Salvador, he expressed the Administration's hope that the negotiating parties would make serious progress in negotiating political agreements and reach a cease fire.

He made it clear that our hope is that these funds will not have to go to military purposes; that if a cease fire is reached we can use them as the legislation that passed the Congress last year permitted, for enforcement of the cease fire, demobilization of combatants, national reconciliation and national reconstruction.

We are disappointed that the last negotiating round was not productive, though the previous round was. We still hope that the parties to the negotiation will seize the opportunity to negotiate vigorously and steadily without interruption to achieve a cease fire. If they do, the funds will not need to be used for military purposes.

#### VIOLATIONS OF THE LAW PROVIDING FOR AID TO EL SALVADOR

Mr. TORRICELLI. However, unless another judgment is made, there is going to be a resumption of full aid soon. Must the Administration, therefore, at this point must be able to determine that as the law stated, that a thorough and professional investigation into the prosecution of those responsible for the murder of the Jesuits has taken place; therefore, justifying a full resumption of aid?

Mr. ARONSON. First of all, Mr. Chairman, I would note that a decision on how quickly to disburse aide will depend on a number of factors. The President made a determination under the law that the FMLN had flagrantly violated the criteria set by the Congress, particularly their relentless and murderous attacks on civilians almost after the bill was signed, which killed 8-year old children, 70-year old women, dozens of innocents.

But in weighing how quickly to disburse the funds or obligate the funds, I think the Administration will look at a number of factors. One clearly is the nature of the security threat in El Salvador. This administration is not going to walk away from defending democracy in El Salvador.

#### CONCERNS ABOUT THE NEGOTIATING TACTICS OF THE FMLN

We would hope that the FMLN would not continue this pattern of progress in the negotiating table followed by an increase in violence. They seem to believe that every time they make a concession on the political front, they need to prove to the world that they are not operating out of weakness, and therefore, they step up military activity. Nobody believes they're operating out of military weakness.

I would note that right before this announcement of the truce for the election, they hit a hydroelectric power station in El Salvador

and went into civilian neighborhoods again. We hope that pattern ends.

#### FULFILLING THE MANDATE FOR AN INVESTIGATION INTO THE JESUIT CASE

We will look at the security threat. We will certainly look at whether or not the parties are making rapid progress toward political agreements in a cease fire and we will also weigh progress on the Jesuit case.

Under the legislation, in addition to the criteria on the FMLN, as you stated, the Administration is obligated to suspend 100 percent of El Salvador's military aide if it judges that the government has failed to carry out a thorough investigation and prosecution of those responsible for the Jesuit murders and their housekeeper and daughter.

Under the law, as the Senate's position prevailed, once the Administration makes that determination, those funds cannot be reobligated to El Salvador, no matter what the security threat or no matter what progress they make subsequent to the determination. The funds are cut off and no military aide can be restored to El Salvador without a new act of Congress.

So that's a very final judgment and it's very much a pulling of the plug. When and if the Administration were to make it, it will probably signal to the FMLN that they have an opportunity to attack more heavily than ever before, because there is no way the United States can restore military aid.

#### THE CRITERIA TO DETERMINE RELEASING THE AID

Mr. TORRICELLI. To summarize some of your answer then, the three criteria as you reach this point of decision are the internal security situation, the progress or the approach of the parties in negotiations, and progress on the Jesuit cases.

Would it not make more sense to maintain maximum leverage by not making this judgment until after the next round is scheduled on March 24th?

Mr. ARONSON. In holding up the aid for 60 days, the President said that we would look at progress toward a cease fire. I don't think it creates a positive incentive to the parties, and particularly the FMLN, to make progress if we simply walk away from that standard which they failed to meet. So we will continue to look particularly at that element.

This Administration wants to see a negotiated end to this war. We have worked assiduously, diplomatically through the United Nations and with many parties to support these negotiations. I can assure you that the impediment to a rapid conclusion of political negotiations and a cease-fire will not be any decision that we make on military assistance.

#### PROBLEMS WITH THE ESTABLISHED CRITERIA

Mr. TORRICELLI. The difficulty with the three criteria is that they do not allow for a proper interpretation by the parties if there are mixed results with your criteria. Clearly, the FMLN has worsened the security situation and policy must reflect that. There clearly

has not been progress with the Jesuits case, but there has been progress in negotiations and flexibility.

The difficulty of the restoration of aid is that it can be misinterpreted as it's implied to all those criteria. No doubt people will see it from their own perspective.

In the interest of the committee, I'm going to withhold the rest of my questions until a second round and allow the committee to proceed.

Mr. Lagomarsino.

#### STEPS TAKEN BY UNITED STATES TO SUPPORT DEMOCRATIC MOVEMENTS IN GUYANA AND SURINAME

Mr. LAGOMARSINO. Thank you, Mr. Chairman. Secretary Aronson and Ambassador Michel, could you please address steps we have taken or could take to support democratic movements in two of the hemisphere's remaining holdouts, Guyana and Suriname?

I understand in Guyana, there are preparations for elections underway, but conditions are very unsettled. In Suriname, the Christmas coup aborted a transition underway for several years, but there are democratic forces in the country.

What have State and A.I.D. done to aide democratic forces in these two countries?

Mr. ARONSON. Congressman, let me reply to your question on the political and diplomatic front and I'll let my colleague, Ambassador Michel, detail some of the efforts we've made under the A.I.D.'s democratic initiatives program and through the National Endowment for Democracy.

#### CONCERNS ABOUT THE ELECTION PRACTICES IN GUYANA

The two situations are somewhat different, and I think we need to distinguish between them. The Guyanese government is an elected government. However, there is concern about the practices under which they will hold their next election.

The government has committed itself to a serious reform program that will involve registration, permission for a quick count by election observers, and permission for international observers to oversee the election. We are supporting all of those efforts and have allocated some funds that Ambassador Michel can detail for you.

#### THE COUP IN SURINAME

In the case of Suriname, unfortunately, the legitimately elected government was forced, under threat of military pressure, to resign. A new government took its place. We denounced that coup, as did many other governments in the hemisphere. We have worked very closely with a number of governments, particularly the Netherlands, which is the former colonial power and still has strong political and economic relations with Suriname, with Venezuela, which has taken the lead in Latin America in condemning this effort, and with Brazil and who maintain a military relationship.

### UNITED STATES RELATIONS WITH SURINAME

We have made it clear to the Surinamese government that they will not have a normal relationship with the United States unless and until democratic elections are held under scrupulous international observation.

We also suspended our agricultural credits program.

We are working very closely with the OAS to support their plans to oversee these elections. The Coalition of Freely Elected Presidents of the hemisphere, which President Carter heads, intends to visit Suriname. We support their efforts as well.

We agree with your concern that both of these governments must carry out elections that are observed internationally and are free and fair in order to obtain the legitimacy that we will lead them out of their isolation, particularly in the case of Suriname.

#### A.I.D. ASSISTING GUYANA IMPLEMENT GOVERNMENTAL REFORMS

Mr. MICHEL. In the case of Guyana A.I.D. is granting almost \$1 million in support of technical assistance, some commodities, and training for the implementation of the reforms that the government of Guyana have undertaken. An additional point in their procedure that they are changing is to count the ballots at the polling stations to better ensure the integrity of the count. That means new ways of doing things, so people are going to have to learn and new commodities and supplies are needed. We support those changes.

In addition, we are providing a portion of that million dollars for election observers. The principle channel for these United States government funds will be through the Carter Center, the NED, and the International Foundation for Electoral Systems.

We are supporting what the government of Guyana has said it is going to carry out, and that is a reformed election process, which is expected to occur later this year.

#### OAS WILL OBSERVE ELECTIONS IN SURINAME

In the case of Suriname, the OAS will observe the election, financed in part by the Dutch. If there were a policy decision to provide any technical assistance to improve the conduct of those elections, we would be precluded by law from providing that kind of technical assistance.

#### AID LEGALLY TERMINATED IN THE EVENT OF MILITARY COUP

The existing statute cuts off assistance in the event of a military coup, and prevents that assistance from being renewed until after an elected government takes office, so that puts us out of the business of any elections.

Mr. LAGOMARSINO. Do you think we ought to take another look at that law?

Mr. ARONSON. No, I don't, Congressman. I think it's a good and clear message to military forces in the hemisphere that under no circumstances will the United States tolerate military intervention against a democratic elected government, and I think while there

might be a few cases such as this, in which it might crimp us a little bit, I think the message is too important to dilute.

Mr. LAGOMARSINO. Usually, there are other ways to do it anyway.

Mr. ARONSON. Well, that's right. We can support, as Ambassador Michel said, an OAS observer delegation if we provide the resources directly to the OAS.

Mr. LAGOMARSINO. Okay. Thank you.

Mr. TORRICELLI. Thank you, Mr. Lagomarsino. Mr. Fuster?

Mr. FUSTER. I don't have any questions.

Mr. TORRICELLI. Ms. Ros-Lehtinin?

Ms. ROS-LEHTININ. Thank you, Mr. Chairman.

#### THE FUTURE OF CUBA

Of course, foremost on the minds of many of the residents in my congressional district is the subject of Cuba. As you know, this week in Geneva the Human Rights Commission is meeting and we have a new ambassador, Ambassador Valladares has been replaced by Ken Blackwell.

I wanted to have the panelists address the question of Cuba; how optimistic you believe that we should be now that democratic reforms will be forthcoming on the island of Cuba; is the situation better now than it was a year ago? Also, what changes do you think are in store for Cuba in relation to the economic crisis and the ethnic strife which is taking place in the Soviet Union?

If Gorbachev is replaced and another direction seems to be the way for the Soviet Union, will that be a good sign or a worsening sign for Cuba?

Will the Soviet Union, do you believe, cut off economic support for Cuba as they said they have, but we see no indication of that happening?

Thank you, Mr. Aronson.

Mr. ARONSON. Are you addressing that question to me, Congresswoman?

Ms. ROS-LEHTININ. I'd love to hear from you. Thank you.

Mr. ARONSON. Okay. You raised a number of important questions. Let me try to address them.

#### WORLD EVENTS HAVE HAD ECONOMIC IMPACT ON CASTRO'S CUBA

I think there is no question that over the coming years change will come to Cuba, but when and in what form, I think it is very difficult to predict.

Fidel Castro did not have a very good year last year or in 1989. The changes that we have applauded around the world have had a profound impact on the economic viability of the Castro regime.

Eastern European countries which were under communist rule accounted for about 15 percent of Cuba's economic trade. By and large those relationships have ended with the change in governments there to democratic rule.

Although it's not often noted, the Noriega dictatorship was a growing ally of the Castro regime and clearly there is change in this relationship. And, less access to the Cologne free zone and other economic zones that allowed Cuba to by pass the trade em-

bargo has also had an impact. There was also a growing military relationship between the two regimes.

But third, clearly the changes in the Soviet Union, both political and economic, have had a significant impact on Cuba. Indeed, Fidel Castro himself described the results of the changes in the Soviet Union and Eastern Europe at one point about a year ago as catastrophic for Cuba.

#### INCREASINGLY DIFFICULT FOR CUBA TO STAND ALONE IN THE HEMISPHERE AS A DICTATORSHIP

On the political level, it is more and more difficult for Cuba to remain an island of a one party and indeed, one person dictatorship in a hemisphere in a world which is clearly moving toward self-determination and democracy, so the legitimacy of the regime is more and more in question. It is no longer fashionable, even among fashionable elites, to laud Cuba as a model either here or, increasingly, in Latin America.

#### CHANGES IN U.S.S.R.'S TRADE POLICIES AFFECTS CUBA GREATLY

Economically, the Soviet Union's decision to conduct its trading relationships starting with 1991 on the basis of hard currency will have a significant impact on Cuba, because Cuba has very little in the way of hard currency reserves, though I would note that, in fact, the trading relationships still retain a strong barter quality, still there has been an impact.

The Soviet Union has reduced the level of oil deliveries to Cuba from 1989 to 1990 by about 3 million metric tons. That has had a significant impact. The Soviet Union has withdrawn about 1,000 technical advisors, I think, largely because Cuba cannot pay for them, and the Soviet Union cannot afford them.

#### ECONOMICS FORCE RATIONING AMONG THE MILITARY IN CUBA

There has been less of a change in the military relationship, but the cumulative impact of those changes is enormous economic stress on the Cuban regime. They have begun to ration basic food-stuffs and commodities. Electricity is rationed. As you may have noted in the press, the regime has ordered 100,000 bicycles from the People's Republic of China. Indeed, you have some instances in which Cuban farmers are trading tractors for oxen.

I think that the Castro regime has actually been encouraged by some of the recent changes in the Soviet Union particularly the growing ascendancy of some military party and KGB forces. I think they have allies among the hard liners, and to the extent to which the hard liners are stronger, they feel more secure.

#### PREDICTIONS THAT U.S.S.R. WILL SLOWLY REDUCE INVOLVEMENT IN CUBA

I do not think that the current Soviet leadership intends to simply abandon Cuba. I think they would like to slowly devolve away and reduce Cuba's dependency on them and Cuba's economic cost to the Soviet Union, but I do not think they intend to cut the regime loose and allow it simply to experience a profound crisis.

At a minimum, they would like to avert such a crisis. They have a 30-year ideological, economic, and military investment in this government and I don't think they simply want to cut it adrift.

Finally, as far as changes in the direction of Soviet policy and how they would effect Cuba, I think that depends entirely on the changes in directions. I think it is inevitable as the economic crisis in the Soviet Union deepens, which it will absent structural reforms, that the stresses on Cuba economically will grow, but I think it would entirely depend on the direction that a change in leadership would take as to what effect it would have on Cuba.

If it were a direction in support of democratic forces and those who want to fashion a serious free market economy in Cuba, that would be devastating for the Castro regime. If it's a change toward growing centralized repression, a greater role of the military, greater role for more orthodox community party forces, I suspect that will give the Castro regime some temporary comfort.

Mr. TORRICELLI. Mr. Goss.

Mr. Goss. Thank you very much, Mr. Chairman.

#### SOVIET INVOLVEMENT THROUGHOUT THE REGION

I would like to pursue that line of questioning, if I can, Mr. Secretary. In the front page of one of the Washington papers this morning you were quoted, with or without your knowledge, with regard to the Soviet influence in Central America, particularly with regard to de-stabilizing through arms mechanisms.

Recently we've seen a report that some Sandinistas were involved in smuggling some arms from Nicaragua into Honduras to support the Chinchoneros, who have a long and undistinguished history and that was just the most recent example.

I wonder, as we talk about the forces at play in Latin America and more particularly in Central America, if there is some new direction that we need to be alerted to this year that you need to bring to our attention at this time.

Are we going to see an increase in de-stabilizing effects, about the same, or are we going to see some progress? I'm taking this beyond Cuba intentionally.

Mr. ARONSON. Are you primarily interested in Soviet policy in that regard, Congressman?

Mr. Goss. I'm interested in Soviet policy if it is a defined factor. I am more interested in the consequences of what we're likely to see in your estimation, in the Central American area and any other country, perhaps Colombia, or even perhaps Peru, where we might be seeing de-stabilizing efforts going on by people who are a little hard to put into a convenient pigeon hole with a label on them. Maybe Ms. Dorn could answer that too. I don't know.

#### SOVIET INVOLVEMENT CONSTRUCTIVE IN NICARAGUAN ELECTIONS AND EL SALVADOR NEGOTIATIONS

Mr. ARONSON. Okay. Let me try to respond quickly and then Secretary Dorn wants to add to that. With regard to Soviet policy, this Administration has sought from the beginning to cooperate with the Soviet Union where possible in support of the Esquipulas Treaty and the Central American peace process.

I must say in candor that the Soviet Union has responded constructively. I think they played a constructive role and an honorable role in support of the electoral process in Nicaragua. The United States and the Soviet Union as members of the Security Council are supporting the United Nations mediated effort to negotiate a political solution to El Salvador.

#### NICARAGUAN ARMY DEPENDENT UPON SOVIET SUPPLIES

I just came back from some discussions with my Soviet counterpart on that very subject. I would note, however, that the Nicaraguan army is a Soviet equipped and supplied army and heavily dependent on Soviet spare parts for its continued operation. We believe that that confers a responsibility on the Soviet Union to use its influence to ensure that that institution is not acting in ways that violate its stated Soviet policy, the Esquipulas agreement and the laws of Nicaragua.

#### SOVIETS HELPING TO CONTROL ARMS TRAFFICKING OF NICARAGUAN ARMY

As you said, there have been some recent instances where the Nicaraguan army clearly was providing weapons to revolutionary groups in Central America. They provided Soviet manufactured SA 14 missiles in October. They recently were found to have provided Soviet rocket propelled grenade launchers, detonator caps, and explosives to the cinchoneros in Honduras who have regularly targeted and continue to target United States personnel.

We think the Soviet Union has played a restraining role in the past on this arms trafficking. We hope that they will continue to do so.

#### CUBA'S ROLE IN EL SALVADOR: HISTORICALLY SUPPORTED FMLN

With regard to the Cuban role, we think that there's no question that the Cubans have been the principle military and political supporter of the FMLN since 1979. In recent months, there have been some suggestions that the Cubans are reevaluating the role. We hope that that is the case.

Cuba is also a member of the Security Council. The negotiations underway in El Salvador are supported by the Secretary General. Clearly, an end to the war in El Salvador would reduce tensions throughout the region, allow for a progress in regional disarmament, and a general relaxation of tensions that Cuba can only benefit from. So we hope that they will play a constructive role.

#### GOOD NEWS AND BAD NEWS IN COLOMBIA

Finally, in other countries you mentioned, in Colombia we've seen good news and bad news. On the good news front, three of the guerilla groups have agreed to demobilize and join the political process. President Gaviria has offered dialogue without preconditions with the remaining guerilla groups. We hope that they will respond in a constructive way.

### TERRORISM ON THE RISE IN PERU AND BOLIVIA

In Peru, the Sendero Luminoso and the MRTA continue, in fact, intensive incredibly violent and totally irresponsible attacks on civilians, religious organizations, the government, humble peasants and whoever tends to be in their rifle sights when they think that their revolutionary ideals dictate murder.

I think it's a dangerous threat to Peru and it's a threat that has to be addressed. I would note an increase in terrorism in Bolivia as well, particularly aimed at United States targets that we have raised with the Bolivian government and continue to be concerned about.

### HOPES FOR DECREASE IN VIOLENCE IN GUATEMALA AND EL SALVADOR

There are also some hopeful signs. The new president of Guatemala in his previous incarnation was chairman of the National Reconciliation Commission. He's renewed his commitment to ending the war there through dialogue. We strongly support that.

As I mentioned, the FMLN oscillates between political concessions and increased violence. We hope that they will concentrate on political concessions. I remain optimistic that with strong international support we can end that war on honorable political terms. That would greatly decrease the threat of violence in Central America.

### INSURGENT GROUPS FINANCED BY DRUGS

Ms. DORN. If I could add just a couple of points. One is that in South America and increasingly in Central America, we see that some of these insurgent groups are being financed or allied somehow with the narcotics traffickers, which is true particularly in Peru and in Colombia. The various insurgent groups, including the notorious Sendero Luminoso, are allied with the traffickers and there is, we believe, an increase in violence partially due to the increased resources that they are receiving.

As we see patterns of narcotrafficking start to spread and take root in Central America as well, primarily Guatemala and Mexico, that brings about not only the de-stabilization of these governments, but also increased resources for their indigenous insurgencies.

### CONCERNS ABOUT WEAPONS TRAFFICKING THROUGH CUBA

The only other point that I would raise about Cuba, from our point of view, is that about 50 percent of the equipment that is returning from Angola is new to Cuba, and while we have not started to see any of that show up in any of the suspect places in Central America, that is something that we are very concerned about and which we will continue to watch.

As you know, the surface to air missiles have changed the balance of power in El Salvador, leading to a number of casualties, losses of aircraft and losses of life.

Mr. Goss. Mr. Chairman, thank you.

Mr. TORRICELLI. Mr. Studds.

Mr. STUDDS. Thank you, Mr. Chairman.

Mr. Secretary, I apologize for missing your testimony. Like Mr. Goss, I've mastered being in two places at one time, but three eludes me.

#### LACK OF COOPERATION IN JESUIT INVESTIGATION

I gather that you were talking in response to the Chairman when I came in about some of the statutory conditions of the resumption of aid to Salvador and I want to address a couple of specifics, if I may, with respect to the Jesuit case in particular.

You say in your testimony that the armed forces have not fully cooperated in the investigation and the Salvadoran courts have not energetically prosecuted the case. I agree. That's close to the statutory wording, but not close enough, obviously, to pass muster in the Administration.

As you know, the law required the termination of that aid if the government is failing to conduct a serious and professional investigation and prosecution in the case.

Mr. ARONSON. Actually, Congressman, the law says "has failed."

Mr. STUDDS. Okay. "Has failed."

Mr. ARONSON. Yes.

Mr. STUDDS. So you could wait indefinitely with that interpretation, I suppose, but let me just go over a few things with you.

#### MISHANDLING OF THE JESUIT INVESTIGATION

I think we don't disagree very much on this. Given what I know of the case, I think it's fair to say that the investigators may have mishandled certain important pieces of evidence. I doubt that you're going to disagree. Tell me if you do:

That certain officers who should have been detailed and questioned early in the investigation were not truthful; that the exact means by which those now charged with the crimes were identified and selected for trial remains somewhat shrouded in mystery; that the role of the Salvadoran military intelligence in events immediately before and after the murders has not been investigated seriously as far as we know; that some senior officers, including the Minister of Defense, have refused to testify in person; that the chief investigator may have received a confession early in the case and then been less than truthful about it, to put it politely; that members of the armed forces have lied under oath, destroyed evidence and failed to come forward with evidence; and, that the two principle prosecutors have resigned alleging that they were prevented from doing their jobs by their boss who happens to be the attorney general of El Salvador.

I have two questions. First of all, if I'm right about the specifics and I'm assuming that perhaps with some minor variations, you don't have major disagreements with those specific observations, why would I then not also be right in concluding more generally that the government has failed to conduct a serious or professional investigation in that case?

Mr. ARONSON. Congressman, I think the question is what are we trying to achieve in the Jesuit case.

**SENATE VERSION REQUIRES BY LAW TERMINATION OF AID TO EL  
SAVADOR**

As I said to the Chairman earlier—I'm not sure if you were here at the time—the way in which the legislation is written, and this was the Senate version which prevailed over the version that you, Congressman Solarz and Congressman Murtha wrote, the judgment on the Jesuit case is a final and definitive judgment. Once the President determines that the government has definitively failed to prosecute and investigate, he is required under the law to end all military assistance to El Salvador. Even if the next day the government produced every single possible suspect, they were all tried and sentenced for life, he could not, in any way, respond.

Moreover, I think it's clear that when and if we make that determination, you can kiss away any chance of negotiating an end to this war, and we will have enormous new bloodshed and violence.

That does not mean, and I am not trying to imply, that we may not come to that point. But I am trying to say that that is a very final judgment, after which there is not any likelihood that the Jesuit case will be investigated or human rights will be advanced. That's essentially pulling the plug on El Salvador at the moment of maximum opportunity to negotiate an end to this war. So that's a very, very serious judgment.

**RECOMMENDATIONS FOR CONTINUED PRESSURE FOR HUMAN RIGHTS**

As to the case itself, there is no disagreement between this committee and this Administration that this crime was an abomination and that it should be a turning point in the conduct of human rights in El Salvador.

I read the report that your staffer and Congressman Moakley's staffer wrote on January 7, 1991. I think it's a good report, and I think as they have throughout this process, they've tried to be both tough and fair.

What they recommend to Chairman Moakley on the Jesuit case—and I will quote—is “continued external pressure in the Jesuits case; pressure to guarantee the integrity of the trial and pressure to develop more information about who ordered the murders, who planned them, and who sought to limit the investigation concerning them.”

That pressure continues. Let me briefly respond to your summary of where we stand on the case. There was a time when it was said in El Salvador that a senior officer is never accused of human rights abuse. It needs to be noted that in this instance, a colonel, who until recently was the highest ranking officer, because there were no ranking generals at the time this crime was committed, is accused along with three lieutenants and five enlisted men.

It is also the case that five other officers, including a lieutenant colonel, are charged under this case with some of the very obstructions of justice that you noted have occurred. The two areas that you talked about, which is the role of the intelligence unit, the DNI, and the chain of command within the military academy, have not been addressed successfully or seriously.

That's where your report recommends maximum pressure. That's where we're trying to place maximum pressure. I have

talked to President Cristiani about that subject over the last four weeks, and he told me that, in fact, that he has personally directed or renewed efforts at pressure on those two areas, and will report to the Administration shortly on where it has led.

#### SIGNS OF PROGRESS AS A RESULT OF PRESSURE

He did tell me on this issue of the personal testimony of the Minister of Defense, that in fact, Ponce is now prepared to testify before the judge along with any other member of the high command who the judge summons. That is a modest step forward. It's precious late, but it's a little bit of progress.

So we are going to do what your staff report recommends. We're going to keep up the pressure and chip away. Judge Zamora has done a good job and I don't want my opening statement to imply that he has not.

I think this thing has to be chipped away, every piece, until we break loose the remaining pieces. These individuals who are facing trial according to the judge face serious evidence and they have even bent over backwards to ensure that the rule regarding co-conspirator testimony will not stand in the way since Benevides is charged both with planning the murder and with terrorism.

I think the trial has to go forward and in the meantime we have to keep up relentless pressure to try to get at the rest of the story.

#### INTERPRETATION OF RECOMMENDATION NOT TO CUT OFF AID

Mr. STUDDS. I think I understand what you're saying and how to interpret it. Let me just note that you did not take issue with any of my specific characterizations of the situation. You added some observations of your own. I think the bottom line is that in your judgment it would be a mistake to cut off aid to El Salvador at this point, regardless—at least if you can get away with it—regardless of what the law may say.

Mr. ARONSON. No, that's not a fair characterization.

Mr. STUDDS. Wait a minute. Let me rephrase that.

I'm not attempting to be confrontational here.

That you don't think it's wise to cut off military aid to El Salvador and you are grateful that the law is written in such a way as to not compel you to do that, in your reading of it, at least, in this point.

I hope you are as hopeful as you sound. I doubt it. This may be—if this case runs its normal course—one of the cases in which people in El Salvador actually die of old age before anything happens.

I understand what you're saying and you understand what we're trying to say and somewhere in between we'll end up.

#### U.S. INVOLVEMENT IN DELAYING JESUIT INVESTIGATION

Quickly, fourteen months ago, as you very well know, an American military officer assigned to our embassy in San Salvador made a very detailed statement to the FBI during which he admitted having prior knowledge of plans to kill the Jesuits. Although he subsequently retracted that statement, the fact that he made it was not communicated to the Salvadoran authorities investigating

the case until last October, when it became public knowledge here in the United States

At that time, the government of El Salvador made an official request for the American officer's statement, including the video tape that was made of his interrogation. I was told two weeks ago that the United States has still not turned this material over to the Salvadoran government.

Is this true, and if so, how come?

Mr. ARONSON. Congressman Studds, let me just clarify the point on the Administration's position with regard to a cut off and then I'll answer your question.

#### CONSIDERATION OF HUMAN RIGHTS VIOLATIONS NOT MAKING HEADLINES

Our view is not that the law should not be complied with. I tried to explain that the way the law is written, that that is a judgment you reach when you abandon all hope and any hope, and that the consequences of that judgment are not going to advance human rights or the rule of law.

Mr. STUDDS. I understand your position.

Mr. ARONSON. Therefore, it's a serious judgment. On February 19th, Edgar Garcia, whom nobody has ever heard of, was killed when the FMLN once again rocketed a military headquarters and missed. He was eight years old. And I would like to have justice in the Jesuit case, but also make sure that the rest of the eight-year olds in Salvador don't have to live under that kind of terror.

Mr. STUDDS. That's about as moving as it is irrelevant, but I understand.

Mr. ARONSON. Well, it's only irrelevant if you live up here in Washington, D.C. and don't have to worry about that.

Mr. STUDDS. Oh, no, no, no. Let's not get into that argument. We're not focused on that, just on this.

Mr. ARONSON. I'm trying to explain the complexities of the human rights dilemma in El Salvador.

Mr. STUDDS. I'm aware it's complex.

#### CLARIFICATION OF CIRCUMSTANCES OF U.S. MAJOR'S TESTIMONY

Mr. ARONSON. As regards to your description of the circumstances regarding the testimony of the major that you made reference to, your description of the facts is not correct.

This individual made three statements at the time, all of which contradicted one other. Salvadoran authorities were made aware of the facts at the time in January and in fact, your own staff report notes that.

The additional statement that was made and was thought to have been written by him in his own hand, was not written by him. It was written by a polygrapher and he initialed it. It came to light, not because it was reported in the United States, but because, as your staff report notes, an official of the United States embassy found it when he was looking through all this material in preparation for the major's testimony before the judge.

We are the ones that brought it to light. That and every other statement written and every other summary of his testimony was

handed over to Judge Zamora several months ago. However, under Salvadoran legal processes, in order for the judge to officially receive a document as opposed to be apprised of the information, one has to first give it to the Foreign Ministry. The Foreign Minister has to give it to the Supreme Court Chief Justice, and he has to turn it over to the judge.

We have done our part. It is in the Foreign Ministry, and I personally asked President Cristiani to try to expedite their part of the process. However, I would note that the Judge has seen every bit of this material and acknowledge that to me when I saw him.

I think that answers all your questions.

Mr. STUDDS. Mr. Chairman, I won't take more time. This is a little complicated and a little sensitive to pursue in this setting, but if they have as much trouble getting a hold of that material as we had of getting a hold of that officer originally, it's going to be another long time around here.

Mr. ARONSON. Well, I would note that the officer testified for nine hours, sir, recently, and we told Congressman Moakley and others that they could have access to him if they so wished.

Mr. STUDDS. We appreciate that. Congressman Moakley is still recovering from the sore back from the hoops he had to jump through to see him in the first place, as you know. But that's another set of stuff.

Thank you, Mr. Chairman.

Mr. TORRICELLI. Mr. Goss, would you like to begin?

Mr. Goss. Mr. Chairman, thank you very much.

I wanted to finish up since everybody in their testimony spoke very much about the negative impact of the narcotics situation, and that being one of the pillars of discussion.

#### THE ANDEAN INITIATIVE

I'm not sure that I am as optimistic, although I certainly want to be, and I'm certainly supportive of the Andean Initiative. Just because the going is difficult doesn't mean we should be depressed, but I think we've got to have a realistic understanding. I don't. My feeling in Peru at the moment is that while the Fujimori government wants very much to cooperate and so forth, the military assistance question is far from resolved.

The question, therefore, of any type of security in the Upper Huallaga Valley becomes very difficult to discuss. I read recently that a gentleman by the name of Fastino Rico-Torro has been apparently appointed to head the drug unit in Bolivia, which I think has been regarded with some disfavor, as it should be by the Department.

I think the news in Colombia is good, as the Secretary said. We see some people doing things that are aiming towards, or at least moving toward democracy, some of the revolutionaries who may or may not have been involved to a greater degree in the narcotics situation.

#### EXTRADITION AMNESTY FOR DRUG TRAFFICKERS

What I am concerned about is whether or not we will be taken advantage of in the amnesty and that is certainly a great concern

to law enforcement personnel in the Florida area and other coastal areas. In fact, I've had many questions on that already. Do we know what we're doing?

Mr. ARONSON. What amnesty are you referring to?

Mr. GOSS. The amnesty in Colombia that says for all of those who are in the drug business, we won't worry about extradition and those type of things.

Mr. ARONSON. Okay. Yes, I understand.

#### QUESTIONS OF PROGRESS IN THE DRUG WAR

Mr. GOSS. All this has consequences to our policy, of course, the things we're trying to do, and—oh, I see. I've just been handed a note that we've got a development in Bolivia but I'll let you explain it.

My concern is are we really making progress here? This is going to be an important debate area for us. All of the questions I've raised to you are the type of questions that we are getting, and we're getting it from a constituency that we need very much behind us in order to have the determination and sustenance to accomplish our goal in the drug war.

Mr. ARONSON. Congressman, you raised a number of questions. I'd like to respond and with the indulgence of the Chairman, I can't give you a glib answer to the question and I know there's some concern we move along, but I'd like to just take a minute and try to respond.

I think we have to be very sober and clear about the nature of this drug threat, and the dimensions of the challenge and the time it will take to address. We Americans have many virtues, but sometimes patience is not one of them.

#### STRUGGLE AGAINST DRUGS WILL TAKE MANY YEARS

Frankly, we and some of these drug producing countries waited too long to address this threat. We waited until it assumed the dimensions of a fundamental assault on our societies and our rule of law and our values to summon and begin to mobilize the will to address it. Because of that, it is going to take some time to achieve a victory.

I think we need to understand that, because if we think that this thing is going to be over with in a year or two, we're going to demoralize ourselves and fail to summon the will and patience to wage a long, unending but hopefully successful struggle.

#### WAR ON DRUGS MUST BE FOUGHT IN UNITED STATES AS WELL AS LATIN AMERICA

Secondly, there is no way that the drug problem will be addressed successfully in Latin America unless we simultaneously address the problem of demand in the United States. Free markets work in illicit as well as licit substances and even if every coca plant in the Upper Huallaga Valley was eradicated, if Americans are willing to spend \$100 billion a year on narcotic substances, somebody in the temperate climates somewhere in the world will want to make several billion dollars a year selling it to us.

### DRUG USE DECLINING IN UNITED STATES

However, there is good news on that front as you know. A recent study showed drug use from 1980 to 1990 declining 11 percent in our country. That's 1.6 million fewer users. More impressive among adolescents, teenagers, use of cocaine and tolerance of cocaine is down 50 percent.

We need to continue to make steady progress on that. We need to make steady progress and hopefully changing the addictive patterns of drug addicts in our own country.

### PROGRESS IN DRUG WAR IN COLOMBIA AND BOLIVIA

On the drug front in Latin America, I think we have made very serious progress, particularly in Colombia, but also in Bolivia. You have to measure the standard from where we started. A year-and-a-half ago in Colombia, the traffickers had murdered the leading presidential candidate, Senator Galan and two other candidates, and essentially threatened the survival and viability of the state.

We responded under Section 506 A with immediate emergency military aid. The Congress also responded with serious security assistance and economic assistance. Now there's no question about the states surrendering. It's traffickers surrendering and in large numbers.

### JUDICIAL REFORMS IN COLOMBIA WITH RESPECT TO NARCOTICS

The reforms that President Gaviria has put into place are not an amnesty. They're designed to accomplish two goals. One is to make fundamental structural changes in the judicial system in Colombia so that they can try traffickers safely and effectively in Colombia. They've set up special courts and they've provided special security for judges. We, in fact, are providing much of the technical assistance equipment that support this progress.

They provide anonymity for the judges and what he has offered is that if any major narcotraffickers surrenders and confesses to either a major narcotics crime or a major terrorist crime, they will not be extradited. The reason they are surrendering is because the Colombian police and military are on their trail and running them ragged and oftentimes they do not survive the process, and so they have an incentive to surrender.

We want to make sure, and President Gaviria has affirmed, that he wants these people sentenced seriously. We've just completed a judicial evidence sharing agreement to try to expedite that.

### RICO-TORO RESIGNS IN BOLIVIA

In Bolivia, Rico-Toro resigned yesterday and that was a very positive step, which we applaud. I would note that the leadership in criticizing that appointment came from Bolivians primarily, not from the United States, but we agreed with Bolivians. But even there, in terms of eradication of coca plants, they had record numbers last year. In fact, throughout the Andean region for the first time in 1990 is a net reduction in cultivation of coca leaf. The Bolivians have significantly increased their capacity to break narco-trafficking organization.

### PROGRESS IN PERU

Peru's President Fujimori inherited a very, very difficult set of crises: economic, political, with the guerilla insurgency and widespread drug trafficking. We have been working closely with his government to try to reach a cooperative agreement. I think we're very close to doing so. In recent weeks and months, the Peruvian Air Force has taken down several planes loaded with cocaine. We applaud those efforts. There is some evidence of greater police, military cooperation and I think we will reach an agreement.

### FIGHTING DRUGS TAKES HEAVY TOLL IN LATIN AMERICA

Finally, I would just reiterate the point I made in my opening testimony. These governments, particularly Colombia, see hundreds of their officials, police, judges, military officers murdered every year in this war. They are willing to sustain those sacrifices, but they want to know that the United States is serious in responding to their economic needs. I hope that we can move this Andean trade preference initiative quickly to convince them that we are serious.

### ENCOURAGING NEWS FOR THE FUTURE OF THE HEMISPHERE

Mr. Goss. Thank you, Mr. Chairman. I agree. That's a very encouraging answer and I think that's the type of information we have to do a little better in getting around, because I think that that would have calming effect on some of the naysayers that are saying that we just don't seem to be doing any better.

Mr. ARONSON. But I don't want to sound Pollyannish.

Mr. Goss. You didn't.

Mr. ARONSON. You know, I remember Winston Churchill was asked in World War II where they stood in defeating Hitler. He said, "This is not the end. This is not even the beginning of the end. This is the end of the beginning." I think that's where we are in the war on drugs, and we'd better take a long view of this effort, because we're not going to have a Kuwait-style General Schwartzkopf victory, much as we would welcome it.

Mr. Goss. The reason I think this is so important before this committee, Mr. Chairman, if you'll indulge me just for one second more, is that we've had great debate on this matter in this committee and on a related task force. This is an issue that I think we have to be prepared to go for the long haul.

### CONSIDERING THE DIFFERENCE BETWEEN COUNTER-NARCOTICS AND COUNTER-INSURGENCY

Ms. Dorn, we haven't talked about it and I don't want to get into the question this morning, but we've had some debate about whether you should or shouldn't make the distinction between counter-narcotics and counter-insurgency and what does that mean to our role and our mission? I don't know that because somebody's wearing one uniform one day and one uniform the next day, but trying to accomplish the same purpose, you can make that distinction. But those debates have gone on and I'm sure will continue to go on.

Mr. TORRICELLI. Thank you, Mr. Goss. As an admirer of Winston Churchill's ability to use the language, let the record reflect that Mr. Aronson has admirably paraphrased Winston Churchill.

It is late, but if we could, just in a moment, and move quickly, I'd like to ask several other things. Would you like to proceed now, or would you like to wait? Could I first join my colleagues in welcoming you back to the committee?

Mr. WEISS. Thank you. I'm glad to be back.

Mr. TORRICELLI. It's good to know that you're looking well and we're very glad to have you.

Mr. WEISS. In fact, I'm happier than you are. Thank you very much.

Mr. Ambassador, Mr. Secretary, I have a couple questions, one involves the Andes situation, so let me start with that.

#### CONCERN NOT TO FORGET HUMAN RIGHTS FOR THE DRUG WAR

The biggest concern I have is in regard to Peru. Apparently we're allowing the desire to stop the flow of drugs, as important though that is and as brutal as the Shining Path of insurgency is—and I hold no brief for it and I don't want any concern about our policy to indicate any sympathy with or any kind of support whatsoever for their brutality—it seems to me that we've forgotten that we're required, by law, to have a concern with human rights, strong civilian government, economic development, and so on.

The Administration, indeed, is required to certify that every country which receives United States aid is cooperating with the United States anti-narcotics effort.

The Administration's report released last Friday had Peru among those countries which was deemed to be fully cooperating at the same time that the Administration was still withholding United States aid because of the failure to reach an agreement with Peru on an anti-narcotics agreement.

#### PROGRESS MUST BE DETERMINED FOR AID TO PERU

But in addition to the certification on drug cooperation, the Administration must also "determine" that each Andean country has met certain human rights conditions before aid may flow. The Administration has already determined that Colombia and Bolivia have met those standards. We're going to have hearings on that, I guess, on Thursday.

But my concern is about human rights requirements in Peru that must be met before aid may be provided. So first, do you agree or are you aware that the Administration must make a determination regarding human rights in Peru before United States aid may be provided?

The specifics, I guess, are that the government must make significant progress in permitting an unimpeded investigation of alleged violations of internationally recognized human rights, including providing access to places of detention by the appropriate international organizations.

Has the government of Peru made progress in granting access to places of detention by the Red Cross, as one of the organizations mentioned?

**STATE DEPARTMENT REPORT STATES HISTORIC HUMAN RIGHTS  
PROBLEMS IN PERU**

**Mr. ARONSON.** Congressman, I think if you read the State Department's annual human rights report on Peru, you will see that it is a very candid and tough and explicit report that makes it clear that there are historic human rights problems in that country. And I can assure you that we take them seriously.

I think the report's detail and strength is one sign of that.

**SPECIFIC ISSUES RAISED WITH PERUVIAN GOVERNMENT**

Secondly, in all of our discussions with the Peruvian government on signing of a military cooperation agreement, we have made it clear, Secretary Dorn has, and the commander of Southcom has, that human rights must be a fundamental component of that agreement.

On the specific issue of access to both detention areas and emergency zones by the ICRC, that is a specific issue that we have raised with the Fujimori government and will continue to do so.

It's my understanding that access in the non-emergency zones has improved a little bit. It is still not permitted in the emergency zones, which are a significant part of the territory, and we will continue to press that issue.

**CLARIFYING THE CONDITIONS OF THE ADMINISTRATION'S  
DETERMINATION**

**Mr. WEISS.** Secondly, the Administration is supposed to determine "that the armed forces and law enforcement agencies are not engaged in a consistent pattern of gross violations of internationally recognized human rights."

Note that this is the "armed forces and law enforcement agencies," not just the "government" of Peru. The question is whether, in fact, that currently applies to Peru, when the State Department's Country Report on Peru says "security forces personnel were responsible for widespread and egregious human rights violations."

Continuing on, "There were widespread credible reports of summary executions, arbitrary detentions, and torture and rape by the military as well as less frequent reports of such abuses by the police."

So the question is, has the Administration determined that the armed forces and law enforcement agencies are not engaged in a consistent pattern, when in fact, the Country Report indicates that they are?

**SECRETARY OF STATE AUTHORIZED TO MAKE DETERMINATION**

**Mr. ARONSON.** Congressman, as you probably know, I think on Thursday, Assistant Secretary for International Narcotics Management Levitsky will appear before this committee and I think he can address that issue in some more detail. It's my understanding that the President delegated the authority to make this determination to the Secretary of State.

He has so determined for Bolivia, the Caribbean and Ecuador, and has not yet so determined for Peru, and clearly, we would want to have an umbrella agreement on cooperation and some clear understandings on human rights built into a military cooperation agreement as part of any decision to determine.

But I would note what I said before. You were reading from a State Department report which details long-standing and systemic human rights abuses. They have gone on. Nobody's going to pretend that they haven't. And they have to be addressed, and I think we will make every effort to do so.

#### HOW TO IMPROVE A HUMAN RIGHTS SITUATION IN ANOTHER COUNTRY

There is a foreign policy question that I confront often and that this Government confronts often, which is a real one, and that is whether you can improve a human rights situation in a given country better by engaging with the country or simply disengaging.

It is easier to believe that simply disengaging and having no relationship somehow keeps you pure on human rights, but there is plenty of evidence that that is not the case. In the case of Peru, you have a new president who, I believe strongly, based on his public statements and private actions including his changes within the military command when he took office, who cares deeply about human rights, and has a strong sense of personal integrity.

I believe that if conditions permit, engaging with the government to try to address the problems you mentioned is the best way to begin to make progress on human rights, but that doesn't change the nature of the problem that you described.

#### MAKING THE DETERMINATION TO INCLUDE PERU FOR AN UMBRELLA AGREEMENT

Mr. WEISS. Well, the final question ties in with what your expectations are for an umbrella agreement. The Administration has also been required to determine that "the government of Peru has effective control over the police and military operations related to counter-narcotics and counter-insurgency activities."

Is it your understanding that the government of Peru has that kind of control?

#### FUJIMORI MAKES CHANGES TO GAIN CONTROL OVER POLICE AND MILITARY

Mr. ARONSON. I think that's one of the issues that President Fujimori is confronting. As you know he has made wholesale changes in the upper echelons of both the police and the military. I think that is one evidence of a serious effort to gain control.

He has also proposed a new institution that would be created to oversee the counter-narcotics activities of the police and military. But I think this is an issue that you can only look at over time.

If you take half the governments in this hemisphere and say do they absolutely have the same control over the military that President Bush has as Commander in Chief in a 200-year-old democracy, the answer would be no. That's true with many governments whose human rights record are exemplary.

So the question, again, is what I said, is do you engage in a serious way to try to move in that direction, or do you simply make an absolute judgment regardless of history and disengage? If you make that decision, you should at least do so recognizing that it isn't likely to lead to greater effective control or greater human rights performance.

#### OPERATING WITHIN BOUNDARIES OF LAW IN DEALING WITH PERU

Mr. WEISS. Well, the problem I have, especially in light of your responses, which are very positive and sympathetic and concerned, is that this was not left as a matter of philosophical disagreement or disputation between the Congress and the Executive Branch. When Congress approved these conditions on aid to Peru from the United States, it did so fully aware of the difficulties being faced by the government of Peru.

We knew what kind of organization the Shining Path was. They are vicious and cruel violators of human rights themselves.

But there are internationally recognized standards for dealing with this kind of insurgency, and problems related to it, and it's not a matter of choice it seems to me. It's a matter of law.

I don't understand why you think that simply because it is your conclusion that you don't want to disengage, that you are, therefore, free to ignore parts of the law which were adopted because you think that your conclusions are better than what Congress did.

How do you justify that?

Mr. ARONSON. Well, that isn't what I was saying, Congressman.

Mr. WEISS. Well, I assume you're certified on the basis of the conclusions that you gave us. Well, the Secretary certified on that conclusion in spite of the fact that, indeed, you recognized that you haven't met the conditions that Congress laid down.

#### ADMINISTRATION WILL MAKE DETERMINATION ON PERU WITHIN LEGAL BOUNDARIES

Mr. ARONSON. Congressman, maybe you didn't hear me say that with regard to Peru the Administration has not yet made that determination, so I think it's premature to criticize us for having done so. We will respect the law and we've tried to take these standards into account in negotiating these agreements with the Peruvian government, and specifically the area that you cited in terms of ICRC access, as an area that we have raised quite vigorously.

Obviously, once the Secretary of State makes his determination, Congress in its oversight capacity can make a judgment on whether or not you think he carried out the intent of the law. We respect the Congress' will and we respect the law and we will carry it out to the best of our ability with the best judgment we can make. Maybe our judgment will differ. That doesn't mean either branch respects the law any differently.

#### CASE OF GUATEMALA WHEN CONSIDERING CUTTING AID

I was simply trying to make a point which I would hope the Congress would take into account when it enacts these statutes, because it's a serious point. It's easy to sit and enact absolutist stand-

ards in the name of human rights, but if you're serious about human rights, you should also weigh the consequences. This government cut off military aid to Guatemala in 1980, based on responsible human rights concerns.

I probably would have made the same judgment. But for the next ten years, the people of Guatemala suffered the worst abuses of human rights in their history. So if we're serious about trying to achieve results, then we have to look at these issues when we enact the law in their full complexity, but we respect the Congress' intent and we will certainly try to meet it as best we can.

Mr. WEISS. Well, that "as best we can" is what bothers me, but I think we've made our point. I would hope that, as in other matters recently disposed of, the Executive Branch would recognize the prerogatives and rights of Congress and the prerogatives and rights of the Executive Branch.

#### HUMAN RIGHTS ABUSES CONTINUE IN GUATEMALA

I have one question with regard to Guatemala. You raised it, and so I think it's appropriate.

First, let me commend the Administration and you in respect to the position that you and your Department and your Bureau have taken with respect to the worsening human rights situation in Guatemala. The Country Report, the statements of Ambassador Stroock, and the decision to suspend military aid are all extremely important steps.

Apparently you agree that military aid to Guatemala simply cannot be justified in light of the events of the last two years. Since 1988, I gather that there have been some 24 deaths of human rights monitors in Guatemala.

#### SPECULATION ON RESUMPTION OF MILITARY AID TO GUATEMALA

Do you envision a resumption of military aid to Guatemala and under what conditions?

Mr. ARONSON. As you noted, Congressman, we have tried to be strongly supportive of improved human rights in Guatemala and to make our views known when we thought that the previous government was failing to show the will to address these serious problems.

The abuses that you described took place under the previous government and the precipitating event that led the Administration to suspend the modest non-lethal assistance that we provide Guatemala was the murder of an American citizen, Michael Divine, and the failure of the authorities to seriously investigate that crime, though the context of the decision very much took into account that deplorable record of 1990 that you cited.

#### NEWLY ELECTED PRESIDENT OF GUATEMALA MAKING SIGNIFICANT CHANGES

There's a new president in Guatemala as you know, who was elected in a free and fair election observed by international observers. I attended his inauguration. He stood in front of the army and security forces of his country and said to them to their face that, "You have committed human rights abuses in the past. You've

never been held responsible and that is going to end under my presidency."

He then sacked the Minister of Defense and the Chief of Staff of the Armed Forces. He also brought the new Minister of Defense and other government officials to make a highly publicized visit to the human rights Ombudsman, who I think is generally respected in Guatemala and the human rights community as having done a very courageous effort in trying to bring abuses to light, and pledge his full cooperation.

He also made serious changes in the way in which the Devine case was being investigated and pledged that there would be a full and fair investigation and that the results would be known soon.

He also created a special commission to relocate displaced refugees. He committed himself to major penal code changes that will improve the administration of justice in the country.

#### CURRENT AID TO GUATEMALA MODEST AND NON-LETHAL

The reason I note that is that I think it's important that we give him credit for the courageous steps he's taken and encourage him to continue to do so. We provide extremely modest assistance to Guatemala, all of it non-lethal, and most of it, in fact, is in the area of civil actions. Some of it is building, some of it is road building material, some of it is emergency medical relief. So it's an illusion to think our aid is any way lethal.

I think the question we face and that we are discussing with the Serrano government is when it would be appropriate and in what form to resume that assistance. We want to do so if and when we do so in a way that will send a clear signal to the armed forces there that this resumption has taken place precisely because we've seen important changes and we expect those changes to continue, and that's a matter we're discussing with the Serrano administration.

#### QUESTIONING GUATEMALA'S COMMITMENT TO HUMAN RIGHTS

Mr. WEISS. But you're aware—and let me correct my numbers, because I just checked my notes. Twenty-four human rights monitors have been killed since 1974; twenty since 1988. But two of the monitors have been killed since President Serrano was inaugurated.

So I'm not sure how effective his lecture has been. I agree with you that that the kind of aid that's being provided, direct military aid, non-lethal aid, is meaningless from the military's point of view, and they probably don't really care very much.

#### NON-HUMANITARIAN AID TO GUATEMALA

The more important question is how much money is being given in economic support funds which are not for humanitarian needs. There are balance-of-payment support that come out economic support funds which I think would have to be considered security assistance.

I should address this to Ms. Dorn. My office has made several requests over the last two months to find out exactly how much mili-

tary aid to Guatemala is still in the pipeline, and since that time, received conflicting reports from the Defense Department.

The first report was that about \$15 million was still in the pipeline. And that certainly raised eyebrows here on the Hill, since that's about five times larger than the amount allocated to Guatemala last year. These figures, however, were recalculated by the Defense Department last week, and the new figure is about \$6 million. I hope you can clear that up for us.

The second question, I guess, is what about cutting back on economic support for balance-of-payments, or considering cutting it back if there is not an improvement in human rights violations?

#### COMPUTER ERROR RESPONSIBLE FOR GUATEMALAN AND FIGURE

Ms. DORN. Let me just say that on your first question, the difference in the calculation of what was in the pipeline—our eyebrows were raised as well by the \$15 million figure, since Guatemala had not really been a major recipient of military assistance for a number of years.

Basically what had occurred is that there was a comptroller error and that was not right. I can provide you with a list, a detailed list of everything that is in the pipeline, which you're free to peruse at will.

Mr. WEISS. We would very much appreciate it.

[The material follows:]

The Guatemala pipeline information follows:

The total value of remaining Foreign Military Sales (FMS) pipeline funds and equipment for Guatemala is approximately 12 million dollars which includes equipment that has not been delivered and FMS case funds that are available. The administration has placed a hold on the FMS program with the exception of safety-of-flight items that have an approximate dollar value of 1.2 million dollars. The 12 million dollar pipeline for Guatemala consists of approximately 6.8 million dollars, including the safety-of-flight items, that have been obligated and expended and approximately 5.2 million dollars that have been obligated but not expended. In general terms, the 6.8 million dollars would include equipment that has been ordered but not delivered and the 5.2 million dollars would be FMS case funds for items not yet on contract.

Not included in this pipeline is approximately one million dollars currently on deposit in Guatemala's trust fund account that is not applied against any FMS cases.

Ms. DORN. It is our calculation as of today that there is \$5.3 million worth of equipment in the pipeline after certain items or safety of flight that were purchased by Guatemalan national funds were taken out of that.

Mr. WEISS. Thank you. We would appreciate the specific breakdown.

Mr. Aronson and Ambassador Michel, if you could respond to the economic support funds question?

#### RISK OF FORSAKING HUMANITARIAN ISSUES BECAUSE OF HUMAN RIGHTS ABUSES

Mr. ARONSON. Congressman, I think whatever our differences in approach, I believe your concerns for Central America and Latin America are humanitarian, and I think if we are going to do justice to our humanitarian concerns to deprive Guatemala of economic support funds would be contrary to our views.

This is a country in which 60 percent of the children under three are malnourished. Half of the population over the age of 15 is illiterate and 75 percent of the population in the rural areas, poor campesinos, many of them Indians, have no access to clean drinking water. Cutting economic aid is simply going to mean that these malnourished children are going to remain malnourished and the economy is not going to improve in ways that will allow the government to devote resources to health and education and human needs.

#### ESF GOES TO HUMAN RIGHTS OMBUDSMAN AND ELECTORAL PROCESS

I would note that with particular reference to Guatemala, one of the uses of ESF is to support the office of the Human Rights Ombudsman that I mentioned and that I think everybody acknowledges as one of the forces for human rights and change in that country.

Another use of ESF was to support the electoral process which was universally judged to be free and fair. So I don't expect that that would in any way advance the cause of human rights, and I also think that it would be a very negative signal for the Congress to take this step when you have a new president who has been tougher on human rights in his first two months than the previous president was in four years, to take a more punitive step toward him. That signal is no matter what you do, no matter how much you try to solve the problem, you're going to have more punitive sanctions.

The Congress, I do not think, would consider enacting more egregious economic sanctions on South Africa under F. W. De Klerk, given the reforms he's made in dismantling apartheid then it did on P. W. Botha, given his intransigence. I don't think we should make the same error with regard to Guatemala.

Mr. WEISS. Well, I'm just about to conclude, Mr. Chairman. I just, in closing, say in the first place, there are no ESF funds that go to development projects at all, so I don't see that. What we're talking about are not development funds, but balance-of-payment funds. Conditioning ESF might really focus the attention of the entire government on continued human rights violations rather than just having the military ignore \$3 million in non-lethal aid which they couldn't care less about.

Thank you very much for your indulgence, Mr. Chairman.

Mr. TORRICELLI. It's good to see you back in fighting form, Mr. Weiss.

Mr. WEISS. Thank you.

Mr. TORRICELLI. I have no further concerns about your health.

#### CONSIDERING NATIONAL DIFFERENCES WHEN PROCEEDING WITH TRADE AGREEMENTS

Secretary Aronson, just to conclude briefly with a couple of points. There is an unwritten rule in the European economic community that is a club for democracies only.

Is it not similarly legitimate as the United States proceeds with a North American Free Trade Agreement and potentially then with a hemisphere-wide trade agreement, that we implicitly, if not

explicitly, set the same condition? Indeed, is it not also legitimate, given the enormous economic, cultural and political differences between the United States and Mexico, that a host of environmental, human rights, labor law, and political considerations enter into these discussions?

Mr. ARONSON. Mr. Chairman, there's no question that we hope to see and continue to cooperate with the Mexican government on making progress in all of those areas: environment, health, human rights, labor. I'll address that in a minute.

#### INVOLVEMENT IN GATT IS FOR ECONOMIC INTERESTS

The question is how and in what vehicle. I would note that we have been engaged under the GATT since the post-war era in multi-lateral trade liberalization with many countries around the world who are members of the GATT. We have done so because it is in our economic interests. In none of those talks, whether the Kennedy Round or the Uruguay Round, have those criteria been formally introduced. So this is not a new idea that we negotiate a free trade regime with a set of countries that focuses on economic and trade issues.

That's the practice that we've conducted with countries around the world, and there are certainly members of the GATT as you would recognize that meet the standards of democracy that the EC currently embodies, and that's never kept us from pursuing our economic interest.

#### U.S. AND MEXICAN GOVERNMENTS HAVE DIFFERENT PRIORITIES ON ISSUES

Secondly, if you try to formally introduce those items which have rarely been introduced formally before, I think you have to also expect that the Mexican government would try to formally introduce items such as labor mobility that we do not want to see introduced and which we would argue are extraneous.

I think our position to make that argument would be weakened if we are committing the same step on issues that we think are important.

#### EXPANDED ECONOMIC COOPERATION WITH MEXICO WILL HAVE FAR-REACHING BENEFITS

However, I think there is no doubt that expanded economic cooperation with Mexico will not only produce jobs in this country and lower prices to consumers and help leading industries increase their competitive edge domestically, but will lead to greater improvements in the areas that you've noted.

I think it's a phenomenon around the world that economic liberalization leads to and creates pressures for political liberalization. We've seen that in Taiwan, Korea, and elsewhere. On human rights, I would note that President Salinas has taken more serious steps than any previous president in Mexican history.

DEBATING A "DEMOCRACIES-ONLY" HEMISPHERIC FREE TRADE ZONE

Mr. TORRICELLI. Yes, I'm not discounting that. I just wanted to know philosophically whether you thought it was appropriate to enter into these other considerations.

Would you send a message Guyana, for example, that as we consider a hemispheric free trade association, that this is a democracies-only club?

Mr. ARONSON. Well, I wouldn't want to send a message to any country in the hemisphere that would impede them in carrying out economic reforms that are both in our economic interest and that I think will aide democratization, so I wouldn't want to have a rigid criteria on that.

There are clear criteria in terms of an investment regime and an economic program. But I think that clearly, if a government were an egregious human rights violator or had thwarted a free and fair election.

Mr. TORRICELLI. Mr. Secretary, it appears to me that this is a great opportunity that could be missed. If your predecessors' and your original challenge were to bring democracy to this hemisphere you have to a large extent succeeded.

It is now all of our responsibility to keep it democratic. The incentive of the middle class working people consumers, the elite recognizing that the moment they lose their commitment to democratic principles, abuse their people, and see power transferred, their access to markets throughout the hemisphere is similarly lost, is a powerful incentive to remain democratic, just as nations who have sought to enter the European Common Market may have been inspired by Jeffersonian principles, or other such examples, but I doubt it. I suspect the economic realities had a lot to do with the transformations.

I'm not stating this so much to ask you to reply as to make the point that I hope that it is a weapon in your arsenal that is not prematurely lost.

FRAMEWORK IN PLACE FOR A UNITED STATES-CHILEAN FREE TRADE AGREEMENT

Mr. ARONSON. Let me make one brief reply.

I think you're making a good point. I was trying to say we're not going to erect formal criteria, but I would note we recently concluded a framework agreement with the Chilean government on trade and investment. Under that agreement, we are setting up a working group to study the option of a bilateral free trade agreement with Chile.

We would not have taken that step and I don't think Chile would have that priority for us.

If we had not seen serious democratic change and had had confidence that civilian authority.

Mr. TORRICELLI. I recognize that. But I'm certain that is understood by that, as well.

We accept the model. It's only a question of applying it in the broader basis.

#### NO FORMAL ANALYSIS FOR MILITARY ASSISTANCE PROGRAMS

Ms. Dorn, has there been to date a comprehensive analysis for more military assistance programs, those who have gone through training, their participation and disruptions of democratic forms of government, compared with officers who have not?

Are you aware of any such analysis?

Ms. DORN. I'm not aware of any formal analysis. We certainly have, I think, had great success through IMET and some other programs in effecting changes in countries.

#### TORRICELLI CALLS FOR EVALUATION OF MILITARY ASSISTANCE PROGRAMS

Mr. TORRICELLI. Let me just share this philosophical belief with you that transcends my approach generally with hemispheric issues today.

I have participated in supporting governments and causes in the region primarily because of a concern of insurgency and the influences of the Soviet Union. Absent that concern, I believe that many programs and relationships that we now have or are engaged in need to be evaluated: the military assistance program and the training aspects of it, to the extent now that they can be justified that they are helping preserve democratic forms of governments and respect for human rights.

Support for those programs based on my concerns about the Soviet Union are no longer sufficient to justify the continuation of the program. So I, for one, am going to be looking for that kind of evidence, that it is serving a useful purpose for the preservation of democratic governments.

#### CONCERN THAT DEMOCRACY PROGRAMS DRAW FUNDS FROM POVERTY ALLEVIATION

Ambassador Michel, would it be a fair characterization today, that with the kinds of funds that we are devoting to establishment and maintenance of democratic institutions, and in general, large scale development projects that proportionately less of our assistance is going directly to alleviating poverty than would have been the case a decade or two before?

Mr. MICHEL. No, sir. If I understand the thrust of that question, it is whether the democracy program draws money away from alleviation of poverty.

Mr. TORRICELLI. It actually is a broader point than that. It is that point. It is also large scale development projects and other aspects of macroeconomic impacts, rather than direct application to abject poverty.

#### A.I.D.'S OBJECTIVES INTERLACED WITH DEMOCRACY AND DEVELOPMENT

Mr. MICHEL. Okay. Well, I laid out in my presentation a rationale for saying that we want to look at two objectives which we think are very much interrelated in support of democracy and development; that we want to promote growth, sound policies, private sector response, participation for the poor, and to protect the environment.

We want to support stable and participatory democracy by support for strengthening public institutions.

Mr. TORRICELLI. I'm not make a judgment about the trend. I'm only asking a question.

Mr. MICHEL. You could put money into direct project assistance to individual groups throughout the hemisphere instead of trying to approach it looking at those two objectives. I believe that to do so would be less effective, because there are more poor people than we can help directly—if we did nothing but help poor people directly without regard to the policy environment, without regard to the political context—I think we'd be worse off.

Mr. TORRICELLI. I agree. I'm not arguing the policy. I was just asking you, if indeed, that trend existed and I think it probably does.

Mr. MICHEL. It is a policy choice.

Mr. TORRICELLI. Yes, I understand that, but it appears that the policy probably had that result.

#### MOVEMENT OF CAPITAL TODAY COMPARED TO TEN YEARS AGO

If you had had a chart on capital flow in your economic analyses, what would it have indicated—the total of movement of capital in and out of Latin America as compared with ten years ago, with everything from private savings to debt repayment to trade?

Mr. MICHEL. It would have looked a little bit like some of those charts on trade, in that you had a dip in the 1980s and in the last year or two a rise. It's just been very recently that we're seeing it trend up again.

Mr. TORRICELLI. What magnitude of total net loss of capital to you think is being experienced?

Mr. MICHEL. Let me call for help on that, if I may.

Mr. ARONSON. I think that chart would also be very specific.

Mr. TORRICELLI. Yes.

#### RETURN OF FLIGHT CAPITAL PROPORTIONAL TO REFORMS

Mr. ARONSON. In the countries that have carried out the most serious reforms: Chile, Venezuela, Mexico, you're seeing serious return of both flight capital and new investment.

Mr. TORRICELLI. Are there still serious Argentinean and Brazilian outflows?

Mr. ARONSON. I'd say it's more that it's not coming back. The outflow has been so extensive there's not a lot left to outflow.

Mr. MICHEL. A lot of it went out in the early 1980s, and it leveled off, and now you're starting to see for the region as a whole, some return of flight capital, and some increased levels of private investment as a percentage of GDP. The increase is occurring because people were just sitting on their money or parking it outside the country.

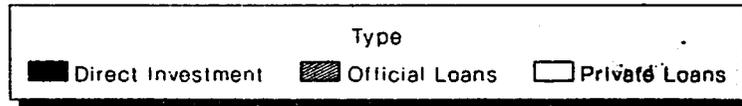
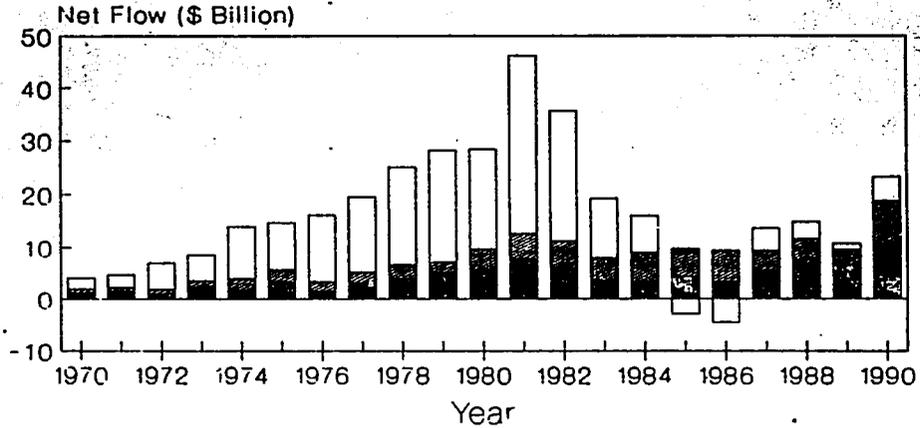
Mr. TORRICELLI. If indeed, you have an analysis, even of one, as Mr. Aronson suggests, that is country specific, I would appreciate having it for the record for the hearing.

Mr. MICHEL. We have some data and I'd be happy to submit it in a form.

Mr. TORRICELLI. If you can submit it to the record, we'd appreciate it.

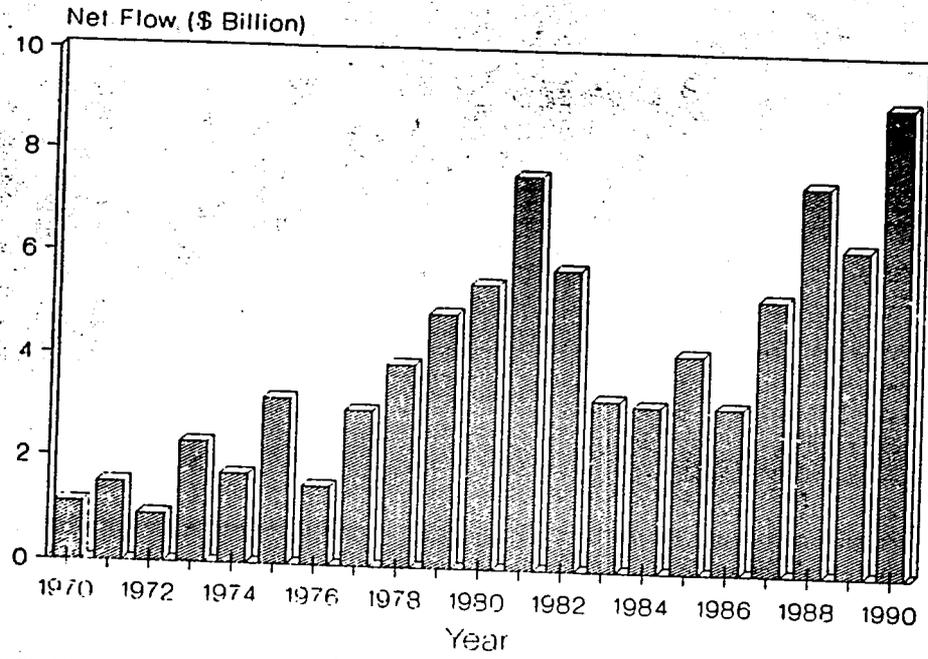
[The material follows:]

## CAPITAL FLOWS TO LATIN AMERICA, 1970-90 By Type of Flow



Source: World Bank

# FOREIGN INVESTMENT IN LATIN AMERICA



Source World Bank

### THE CIVILIAN CASUALTY CONTROVERSY IN PANAMA

Ms. Dorn, there continues to be a significant amount of informal discussion on the question of American casualties, rather, civilian casualties from the American efforts in Panama. What are the numbers the Department is now suggesting represent total civilian casualties in Panama?

Ms. DORN. Let me look and see exactly what is the number that we have arrived after many consultations with various sources. Let me see if we can get that for you.

Mr. TORRICELLI. Why don't you take a moment and get it because I want to ask Mr. Aronson a final question, as well.

### DEFENDING THE STATUS QUO IN THE POST-COLD WAR PERIOD

I have a great concern that in the post Cold War period, an American policy which understandably and justifiably had to be based on the maintenance of existing governmental structures because of international security concerns that's going to be transformed into the defense of the status quo in all instances. For a revolutionary society like our own that in many ways would not identify with the social and political structures of even some nations which may meet democratic standards, to become the defender of the status quo is neither our tradition nor necessarily in our interests.

I'd like you to respond to this philosophically in that in all instances where there are civil disruptions, civil disobedience, or even in some extreme cases, insurgency, absent any international concern, will it always be the policy of the United States to see it in our interest to defend the status quo and to see implications for American policy?

Ms. Dorn can answer the other question while you consider your reply, and I'll try to end the hearing then for everyone's concerns. Yes.

### OFFICIAL FIGURES IN THE PANAMANIAN CIVILIAN QUESTION

Ms. DORN. All right. Mr. Chairman, thank you for giving me a minute to get our figures together.

Southcom's battlefield estimate as of 11 January 1990 remains at 314 military and 202 civilian casualties. That is very close to the estimate of America's Watch, which is 350 total. The Institute of Legal Medicine's estimate is about around 225.

Mr. TORRICELLI. This is a result of going through neighborhoods and interviewing and checking?

Ms. DORN. That's right. And I want to emphasize that we are still continuing to follow up on this. I know that the new Commander in Chief of Southcom has scheduled a meeting with Archbishop McGrath in the next few weeks to go over with the Archbishop their methodology for their calculations.

Mr. TORRICELLI. Does the Archbishop have his own calculation?

Ms. DORN. Yes, he does, and it's significantly higher.

Mr. TORRICELLI. By what kind of magnitude?

Ms. DORN. I think it's about a third to a half higher than the ones that we're carrying. We continue to press and to encourage

the Panamanian government to investigate leads that continue to pop up.

#### CIVILIANS BURIED BEFORE BEING IDENTIFIED

Mr. TORRICELLI. Reports were that American personnel buried large numbers of civilians during the course or immediately after the conflict where there may not have been an identity made of all those who were buried—is there any explanation for such reports, any basis?

Ms. DORN. I think there were two cases in which Panamanian casualties were buried for health reasons. They were then subsequently exhumed and identified.

Mr. TORRICELLI. But to your knowledge, that is the total sum of such instances?

Ms. DORN. Yes, sir.

Mr. ARONSON. Yes.

Mr. TORRICELLI. Mr. Aronson, you share in that judgment?

#### MASS CIVILIAN GRAVES REFUTED

Mr. ARONSON. Yes, not only that, but for the record this allegation that has been made that there are mass graves and vast numbers of unaccounted for civilians is a complete, utter, total lie. There is no evidence for it.

Mr. TORRICELLI. I have no evidence, no basis for suggesting otherwise. But the fact is that somehow this persists. It needs to be firmly and finally answered for the record with a total accounting, or this is something which is going to cause difficulties in the future, and will never be put to rest.

Ms. DORN. We agree, Mr. Chairman. I think that between the various elements of the United States Government, as well as many private sector entities, I think that we can put many of these rumors to rest.

#### U.S. ROLE IN POST-COLD WAR LATIN AMERICA TO ENCOURAGE PROGRESSIVE CHANGE

Mr. TORRICELLI. Mr. Aronson, would you like to end the hearing by replying to my philosophical question?

Mr. ARONSON. I would.

Mr. Chairman, I think that the notion that the United States in its policy toward this hemisphere has been a force to defend the status quo.

Mr. TORRICELLI. This is a prospective point only.

Mr. ARONSON. Yes. Or that we may become such that there's a danger we will become such absent a continued strategic threat of Soviet expansion in this hemisphere is not the case. I would argue that just the opposite is the case. I think our influence continues to be a force for enormous and largely progressive change throughout this hemisphere. There is an economic, political and intellectual revolution underway in Latin America and the Caribbean and we are on the right side of all aspects of that.

## ECONOMIC REFORMS TO INCLUDE PREVIOUSLY EXCLUDED PEOPLE OF THE HEMISPHERE

The economic liberalization that these countries are going on is not simply changes in macroeconomic policy. It is fundamentally restructuring and dismantling a system that has trapped the vast majority of Latin Americans and Caribbeans in a no-win, closed mercantile economic system that does not permit upward mobility, that has rigged a system that depends on political access and privilege in order to get economic advantage.

That has shut out vast numbers of people in this hemisphere from access to the economic system. Hernando deSoto's study of both the vitality of the informal economy in Peru but also the way in which it limits the ability of poor people to access credit, to achieve economies of scale because they cannot operate legally, they can't pay taxes and the like, is a good example of that.

That is going on throughout this hemisphere and that is in part a response to global economic forces that force these countries to compete for capital, to compete for trade, but it certainly is in part a response to persistent policies of the United States

### HELP FOR THE POOR BEST ACCOMPLISHED BY ECONOMIC REFORMS

In fact, it's the very economic support funds that Congressman Weiss was referring to which specifically condition our assistance on those changes. In reference to your point about helping the poor, I think we've determined that the best way to help the poor is to require these countries to dismantle those systems.

The poor pay the higher prices, the poor suffer from over valued exchange rates, the poor suffer from a lack of competition and access to trade and expansion in jobs. It mirrors a debate we had in the 1970s in our own country about whether the challenge should be to redistribute wealth or create wealth and we decided we need to create wealth with a bias toward equity as opposed to simply redistribute.

### EL SALVADOR INDICATIVE OF UNITED STATES INFLUENCE IN HEMISPHERE

Politically as well I think the United States has been a force for profound political change throughout this hemisphere in the direction of participation, pluralism, freedom of opportunity, freedom of association, freedom of speech. It is fashionable to look on El Salvador as a United States success story and it is not time to call it a success, but that is a society which in the course of ten years went from being fundamentally a feudal society, ruled as it had been for hundreds of years by a tiny elite, the great mass of people shut out of the economic system, shut out of the political system, no participation in democratic processes, to a country that has redistributed one acre out of five to the poor, that has held seven free elections, that for whatever its human right biases, has agreed to a fundamental electoral reform that gives access and advantage to third parties in the electoral process and has created 24 at large seats that will, in fact, be tallied by a national list and give advantages to small parties, that has the UDN, which is essentially the com-

munity party of El Salvador, allied with the FLMN, participating in the process.

Their economy has been reformed and it's beginning to grow, and I think our country has been a force for change. The danger you cite is a real danger, but I think it is not so much that we will defend the status quo, as that we will disengage and lose interest. That is a mistake the United States has made repeatedly in Latin America, in part when the threat of subversion or Soviet advance has retreated.

SECRETARY ARONSON NOTED AS A PROGRESSIVE VOICE OF THE  
ADMINISTRATION

Mr. TORRICELLI. Yes. I agree with that, as well. As is often the case in these hearings, I ask the question less for the answer than to leave the point with you as a progressive person in an Administration who at least occasionally, although would deny it to no end, can have progressive tendencies to keep it in mind as we go through major policy transformations in the post Cold War period.

Thank you very much for joining us today. This being our first opportunity to be together since I became Chairman, I look forward to working with you. This was a good beginning, and I thank you for the fact that it was very thoughtful testimony in which, obviously, there was considerable work.

Thank you.

Mr. ARONSON. Thank you, Mr. Chairman.

Mr. TORRICELLI. The committee is adjourned.

[Whereupon, at 12:47 p.m., the hearing was adjourned.]

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## FOREIGN ASSISTANCE LEGISLATION FOR FISCAL YEARS 1992-93

WEDNESDAY, APRIL 17, 1991

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,  
*Washington, D.C.*

The subcommittee met, in open markup session, at 10:05 a.m., in room 2255, Rayburn House Office Building, Hon. Robert G. Torricelli (chairman of the subcommittee) presiding.

Mr. TORRICELLI. The subcommittee will please come to order. We meet today for the purpose of marking up two pieces of legislation.

First we will consider H.R. 964, a bill to provide for the implementation of the foreign assistance provisions of the Enterprise for the Americas Initiative, and then we will consider subcommittee's recommendations for economic and military assistance for Latin America and the Caribbean for fiscal year 1992.

The first order of business is H.R. 964. It is the chair's understanding that this bill is identical, except for technical adjustments, to the measure reported by the committee and passed by the last Congress. Unfortunately, however, the bill was not accepted by the Senate.

This bill is sponsored by our distinguished chairman, Mr. Fascell. I am pleased to be an original cosponsor, along with my colleague, Mr. Lagomarsino, and several other members of the committee. The bill has been referred to three of our various subcommittees.

The bill is now before the members. Without objection, at this point it will be considered as having been read and open for amendment at any point.

[The bill, H.R. 964, follows:]

(113)

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102D CONGRESS  
1ST SESSION

# H. R. 964

To provide for the implementation of the foreign assistance provisions of the Enterprise for the Americas Initiative, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 19, 1991

Mr. FASCELL (for himself, Mr. BROOMFIELD, Mr. TORRIBELLI, Mr. BRUBAKER, Mr. LAGOMARSINO, Mr. YATRON, Mr. SOLARZ, Mr. WOLPE, Mr. GEJDENSON, Mr. DYMALLY, Mr. LANTOS, Mr. BERMAN, Mr. LEVINE of California, Mr. FEIGHAN, Mr. ACKERMAN, Mr. FUSTER, Mr. OWENS of Utah, Mr. JOHNSTON of Florida, Mr. FALCONE, Mr. MURPHY, Mr. KOSTMAYER, Mr. SAWYER, Mr. PAYNE of New Jersey, Mr. ORTON, Mr. LEACH, Mr. HYDE, Mr. SMITH of New Jersey, Mr. GOSS and Ms. ROB-LEHTINEN) introduced the following bill; which was referred to the Committee on Foreign Affairs

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## A BILL

To provide for the implementation of the foreign assistance provisions of the Enterprise for the Americas Initiative, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Enterprise for the  
5 Americas Initiative Act of 1991".

1991 FEB 19 10 20 AM

1 **TITLE I—ENTERPRISE FOR THE AMERICAS**  
2 **FACILITY**

3 **SEC. 101. ESTABLISHMENT.**

4 There is hereby established in the Department of the  
5 Treasury the Enterprise for the Americas Facility (herein-  
6 after in this Act referred to as the "Facility").

7 **SEC. 102. PURPOSE OF INITIATIVE AND THE FACILITY.**

8 The purpose of the Enterprise for the Americas Initia-  
9 tive is to encourage and support improvement in the lives of  
10 the people of Latin America and the Caribbean through  
11 market-oriented reforms and economic growth with interre-  
12 lated actions to promote debt reduction, investment reforms,  
13 and community based conservation and sustainable use of the  
14 environment. The Facility will support these objectives  
15 through administration of debt reduction operations for those  
16 countries that meet investment reforms and other policy  
17 conditions.

18 **SEC. 103. ELIGIBILITY FOR BENEFITS UNDER THE FACILITY.**

19 (a) **REQUIREMENTS.**—To be eligible for benefits under  
20 the Facility, a country must—

- 21 (1) be a Latin American or Caribbean country;  
22 (2) have in effect, have received approval for, or,  
23 as appropriate in exceptional circumstances, be making  
24 significant progress toward—

1 (A) an International Monetary Fund standby  
2 arrangement, extended Fund arrangement, or an  
3 arrangement under the structural adjustment facil-  
4 ity or enhanced structural adjustment facility, or  
5 in exceptional circumstances, a Fund monitored  
6 program or its equivalent; and

7 (B) as appropriate, structural or sectoral ad-  
8 justment loans from the International Bank for  
9 Reconstruction and Development or the Interna-  
10 tional Development Association;

11 (3) have put in place major investment reforms in  
12 conjunction with an Inter-American Development Bank  
13 loan or otherwise be implementing, or making signifi-  
14 cant progress toward, an open investment regime; and

15 (4) if appropriate, have agreed with its commer-  
16 cial bank lenders on a satisfactory financing program,  
17 including, as appropriate, debt or debt service  
18 reduction.

19 (b) **ELIGIBILITY DETERMINATIONS.**—The President  
20 shall determine whether a country is an eligible country for  
21 purposes of subsection (a).

## 22 **TITLE II—DEBT REDUCTION**

### 23 **SEC. 201. REDUCTION OF CERTAIN DEBT.**

24 (a) **AUTHORITY TO REDUCE DEBT.**—

1           (1) **AUTHORITY.**—The President may reduce the  
2           amount owed to the United States (or any agency of  
3           the United States) that is outstanding as of January 1,  
4           1990, as a result of concessional loans made by the  
5           United States pursuant to the Foreign Assistance Act  
6           of 1961 (or predecessor foreign economic assistance  
7           legislation) to a country eligible for benefits under the  
8           Facility.

9           (2) **LIMITATION.**—The authority of this section  
10           may be exercised only to such extent as is approved in  
11           advance in appropriation Acts.

12           (3) **CERTAIN PROHIBITIONS INAPPLICABLE.**—(A)  
13           A reduction of debt pursuant to this section shall not  
14           be considered assistance for purposes of any provision  
15           of law limiting assistance to a country.

16           (B) This section supersedes section 620(r) of the  
17           Foreign Assistance Act of 1961 and section 321 of the  
18           International Development and Food Assistance Act of  
19           1975.

20           (4) **DEFINITION.**—Hereinafter in this Act, a  
21           country with respect to which the authority of para-  
22           graph (1) is exercised is referred to as the beneficiary  
23           country.

24           (b) **IMPLEMENTATION OF DEBT REDUCTION.** —

1           (1) **IN GENERAL.**—Any debt reduction pursuant  
2 to subsection (a) shall be accomplished at the direction  
3 of the Facility by the exchange of a new obligation for  
4 obligations outstanding as of January 1, 1990.

5           (2) **EXCHANGE OF OBLIGATIONS.**—The Facility  
6 shall notify the Agency for International Development  
7 of the agreement with an eligible country to exchange  
8 a new obligation for outstanding obligations pursuant  
9 to this subsection; and at the direction of the Facility,  
10 the old obligations shall be canceled and a new debt  
11 obligation for the country shall be established, and the  
12 Agency for International Development shall make an  
13 adjustment in its accounts to reflect the debt reduction.

14 **SEC. 202. REPAYMENT OF PRINCIPAL.**

15           (a) **CURRENCY OF PAYMENT.**—The principal amount of  
16 each new obligation issued pursuant to section 201(b) shall be  
17 repaid in United States dollars.

18           (b) **DEPOSIT OF PAYMENTS.**—Principal repayments of  
19 new obligations shall be deposited in the United States Gov-  
20 ernment account established for principal repayments of the  
21 obligations for which those obligations were exchanged.

22 **SEC. 203. INTEREST ON NEW OBLIGATIONS.**

23           (a) **RATE OF INTEREST.**—New obligations issued by a  
24 beneficiary country pursuant to section 201(b) shall bear in-  
25 terest at a concessional rate.

1 (b) CURRENCY OF PAYMENT; DEPOSITS.—

2 (1) LOCAL CURRENCY.—If the beneficiary country  
3 has entered into an Environmental Framework Agree-  
4 ment under section 302, interest shall be paid in the  
5 local currency of the beneficiary country and deposited  
6 in the Environmental Fund provided for in section  
7 301(a). Such interest shall be the property of the bene-  
8 ficiary country, until such time as it is disbursed pursu-  
9 ant to section 301(d). Such local currencies shall be  
10 used for the purposes specified in the Environmental  
11 Framework Agreement.

12 (2) UNITED STATES DOLLARS.—If the beneficiary  
13 country has not entered into an Environmental Frame-  
14 work Agreement under section 302, interest shall be  
15 paid in United States dollars and deposited in the  
16 United States Government account established for in-  
17 terest payments of the obligations for which the new  
18 obligations were exchanged.

19 (c) INTEREST ALREADY PAID.—If a beneficiary coun-  
20 try enters into an Environmental Framework Agreement  
21 subsequent to the date on which interest first became due on  
22 the newly issued obligation, any interest already paid on such  
23 new obligation shall not be redeposited into the Environmen-  
24 tal Fund established for that beneficiary country pursuant to  
25 section 301(a).

1           **TITLE III—ENTERPRISE FOR THE**  
2           **AMERICAS ENVIRONMENTAL FUNDS**

3   **SEC. 301. ESTABLISHMENT OF, DEPOSITS INTO, AND DIS-**  
4           **BURSEMENTS FROM ENVIRONMENTAL FUNDS.**

5           (a) **ESTABLISHMENT.**—Each beneficiary country that  
6 enters into an Environmental Framework Agreement under  
7 section 302 shall be required to establish an Enterprise for  
8 the Americas Environmental Fund (referred to in this Act as  
9 the “Environmental Fund”) to receive payments in local cur-  
10 rency pursuant to section 203(b)(1).

11          (b) **DEPOSITS.**—Local currencies deposited in an Envi-  
12 ronmental Fund shall not be considered assistance for pur-  
13 poses of any provision of law limiting assistance to a country.

14          (c) **INVESTMENT.**—Deposits made in an Environmental  
15 Fund shall be invested until disbursed. Any return on such  
16 investment may be retained by the Environmental Fund,  
17 without deposit in the Treasury of the United States and  
18 without further appropriations by Congress.

19          (d) **DISBURSEMENTS.**—Funds in an Environmental  
20 Fund shall be disbursed only pursuant to an Environmental  
21 Framework Agreement under section 302.

22   **SEC. 302. ENVIRONMENTAL FRAMEWORK AGREEMENTS.**

23          (a) **AUTHORITY.**—The Secretary of State is authorized,  
24 in consultation with other appropriate Government officials,  
25 to enter into an agreement (referred to in this Act as an

1 "Environmental Framework Agreement") with any country  
2 eligible for benefits under the Facility concerning the oper-  
3 ation and use of the Environmental Fund for that country. In  
4 the negotiation of such agreements, the Secretary shall con-  
5 sult with the Environment for the Americas Board in accord-  
6 ance with section 303.

7 (b) CONTENTS OF AGREEMENTS.—An Environmental  
8 Framework Agreement with an eligible country shall—

9 (1) require that country to establish an Environ-  
10 mental Fund;

11 (2) require that country to make interest pay-  
12 ments under section 203(b)(1) into an Environmental  
13 Fund;

14 (3) require that country to make prompt disburse-  
15 ments from the Environmental Fund to the administer-  
16 ing body described in subsection (c);

17 (4) when appropriate, seek to maintain the value  
18 of the local currency resources of the Environmental  
19 Fund in terms of United States dollars;

20 (5) specify, in accordance with subsection (d), the  
21 purposes for which the fund may be used; and

22 (6) contain reasonable provisions for the enforce-  
23 ment of the terms of the agreement.

24 (c) ADMINISTERING BODY.—

1           (1) **IN GENERAL.**—Funds disbursed from the En-  
2     vironmental Fund in each beneficiary country shall be  
3     administered by a body constituted under the laws of  
4     that country (referred to in this Act as the “adminis-  
5     tering body”).

6           (2) **COMPOSITION.**—The administering body shall  
7     consist of—

8                   (A) one or more individuals nominated by the  
9     United States Government,

10                  (B) one or more individuals nominated by the  
11     government of the beneficiary country, and

12                  (C) individuals who represent a broad range  
13     of environmental nongovernmental organizations  
14     of the beneficiary country, local community devel-  
15     opment nongovernmental organizations of the ben-  
16     eficiary country, and scientific or academic organi-  
17     zations or institutions of the beneficiary country.

18     A majority of the members of the administering body  
19     shall be individuals described in subparagraph (C).

20           (3) **RESPONSIBILITIES.**—The administering  
21     body—

22                   (A) shall receive proposals for grant assist-  
23     ance from eligible grant recipients (as determined  
24     under subsection (e)) and make grants to eligible  
25     grant recipients in accordance with the priorities

10

1           agreed upon in the Environmental Framework  
2           Agreement, consistent with subsection (d);

3           (B) shall be responsible for the management  
4           of the program and oversight of grant activities  
5           funded from resources of the Environmental Fund;

6           (C) shall be subject to fiscal audits by an in-  
7           dependent auditor on an annual basis;

8           (D) shall present an annual program for  
9           review each year by the Environment for the  
10          Americas Board; and

11          (E) shall submit a report each year on the  
12          activities that it undertook during the previous  
13          year to the Chair of the Environment for the  
14          Americas Board and to the government of the  
15          beneficiary country.

16          (d) **ELIGIBLE ACTIVITIES.**—Grants from an Environ-  
17          mental Fund shall be used for activities that link the conser-  
18          vation and sustainable use of natural resources with local  
19          community development, including activities described in sec-  
20          tion 463 of chapter 7 of part I of the Foreign Assistance Act  
21          of 1961 (as enacted by the Global Environmental Protection  
22          Assistance Act of 1989).

23          (e) **GRANT RECIPIENTS.**—Grants made from an Envi-  
24          ronmental Fund shall be made to—

## 11.

1           (1) nongovernmental environmental, conservation,  
2           development, and indigenous peoples organizations of  
3           the beneficiary country;

4           (2) other appropriate local or regional entities; and

5           (3) in exceptional circumstances, the government  
6           of the beneficiary country.

7           (f) **REVIEW OF LARGER GRANTS.**—Any grant of more  
8           than \$100,000 from an Environmental Fund shall be subject  
9           to veto by the Government of the United States or the gov-  
10          ernment of the beneficiary country.

11 **SEC. 303. ENVIRONMENT FOR THE AMERICAS BOARD.**

12          (a) **ESTABLISHMENT.**—There is hereby established an  
13          Environment for the Americas Board (hereinafter in this Act  
14          referred to as the "Board").

15          (b) **MEMBERSHIP.**—The Board shall be composed of 9  
16          members appointed by the President as follows:

17                 (1) 5 officers or employees of the United States  
18                 Government.

19                 (2) 4 individuals who are representatives of pri-  
20                 vate nongovernmental environmental, scientific, or aca-  
21                 demic organizations that have experience and expertise  
22                 in Latin America and the Caribbean.

23          The chair of the Board shall be designated by the President  
24          from among the members of the Board appointed pursuant to  
25          paragraph (1).

1 (c) **RESPONSIBILITIES.**—The Board shall—

2 (1) advise the Secretary of State on the negotia-  
3 tions of Environmental Framework Agreements;

4 (2) ensure, in consultation with—

5 (A) the government of the beneficiary coun-  
6 try,

7 (B) nongovernmental organizations of the  
8 beneficiary country,

9 (C) nongovernmental organizations of the  
10 region (if appropriate),

11 (D) environmental, scientific, and academic  
12 leaders of the beneficiary country, and

13 (E) environmental, scientific, and academic  
14 leaders of the region (as appropriate),

15 that a suitable administering body is identified for each  
16 Environmental Fund; and

17 (3) review the programs, operations, and fiscal  
18 audits of each administering body.

19 **SEC. 304. ENCOURAGING MULTILATERAL DEBT DONATIONS.**

20 (a) **ENCOURAGING DONATIONS FROM OFFICIAL**  
21 **CREDITORS.**—The President should actively encourage  
22 other official creditors of a beneficiary country whose debt is  
23 reduced under this Act to provide debt reduction to such  
24 country.

1       **(b) ENCOURAGING DONATIONS FROM PRIVATE CREDI-**  
2 **TOBS.—**The President shall make every effort to ensure that  
3 **Environmental Funds** established pursuant to section 301 are  
4 able to receive donations from private and public entities and  
5 from private creditors of the beneficiary country.

6                               **TITLE IV—REPORTS**

7 **SEC. 401. ANNUAL REPORT TO CONGRESS.**

8       Not later than December 31 of each year, the President  
9 shall transmit to the Speaker of the House of Representatives  
10 and the President of the Senate an annual report on the oper-  
11 ation of the Facility for the prior fiscal year.

Mr. TORRICELLI. If other members at this point do not have amendments they are putting forward, the chair does have an amendment which is also before the members, and which was delivered to the members' offices yesterday afternoon. Without objection this amendment offered by the chair will be considered as having been read and to be considered at this point en bloc.

[The amendments of the chair follow:]

HR964A06

[April 16, 1991: PM]  
 AMENDMENTS TO H.R. 964

Page 3, line 6, after "equivalent" insert the following:

1           , unless the President determines (after consultation  
 2           with the Environment for the Americas Board) that  
 3           such an arrangement or program (or its equivalent)  
 4           could reasonably be expected to have significant  
 5           adverse social or environmental effects

Page 3, line 10, after "Association" insert the following:

6           , unless the President determines (after consultation  
 7           with the Environment for the Americas Board) that the  
 8           resulting adjustment requirements could reasonably be  
 9           expected to have significant adverse social or  
 10          environmental effects

Page 10, strike out lines 6 and 7 and insert in lieu thereof the following:

(C) shall be subject, on an annual basis, to an

ER964A06

2

audit of financial statements conducted in accordance with generally accepted auditing standards by an independent auditor;

Page 10, strike out the comma in line 29 and all that follows through "1989" in line 22.

Page 11, line 15, strike out "9" and insert in lieu thereof "11"; line 17, strike out "5" and insert in lieu thereof "6"; and line 19, strike out "4" and insert in lieu thereof "5".

Page 12, after line 18, add the following:

- 1 (d) SUPPLEMENTAL VIEWS IN ANNUAL REPORT ON THE
- 2 FACILITY.--Each member of the Board shall be entitled to
- 3 receive a copy of any report to be transmitted to the
- 4 Congress pursuant to section 401 at least 14 days before the
- 5 report is to be so transmitted, to have 14 days within which
- 6 to prepare and submit supplemental views for inclusion in
- 7 such report, and to have those views included in the report
- 8 when it is so transmitted.

Mr. TORRICELLI. I would now recognize myself for purposes of describing the en bloc amendments that have been offered.

My colleagues, like you, I have been a strong supporter of the Enterprise for the Americas Initiative. It is imaginative. It is thoughtful. It is necessary. It is an example of providing real leadership at an important time.

I congratulate members of the subcommittee in the previous Congress for having acted quickly upon the administration's request and again in this Congress having offered their support.

We made significant improvements, I believe, in the administration's proposal last year. I believe the administration would concur in that statement and supports most of the changes that were made in the subcommittee before my arrival in this Congress. However, there are some further improvements that I believe would be helpful. Accordingly, I have worked out a series of amendments with my colleague, Mr. Gejdenson, Chairman of the Subcommittee on Economic Policy and Trade, which we are offering in both subcommittees.

These en bloc amendments would do the following:

First, would create an exception to the requirement that an eligible country have an IMF program or its equivalent, if the President determines, in consultation with the Environment for the Americas Board, that such a program would have a significant adverse social or economic effect.

The second amendment would create the same exception with respect to the requirement that an eligible country have a World Bank adjustment agreement.

It is important to note that these two amendments would not require anything of the president and, in fact, would increase his discretion. They would permit him to waive certain eligibility requirements if he makes a specific determination in his own judgment. Therefore, the Congress is not reserving any different powers for itself, but, I believe significantly giving them to the administration.

There is a great deal of concern in Latin America that IMF and World Bank programs, if they are wrongly applied, can have adverse social and economic and environmental consequences. In my own experience I believe there is real reason to share these fears, and particularly with respect to environmental concerns. If they do, it is obvious they would defeat the purposes of this legislation. I would think the President would welcome this flexibility and share our concern about the possibility of IMF and World Bank programs having negative environmental impacts.

The third amendment would make a technical change in the requirement for audits of the environmental funds in the beneficiary countries. This change was recommended by the American Institute of Certified Public Accountants. As far as I am aware, it is non-controversial.

The fourth amendment would strike out references to the Global Environmental Protection Assistance act of 1989 in the section on eligible activities. We felt that the list of activities that would be made eligible for funding under this reference was too broad, and includes activities that would be too costly for this very small-scale program. The focus of the program is on local-level activities that

link conservation and development and, therefore, should be limited to those purposes.

The fifth amendment would implement an administration recommendation by increasing the size of the board from 9 to 11 members, and I believe to be completely non-controversial.

The sixth and final amendment would provide the members of the Environment for the Americas Board with an opportunity to include supplemental views in the President's annual reports to the Congress.

I believe these amendments would significantly improve the bill, and would hope my colleagues would support them.

Is there any discussion on these amendments?

Mr. LAGOMARSINO. Mr. Chairman.

Mr. TORRICELLI. Yes. Mr. Lagomarsino.

Mr. LAGOMARSINO. I must say that although I understand what you are doing and what Mr. Gejdenson is proposing here, I strongly oppose the amendments being offered to H.R. 964. The amendments only serve to ensure the rejection of the enterprise legislation. It also calls into question the interests of actually achieving an enterprise bill.

Last Congress, as you said, the House passed legislation which already represented a compromise for the administration in that it weakened the criteria for encouraging economic reforms that would be tied to debt reduction. Now, it is true the administration signed on to that, but it was a compromise on their part.

My understanding is that the administration, particularly Treasury, strongly opposes the amendments that you propose here today. We passed a reasonable, responsible bill last year. And I would hope the subcommittee would act accordingly and reject these amendments and pass the same legislation that has already passed the House. In fact, I think it passed, I recall, twice.

Anyway, if we continue to do this we are only going to delay further urgently needed authority for the administration to help the western hemisphere nations achieve debt reduction and protection of sensitive environmental resources.

Just yesterday we heard Violeta Chamorro, President of Nicaragua, call for passage of this legislation. You know, what has happened in the last two months to lead to today's amendments? Why amend a bill that was a product of a long series of painstaking negotiations with the majority, minority and the administration? I do not know of any clamor in Latin America—at least I have not heard any—to change the bill passed by the House last year.

The amendment, for example, inexplicably deletes reference to the landmark Global Environmental Protection Act, thereby limiting or confusing the issue of activities eligible for funding.

Now, I think probably the worst thing about the amendment, is it would raise expectations among Latin countries that they would not have to meet other requirements because the loophole covers adverse social effects. And what are those? On and on. And the President would be put in a terrible bind even though he of course would retain the discretion to turn that down. The expectations would be raised, as I say, and the pressure would be intense on him, not only from the Latin countries, but I would say probably

from this Congress itself, questioning why the President had not shown more flexibility in discussing adverse social effects, etc.

So, Mr. Chairman, I would hope the amendment would be defeated, we would pass the same bill we did last year, and get on with it.

Mr. TORRICELLI. Thank you, Mr. Lagomarsino.

Further comments from members?

[No response.]

Mr. TORRICELLI. Mr. Lagomarsino, thank you for your observations.

Only to make certain that we all understand the point, I know we share a common objective, that is while reducing the debt burden of the nations in question not to have agreements leading to economic reforms that also do environmental damage. We have twin objectives. We simply wanted the President to have the flexibility that when a leader of a Latin American nation comes to the administration and indicates that they are in conformity with World Bank and IMF structural reforms in their entirety, but for something which would clearly have a dramatic and adverse environmental impact, that the President—not this committee, not the Congress, not the Democratic National Committee—the President has the flexibility to recognize that balancing those interests requires that he waive the provisions in that instance.

I, like you, am committed to see this legislation pass, I believe it is important. But, I believe that even if we have not heard a clamor from Latin American nations, the message is unmistakable as you travel. International institutional executives, the IMF and the World Bank, perhaps with the best of intentions, are leading nations to make judgments of structural reform and change that are hurting the environments of those countries. And we simply believe that the President should have the power to avoid those problems.

On the second question of the criteria for the Global Environmental Protection Assistance, our purpose was simply that with a modest amount of money there were so many criteria, so many objectives that we were not really setting any priorities.

I will be happy, and indeed I will place in the report language the full list so all of our intentions are reflected. It will be clear from the outset, that in case there is money after the original priorities are met, these types of projects can be funded. I want to be accommodating to the gentleman because I know he shares our objectives. But I do think it makes some sense to narrow it at the outset given the limited availability of funds.

Any further comments from any of the members.

[No response.]

Mr. TORRICELLI. If not, all those in favor of the en bloc amendments please say aye.

[A chorus of ayes.]

Mr. TORRICELLI. Opposed.

[A chorus of noes.]

Mr. TORRICELLI. The ayes have it.

Further amendments?

[No response.]

Mr. TORRICELLI. There being no further amendments, the chair would entertain a motion to report the bill favorably, as amended, to the full committee.

Mr. SOLARZ. So moved.

Mr. TORRICELLI. Mr. Solarz moves the question. Seconded by Mr. Gejdenson.

All those in favor say aye.

[A chorus of ayes.]

Mr. TORRICELLI. Opposed.

[A chorus of noes.]

Mr. TORRICELLI. The bill is carried.

#### SUBCOMMITTEE'S FOREIGN ASSISTANCE RECOMMENDATIONS

The subcommittee will now proceed to the consideration of its legislative recommendations for economic and military assistance for Latin America and the Caribbean for fiscal years 1992 and 1993.

A draft of these recommendations, and a section-by-section summary, are before the members, and were sent to the members' offices last week.

Mr. TORRICELLI. The only difference between the draft before the members and the draft that was provided last week consists of three minor provisions pertaining to the Inter-American Foundation that were requested by the Foundation itself. These changes have been provided to the minority previously.

There will, I know, be disagreement over many of the provisions in this mark. We are at the beginning of a very long process, during which the provisions will be negotiated and voted on several times. I want to make clear at the outset that I recognize that there are some relatively close calls in this mark, some judgments which indeed legitimately can be debated. And I for one, and I believe most of my colleagues, remain open both during and after today's process to further discuss these provisions, to revisit them as events change in the coming weeks, and to reach compromises when at all possible. And that will remain an open invitation to do so.

However, before getting to the legislative recommendations, I hope we could agree on two things.

First, I hope we could agree to recommend strongly to the full committee that the administration's entire request for Latin America and the Caribbean be authorized. We do and will disagree on policies and conditions, as I just stated, and will over the course of these weeks have time to change them.

But I think we all agree that the full request must be authorized if the United States is to fulfill its responsibilities in our hemisphere.

#### NO ACTION ON EL SALVADOR AT THIS POINT

Second, the subcommittee has received a letter from Ms. Mullins, Assistant Secretary of State for Legislative and Intergovernmental Affairs, requesting that we take the rather unusual step of postponing any action on El Salvador pending the outcome of crucial

talks between the government of El Salvador and the FMLN that are now taking place in Mexico City.

It is my judgment in consultation with the minority and members of the subcommittee that that letter be made part of the record and I believe that it be accepted.

[The letter of Ms. Mullins follows:]



United States Department of State

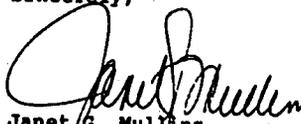
Washington, D.C. 20520

APR 16 1991

Dear Mr. Chairman:

As you know, the U.N. mediated negotiations to end the war in El Salvador have entered a crucial phase in Mexico City. The parties are seeking to reach agreement on key constitutional reforms and a cease fire before the current National Assembly expires on April 30. In light of these sensitive negotiations, the Department would appreciate it if the Subcommittee would take no action at this time with regards to El Salvador that could, unwittingly, complicate these negotiations. We appreciate your cooperation and would be happy to keep you and the Subcommittee informed as the negotiations progress.

Sincerely,



Janet S. Mullins  
Assistant Secretary  
Legislative Affairs

The Honorable  
Robert G. Torricelli, Chairman,  
Subcommittee on Western Hemisphere Affairs,  
Committee on Foreign Affairs,  
House of Representatives.

Mr. TORRICELLI. I believe generally the request is well made. We do not, of course, want to do anything at this point in sensitive discussions in Mexico City that might inadvertently prejudice the talks.

The correct action, in my judgment, at this time is to take no action. Therefore, you will see in the mark that is before you the chapter reference to El Salvador has been removed.

We will begin and, indeed, have begun drafting various alternatives that will be presented to the committee at a later date, pending what occurs in Mexico City and any events or outcomes that might take place.

I hope we could agree and make it clear to the parties to the negotiations the subcommittees will in all respects be guided by their good faith and these instances' outcomes that may occur.

Is there discussion before I call for the draft legislative recommendations for consideration from the members of the committee?

Mr. Lagomarsino.

Mr. LAGOMARSINO. Yes. Mr. Chairman, thank you. I have a statement.

Also, Mr. Chairman, I have a letter dated April 16th from Janet Mullins addressed to me that I would like to read and ask to be included in the record at this point.

Mr. TORRICELLI. Please.

Without objection, it will be entered in the record.

[The letter of Ms. Mullins follows:]



Washington, D.C. 20520

APR 16 1991

Dear Mr. Lagomarsino:

We understand that in the near future, your Subcommittee will begin marking up authorization legislation for foreign assistance programs under your Subcommittee's jurisdiction. The Administration shares your desire to see a foreign assistance authorization bill enacted this year, and we appreciate your desire to move this process forward in a timely fashion.

Before you begin your mark-up, however, I would like to call your attention to the Administration's bill, the "International Cooperation Act of 1991", which was delivered to the Congress on April 12 and introduced by request on April 15. As the President stated in his letter to the Congressional leadership, events in recent months have dramatically illustrated the need for a comprehensive revision of the current law governing foreign assistance. This law has become so complex, splintered, and restrictive that it no longer serves our national interests. We believe that our proposed legislation would significantly strengthen our capacity to respond to a rapidly changing international environment, while reducing the risk of missed opportunities.

Therefore, I would like to request that, before concluding with the mark-up process, you and your Subcommittee give full and careful consideration to the points made by the President in his letter and to our proposed legislation. We look forward to working with you in the weeks ahead to produce a foreign assistance authorization bill which will ensure that U.S. economic, humanitarian, and military assistance function as a vital instrument of American foreign policy.

Sincerely,

Janet G. Mullins  
Assistant Secretary  
Legislative Affairs

**Mr. LAGOMARSINO.** I will paraphrase it.

We understand that in the near future, your subcommittee will begin marking up authorization legislation for foreign assistance programs under your committee's jurisdiction.

The administration shares your desire to see a foreign assistance authorization bill enacted this year and we appreciate your desire to move this process forward in a timely fashion.

Before you begin your markup, however, I would like to call your attention to the administration's bill, the International Cooperation Act of 1991, which was delivered to the Congress on April 12th and introduced by request on April 15th.

As the President stated in his letter to the Congressional leadership, events in recent months have dramatically illustrated a need for a comprehensive revision of the current law governing foreign assistance. This law has become so complex, splintered and restrictive that it no longer serves our national interest.

We believe that our proposed legislation would significantly strengthen our capacity to respond to a rapidly changing international environment while reducing the risk of missed opportunities. Therefore, I would like to request that before concluding with the markup process you and your subcommittee give full and careful consideration to the points made by the President in his letter and to our proposed legislation.

We look forward to working with you in the weeks ahead to produce a foreign assistance authorization bill which will ensure that U.S. economic, humanitarian and military assistance function as a vital instrument of American foreign policy.

Mr. Chairman, I was pleased by your opening comments that you will remain open to changes. I certainly hope that will be the case because as far as the minority is concerned, and I think I speak for the administration, the beginning effort here is not very good. In fact, it is bad.

In the eight-plus years that I have served as ranking Republican on this subcommittee, I have seen a number of proposed recommendations that the majority has put forward as the subcommittee's position on foreign aid to western hemisphere nations.

On every occasion, the approach has been the same: stake out an extreme position on the left with the expectation that through negotiations with the minority the final product will end up where the majority wanted it to be in the first place.

If you look at the history of the past eight years, you will see what that strategy has produced: not very much. Not a single foreign aid authorization bill except in 1985 and that occurred in spite of the subcommittee's recommendations when the Broomfield-Murtha substitute was passed on the floor by two votes and the foreign aid bill itself eked out a three vote majority on final passage.

You would think there would be a lesson there somewhere in the past eight years. There have been three changes in the chairmanship of the committee but it appears there has not been a very great change in approach.

Before the subcommittee today is a series of recommendations which only repeats the mistakes of the past eight years and continues the ill-advised approach in trying to secure a foreign aid authorization bill this congress.

One positive contribution, and you noted this, Mr. Chairman, is where the subcommittee majority in consultation with us, as you said, refrains from taking a position, in this case, temporarily in El Salvador.

I have no confidence, though, that if progress on a negotiated settlement is not achieved that the majority will not see punitive actions against the government of El Salvador without applying equal pressure against the FMLN guerrillas. I hope I am wrong.

As for the prospects for this year's subcommittee recommendations, you need only look at the experience of two years ago when the minority negotiated in good faith in attempting to reach acceptable compromises that would ultimately achieve a foreign aid bill to understand why we are not going to beat our heads against the wall this year with no greater hope of success.

The effort failed then precisely because the measure did not achieve the support of the administration although, as I said, the people on this side of the aisle did agree in good faith and we worked hard and I complement a number of members of this subcommittee for sticking to our agreement in spite of a lot of pressure. Mr. Solarz was one of those and we had some vivid demonstrations of that.

But we did go through a thing when apparently we had an agreement in hand only to be torpedoed by one member or another and we never did get the full support of the administration and we never did get a bill.

This year's extreme subcommittee proposal will meet the same fate as all the previous eight years' efforts. Until this subcommittee is ready to act realistically, it is only continuing to ensure that the Foreign Affairs Committee remains irrelevant in the foreign aid authorization process.

When the majority on this subcommittee finally realizes that to pass a foreign aid bill it will have to reach an understanding with the administration on something the administration can accept, then it cannot expect to receive the cooperation of the minority.

Going through the various sections of the subcommittee's recommendations, you find case after case of micromanagement earmarks and what can only be described by me, anyway, as liberal biases that deny or ignore sensible development objectives that would be achieved through policies which rely on greater flexibility and greater reliance on promoting free market principles, private enterprise and private investment.

You need only compare the examples of Guatemala and Haiti in this bill to fully appreciate the double standard applied by the majority. Both sides of the aisle in the Congress are probably willing to give the benefit of the doubt to the newly-elected democratic government in Haiti, in spite of some serious human rights concerns that have not yet been adequately addressed.

The majority, though, on the subcommittee, however, is not willing, apparently, to offer the same benefit of the doubt to the newly elected democratic government in Guatemala, in spite of the new president's stated commitment to secure a sharp improvement in protection of human rights and in seeking a negotiated settlement for the conflict in that nation. As a matter of fact, there has al-

ready been a very serious attempt on the president's life for attempting to do that.

Other problems with the various recommendations include the heavy reliance on the Sanford Commission's recommendations as the guiding foreign aid principles while ignoring promoting private enterprise and private investment policies.

At a time of shrinking foreign aid budgets, the subcommittee's majority is recommending additional economic assistance and offering large earmarks to pet countries without making any realistic effort to determine where these large increases are going to come from.

The subcommittee relies heavily on participation in and support for UNDP programs that have not always been considered effective or meritorious. Such recommendations are unlikely to elicit Republican or administration support.

The subcommittee majority's strong bias against anything military comes through loud and clear in the variety of conditions and restrictions placed on military assistance and military sales.

Micromanagement of administration aid programs abound in these recommendations:

One, it is particularly distressing to note the subcommittee's willingness to focus on perceived violations by the members of the Nicaraguan resistance while not even referring to documented violations by Sandinista officials;

Two, policing the Dominican Republic's policies towards Haitian sugar cane harvesters;

Three, singling out Peru's Sinchi police;

Four, gratuitous conditions on the Inter-American Foundation's board and principal offices; and

Five, earmarks for Guyana, just among others.

Their prohibition on any type of law enforcement training for the Caribbean except that provided by ICITAP prevents cooperation in vital narcotics control and training programs.

Other problems, for example, include those which have become apparent in cutting off all aid in the case of a military coup. In the conditions on aid to Guyana, the recommendations provide an exception by allowing assistance for the holding of free and fair elections yet the subcommittee's general suspension of assistance if a military coup occurs allows no exception for any country in the hemisphere.

We are already seeing that assistance for the democratic process in Suriname is not allowed because of this type of prohibition.

With all the problems in this proposal for the subcommittee's recommendations, I can only reiterate the fruitless exercise which we are pursuing. If the Foreign Affairs Committee is ever going to reestablish itself as a player in the foreign aid process, it is going to have to start offering reasonable and realistic proposals which demonstrate an ability to work with the administration, rather than an approach that seeks to go the other way.

And I have no greater confidence that this year's effort will produce any different results from those misguided attempts of the previous eight years except from what I heard from the Chairman when we first started this. Maybe there is a little bit of hope left that we can work this out as we go along.

So my recommendation to other Republicans is that they not support this measure until the changes the Chairman talks about have been worked out with the administration and have achieved the administration's support.

Thank you, Mr. Chairman.

Mr. TORRICELLI. Do other members desire to be heard?

Mr. GEJDENSON. I would just like to say that I disagree with almost everything the gentleman from California said.

Nothing personal in that, of course, but it seems to me that one of the problems is that we have negotiated with the minority on this committee only to have the administration reject those agreements. In that sense, I think the Administration may have undercut your ability to come to agreement as well.

I think all of us were frustrated by the process in the past. I do not think that the policies of the administration in Central America are anything to write home about, and I think that while you can probably point to a lot of mistakes in American history, that erring on the side of being concerned about human rights and individual liberties is not one of them. In the case of Guatemala, we have jumped in bed with Guatemalan governments that all too often turned out to be just as brutal and murderous as previous governments.

The native Mayan population in the last several decades in Guatemala has been devastated, their culture under constant assault, even when they themselves were not physically harmed, they were moved around to government-organized camps to the point that their societies have been totally decimated. I am not sure that just handing another check over to the Guatemalan government is the answer to our problems.

I think that the gentleman might take a closer look at some of the conditions in the bill and find that even he would not be that offended by them, although I understand that the administration is.

Thank you.

Mr. TORRICELLI. Mr. Weiss?

Mr. WEISS. Thank you, Mr. Chairman.

I want to talk just a little bit about the Guatemalan situation and indicate that I am going to be supporting the Chairman's mark because I think that it is indeed an effective compromise and I hope that in fact that compromise is maintained.

I would have preferred, and I think it would have been justified under basic human rights legislation on the books, that all economic support funds be cut off for Guatemala. Instead, what the mark suggests and provides is that utilization of balance-of-payment funds be prohibited and that the monies be permitted only for human needs purposes. And I think that that is appropriate, although, as I say, I think that we would be justified in cutting it out all together.

The human rights situation in Guatemala is truly atrocious. U.S. citizens have been abducted and tortured and even murdered. And these U.S. victims are added to the tens of thousands of Guatemalans who have been killed by security forces over the last decade.

These violations—and the almost complete immunity with which they are practiced—continue right up until today. In fact, Ameri-

cas Watch released a report just last week entitled "Guatemala—Slaying of Rights Activists—Impunity Prevails Under New Government."

In short, although the new government of President Serrano has made some encouraging statements about human rights, the violations continue right down to today.

I acknowledge and commend the Bush Administration for its strong statements about human rights violations in Guatemala. I strongly support the administration's cut off of military aid in December, and I commend the efforts of our able ambassador, Tom Stroock, to support human rights in Guatemala.

I do not understand why the administration has requested military aid for Guatemala for next year in light of the suspension of aid, and I do not understand why the administration is unwilling to explicitly condition ESF, the largest portion of our aid package to Guatemala, on human rights improvements.

As I said, under a strict reading of basic human rights legislation, Guatemala's eligibility for any security assistance, including ESF, is questionable.

The Chairman's mark strikes a nice balance between this view and the desire to provide desperately needed assistance to Guatemala.

To put it in one sentence, then, I support the efforts of President Serrano to promote human rights and democracy in Guatemala, but I believe the best way to do that is to keep the pressure on and to keep the standards for U.S. aid high. And although I recommended stronger language about ESF as the legislation was being drafted, I have accepted and will support the compromise offered by the Chairman.

Mr. TORRICELLI. Mr. Solarz.

Mr. SOLARZ. Thank you very much, Mr. Chairman.

I listened very carefully to the observations of the distinguished ranking minority member about the Chairman's recommendations. And I must say I was a little bit concerned to hear my good friend from California characterize them as the embodiment of extremism.

I support these recommendations, yet I would like to think of myself as a man of moderation rather than an exemplar of extremism. I think, Mr. Lagomarsino, there is, as they say around this town, a structural problem here.

The problem as I see it is this: The administration seems to be taking the position with respect not only to the recommendations of this subcommittee but of all of them that they do not want any country-specific requirements or conditions whatsoever in the bill, on the grounds that this constitutes congressional micromanagement of the foreign aid/foreign policy process.

That strikes me as an utterly untenable position. We have a responsibility, as Members of Congress, to authorize and appropriate the taxpayers' money. And I think it is entirely appropriate for us, where we have genuine differences of opinion with the administration, to put conditions or mandates or requirements in the bill.

Now, one can argue over the appropriateness of particular conditions. One can argue that a particular provision is counterproductive rather than productive and if a case can be made that it is, it

ought to be changed or eliminated. But I do not think it is realistic to expect the majority of this committee or of any committee in the Congress, certainly on the Foreign Affairs Committee, to accept the proposition that it simply has to approve whatever the administration has recommended, even if there are some significant policy differences.

I certainly share your view that to the extent we can work out agreements with the administration that is desirable. That is what bipartisanship in foreign policy is all about. But there will always be some issues on which it is not possible to reach agreement, at which point we have our responsibilities and they have theirs.

So I would very much hope as this process moves forward that, to the extent that you or others on the committee feel that particular provisions of this bill are unhelpful, you would come up with alternative language that possibly we can support. But I think a wholesale rejection of everything in the bill other than what the administration has recommended is simply not an acceptable basis for the rest of us to proceed, as much as we would otherwise like to reach agreement with the administration.

So let me say that in general I support what the Chairman has recommended. I think it is a responsible document. But I am prepared, as I am sure the Chairman himself is, to consider any amendments that might be offered now or in the future to the extent that they are compatible with our views and our values.

Mr. TORRICELLI. Thank you, Mr. Solarz.

Mr. Lagomarsino, let me simply respond in several ways, if I could.

First, on a personal note, that I think attacking this draft or questioning my judgment in relation to it are all fair game and acceptable but, indeed, attacking me while in the same breath complimenting Mr. Solarz is completely unacceptable to any member of this subcommittee. [Laughter.]

That is beyond the bounds of accepted behavior.

Let me respond in several substantive ways, if I could.

First, my comments at the outset were sincere. There are few issues in this legislation or, indeed, most that will come before this committee in which I am not prepared to discuss, to try to reach a bipartisan accord to the fullest extent possible.

But to be fair to me and to members of the majority and the staff of this committee, we have been in the process of drafting some of these provisions for weeks. This morning, we received a 200-page single spaced document from the administration with its thoughts.

This is the first time that many of the points you have raised here today have been brought to my attention. There is, in my judgment, no minority alternative on some of these points, at least in language of which I have been made aware. Therefore, to some extent, and, indeed, perhaps there have been things that we could do better and we will improve them.

We have operated in a vacuum. We have not reached all of these decisions in competition with the thinking of the administration, we have reached them in the absence of any thinking by the administration and done the very best that we could.

On the question of El Salvador, members of the minority have no monopoly on outrages of the FMLN. I made very clear in my open-

ing comments that as we indeed begin writing provisions with regard to El Salvador, we will be looking at many factors and many interests.

I am very mindful of the fact that two American servicemen were murdered by forces of the FMLN. Some may raise questions about who did it or the authority or their future prosecution, but that fact remains.

I am mindful of the fact that weapons continue to flow into El Salvador and there have been some escalations.

At the same time, we are also mindful of the fact that for all practical purposes the Jesuits case is not being prosecuted and we are indeed watching closely whether or not the military remains intransigent in the talks in Mexico or indeed makes some of the very concessions that they are now, to their credit, claiming that they are making.

We approach this with no prejudice, only sharing your commitment and that of the administration to see a fair and equitable and a lasting settlement that brings peace to El Salvador. But we do so with these values: wanting the arms stopped, those who killed Americans prosecuted, and those who killed the Jesuits prosecuted. I know you share those concerns, but as we write this provision, that is what will guide us.

Second, let me say with regard to the Dominican Republic, we have added language, we have taken a stand because, in my judgment, there is an issue that should unite all of us. Here in the final days of the 20th century, for all practical purposes, slavery is being conducted by some elements in the Dominican Republic against some of the most desperate people in the hemisphere who are fleeing poverty and death in Haiti.

We want it stopped. We have a right to ask that it be stopped. And we have a right and, indeed, an obligation to use our leverage to see that it is stopped. The committee draft does that.

Finally, with regard to the question of a cut-off if there should be a military coup, the administration has gone to great lengths to compliment itself, and our country, significantly to its credit, for the fact that democracy has been through much or most of the western hemisphere.

It is not any of our belief that that should be a temporary state of affairs. Those who want to change those circumstances and resort again to military governments do so at their own risk and without the promise of continued American assistance. That provision is in this bill.

Significantly, it has also been current American law for a number of years. We are not changing the law; we are restating it. And, significantly, we did so in part because the concept was endorsed by Assistant Secretary Aronson in his own testimony.

Finally, to conclude, let me simply say this: Indeed the Congress has been unsuccessful in passing authorization legislation in recent years, though it is not, in my judgment, because we have taken strong or principled stands. The House of Representatives has passed legislation in most of those years; in some years, by some good margins.

The failure has been in the other body, as the gentleman well knows and for a variety of internal reasons, not because we took

strong or principled stands, though even, in my judgment, if we did, we serve the country better by doing that which we believe, taking strong and principled positions and failing rather than writing and passing legislation in which we have no pride and would not want authorship and would serve no particular interest. So, as I say, indeed, we have not failed to pass legislation because of these reasons.

So from El Salvador to the Dominican Republic to, indeed, the question of Guatemala, I make no apologies for the legislation. I remain open to discuss it through the process.

I do not want confrontation with the government in Guatemala but, in addition to being a member of the Foreign Affairs Committee, we are also representatives of the American people. And in good faith, I cannot ask the American taxpayers to contribute money to the government of Guatemala when that government does not ask for sacrifices from its own people in paying taxes.

There are \$9 billion of uncollected taxes in Guatemala, in a nation of 9 million people—15 percent of corporate income is being reported. Some say there is an effective tax rate of 8 percent.

Now, how can anybody ask the American taxpayer to provide funds to that government for their balance of payments problems, which largely go to import petroleum products or imported products for the wealthiest elements, if they will not tax themselves?

But members of this committee are mindful of the fact that there are desperately poor in Guatemala and we do not want them to suffer for it. Therefore, we are continuing to provide economic assistance to those most desperate elements, but only to those elements.

I hope that clarifies some of our rationale and supplies our reasoning. I hope we can go forward with the bill but every one of these points are open to be discussed during the process.

Are there any further comments before I ask that the legislation be moved?

[No response.]

Mr. TORRICELLI. If not, the Chair would entertain a—Mr. Solarz.

Mr. SOLARZ. Actually, Mr. Chairman, let me, if I may, just make a suggestion. I thought you made a superb statement. In your concluding comment, you raised a point which I have often thought about—that is, the miserable tax effort, not just on the part of Guatemala but on the part of a number of these other countries that want help.

It is a little bit peculiar that we provide aid to countries that tax their own people far less than we tax ours. I think at some point it might be useful for the subcommittee to look at this generically—it is not just Guatemala, it is many others—with a view toward its implications for the foreign aid program and whether it might possibly be worthwhile considering some generic legislation which would establish as a condition for aid some improvement in this area.

I am not saying we necessarily should do that, because you have to examine the economic and political implication of it. But I have a feeling it is an aspect of our foreign aid program which we have not given adequate or sufficient attention because the point you made is a very, very good one. But it applies, I think, broadly.

Mr. TORRICELLI. It does apply to others. It was taken in this case, because it is brought to the extreme. Working families in America are paying a higher tax rate than the wealthiest people of Guatemala. And it simply cannot be justified. But, as you point out, indeed, as a policy consideration, it should be applied elsewhere. This is simply the case in the extreme, but it could be true with others as well.

Mr. LAGOMARSINO. Will the gentleman yield?

Mr. TORRICELLI. Mr. Lagomarsino.

Mr. LAGOMARSINO. I would like to say that I agree—we should take a look at that. Guatemala may be an extreme example, but certainly not the only one.

And, to my knowledge, that particular issue has never been seriously raised before. It has been discussed, but not seriously.

Mr. TORRICELLI. Mr. Lagomarsino, we are not only prepared to discuss taxes in America, we will advance raising taxes anywhere in the world. [Laughter.]

The Chair would entertain a motion to move the draft as presented to the committee, favorably recommending it to the full committee.

Mr. Solarz, would you like to move it?

Mr. SOLARZ. I move this extremist document.

Mr. TORRICELLI. Mr. Weiss, would you like to offer a second?

Mr. WEISS. I do.

Mr. TORRICELLI. All those in favor, please say aye.

[A chorus of ayes.]

Mr. TORRICELLI. Opposed, nay.

[A chorus of noes.]

Mr. TORRICELLI. The draft is passed and sent to the full committee with a favorable recommendation.

Any further business anyone would bring before this committee?

[No response.]

Mr. TORRICELLI. If not, the committee is adjourned. Thank you for your cooperation.

[Whereupon, at 10:53 a.m., the subcommittee was adjourned.]

**FY 1991 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATED OBLIGATIONS 3/  
(DOLLARS THOUSANDS)**

04:07 PM  
25-Feb-91

	DA	ESF	----- PL 480 -----				NARCS 6/	PEACE CORPS	OTHER ECON	FMF	MET	OTHER MILITARY	TOTAL
			TITLE 4/	TITLE 5/	TITLE II	TITLE III							
<b>LATIN AMERICA &amp; CARIBBEAN</b>													
Argentina	-	-	-	-	-	-	-	-	1,000	150	-	-	1,150
Bahamas	-	-	-	-	-	-	1,200	-	-	125	-	-	1,325
Belize	6,736	-	-	-	-	-	-	1,532	500	115	-	-	8,883
Bolivia	22,906	12,000	-	-	12,512	20,000	15,700	1,156	35,000	900	-	-	120,174
Brazil	-	-	-	-	-	-	2,500	-	-	125	-	-	2,625
Chile	10,400	-	-	-	-	-	-	543	-	100	-	-	11,043
Colombia	-	26	-	-	-	-	20,000	-	27,055	2,500	-	-	49,581
Costa Rica	8,163	25,000	15,000	-	-	-	-	1,949	-	230	-	-	50,342
Dominican Republic	9,970	-	-	-	4,611	-	-	2,218	500	900	-	-	18,199
Ecuador	13,971	-	-	-	-	-	1,500	2,325	-	800	-	-	18,596
El Salvador	54,984	128,001	36,000	-	4,981	-	-	-	83,945	1,055	-	-	307,966
Guatemala	28,426	30,000	-	18,000	8,668	-	-	2,615	2,000	400	-	-	90,109
Guyana	-	2,602	7,000	-	-	-	-	252	-	50	-	-	9,904
Haiti	38,302	12,500	-	-	7,626	20,000	-	1,051	1,000	200	-	-	80,679
Honduras	33,625	50,000	-	-	6,240	12,000	-	3,458	21,850	1,100	-	-	128,273
Jamaica	13,721	10,000	30,000	-	3,600	-	1,400	2,360	500	400	-	-	61,981
Mexico	-	-	-	-	-	-	18,300	-	-	400	-	-	18,700
Nicaragua	11,000	204,273	-	29,700	2,525	-	-	394	-	-	-	-	247,892
Panama	-	42,638	-	13,400	-	-	-	586	-	-	-	-	56,624
Paraguay	-	-	-	-	-	-	-	2,202	-	175	-	-	2,377
Peru	8,738	-	-	-	28,985	22,000	10,000	-	34,000	900	-	-	114,623
Suriname	-	-	-	-	-	-	-	-	-	25	-	-	25
Trinidad/Tobago	-	-	-	-	-	-	-	-	250	85	-	-	345
Uruguay	-	-	-	-	-	-	-	460	-	200	-	-	660
Venezuela	-	-	-	-	-	-	1,000	-	-	125	-	-	1,125
Nicaragua/Panama Admin Exp.	-	9,080	-	-	-	-	-	-	-	-	-	-	9,080
Caribbean Regional	17,029	2,150	-	-	-	-	-	2,550	3,000	700	-	-	25,429
Central American Reg	-	-	-	-	-	-	-	-	-	-	-	-	0
ROCAP	17,307	-	-	-	-	-	-	-	-	-	-	-	17,307
LAC Regional	63,789	9,498	-	-	-	-	6,000	-	-	-	-	-	76,287
PACAMS	-	-	-	-	-	-	-	-	-	1,000	-	-	1,000
Andean Narcotics Initiative	-	175,000	-	-	-	-	-	-	-	-	-	-	175,000
<b>Total</b>	<b>357,667</b>	<b>712,768</b>	<b>87,000</b>	<b>61,100</b>	<b>78,748</b>	<b>74,000</b>	<b>88,800</b>	<b>25,851</b>	<b>210,800</b>	<b>12,770</b>	<b>-</b>	<b>-</b>	<b>1,707,304</b>

(147)

APPENDIX 1

**FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - REQUEST**  
(DOLLARS THOUSANDS)

04:07 PM  
25-Feb-91

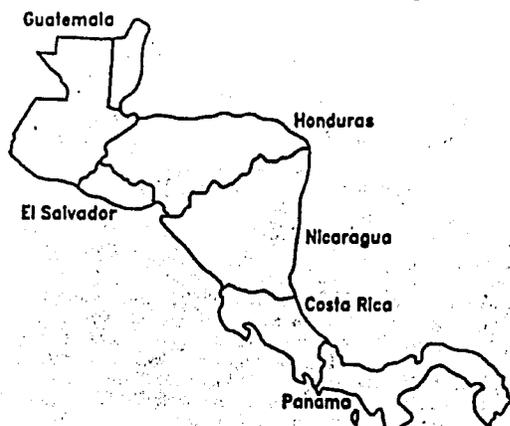
	DA	ESF	----- PL 480 -----			NARCS	PEACE CORPS	OTHER ECON	----- FMF -----		IMET	OTHER MILITARY	TOTAL
			TITLE I	TITLE II	TITLE III				LOANS	GRANTS			
<b>LATIN AMERICA &amp; CARIBBEAN</b>													
Argentina	-	-	-	-	-	-	-	-	1,000	-	200	-	1,200
Bahamas	-	-	-	-	-	1,200	-	-	-	-	125	-	1,325
Belize	7,500	-	-	-	-	-	1,632	-	500	-	125	-	9,757
Bolivia	22,500	25,000	-	13,295	20,000	15,700	1,262	-	40,000	-	900	-	138,657
Brazil	-	-	-	-	-	3,500	-	-	-	-	150	-	3,650
Chile	400	-	-	-	-	-	700	-	1,000	-	150	-	2,250
Colombia	-	-	-	-	-	20,000	-	-	58,000	-	2,300	-	80,300
Costa Rica	8,000	20,000	10,000	-	-	-	2,187	-	2,360	-	230	-	42,777
Dominican Republic	13,000	5,000	10,000	4,306	-	-	2,213	-	2,000	-	900	-	37,419
Ecuador	15,000	-	-	-	-	3,000	2,486	-	5,000	-	800	-	26,286
El Salvador	55,000	120,000	30,000	2,812	-	-	-	-	85,000	-	1,400	-	294,212
Guatemala	28,225	30,000	15,000	8,909	-	-	-	2,560	-	-	400	-	87,094
Guyana	-	2,000	5,000	-	-	-	638	-	-	-	50	-	7,688
Haiti	38,750	24,000	-	13,810	12,000	-	1,428	-	2,200	-	665	-	82,853
Honduras	41,000	50,000	-	5,432	12,000	-	3,645	-	19,100	-	1,100	-	132,277
Jamaica	16,500	15,000	30,000	3,600	-	1,500	2,346	-	3,000	-	450	-	72,396
Mexico	-	-	-	-	-	26,000	-	-	-	-	430	-	26,430
Nicaragua	22,000	150,000	25,000	7,000	-	-	650	-	-	-	-	-	204,659
Panama	17,000	10,000	-	-	-	-	838	-	-	-	-	-	27,838
Paraguay	-	-	-	-	-	-	2,061	-	-	-	175	-	2,736
Peru	15,700	-	-	50,000	22,000	-	-	-	39,000	-	900	-	127,600
Suriname	-	-	-	-	-	-	-	-	-	-	-	-	0
Trinidad/Tobago	-	-	-	-	-	-	-	-	-	-	-	-	0
Uruguay	-	-	-	-	-	-	647	-	500	-	85	-	595
Venezuela	-	-	-	-	-	2,000	-	-	1,000	-	325	-	1,975
Nicaragua/Panama Admin Exp.	-	-	-	-	-	-	-	-	-	-	175	-	2,175
Caribbean Regional	20,800	3,000	-	-	-	-	2,651	-	-	-	-	-	0
Central American Reg	-	-	-	-	-	-	-	-	4,245	-	700	-	31,396
ROCAP	18,000	-	-	-	-	-	-	-	-	-	-	-	0
LAC Regional	66,825	9,900	-	-	-	27,000	-	-	-	-	-	-	18,000
PACAMS	-	-	-	-	-	-	-	-	-	-	-	-	103,725
Andean Narcotics Initiative	-	250,000	-	-	-	-	-	-	-	-	1,000	-	1,000
<b>Total</b>	<b>408,208</b>	<b>713,900</b>	<b>125,000</b>	<b>108,164</b>	<b>88,000</b>	<b>88,800</b>	<b>27,953</b>		<b>268,405</b>	<b>13,745</b>			<b>1,828,267</b>

APPENDIX 2

**APPENDIX 3****ECONOMIC ASSISTANCE STRATEGY  
FOR CENTRAL AMERICA  
1991 to 2000**

**"Now it falls to us to strive towards a developed Central America, one capable of meeting by itself the basic needs of each of our citizens. We see integration as the means for achieving this development, and aspire to see Central America linked to the world in a mutually productive and respectful interdependence..."**

**Declaration of Antigua, June 1990**



**January 1991**

**Agency for International Development  
Washington D.C.**

## EXECUTIVE SUMMARY

### I. INTRODUCTION: A NEW CENTRAL AMERICA AND A NEW CHALLENGE

#### A. A NEW POLITICAL AND ECONOMIC ENVIRONMENT

##### *Democratically Elected Governments*

For the first time in history all the countries of the Central American Isthmus, from Guatemala to Panama<sup>1</sup>, are led by democratically elected governments committed to market-based economic policies. The realignment of East-West relations and the discrediting of statist and import-substitution economic policies provide a new generation of leaders a unique opportunity to solidify democracy and set a course of dynamic and equitable growth.

##### *Progress toward Peace*

The Central Americans are justifiably proud of progress toward peace under the Esquipulas Accords. The democratic transfer of power in Nicaragua, the peace negotiations in El Salvador, and the end to despotic government in Panama provide a basis for renewed regional cooperation and a better environment for all of the peoples of Central America to build a more secure and hopeful future.

##### *A Renewed Commitment to Mutual Interdependence*

Central American leaders, building on the success of the Esquipulas peace process begun in 1987, have renewed their efforts to rebuild their economies and integrate Central America into the world economy. In the Declaration of Antigua (June 1990), and reaffirmed in the Declaration of Puntarenas (December 1990), these leaders committed their countries to mutually supportive interdependence and set forth their own vision of Central American cooperation.

#### B. A SHARED VISION

##### *Peace, Democracy, and Development*

Today U.S. and Central American leaders share a common belief, expressed eloquently in the report of the International Commission for Central American Recovery and Development (the Sanford Commission), that "lasting peace, genuine democracy, and equitable development are inextricable. These three objectives are mutually reinforcing. None is sufficient by itself; all are necessary." That report, prepared by a diverse group of Central Americans and individuals from other nations in the Americas and elsewhere, is representative of the growing dialogue between Central Americans and those from outside the region who share a concern for its future.

##### *Supporting the Vision*

President Bush, in introducing his Enterprise for the Americas Initiative (EAI), underscored U.S. support for Central American efforts to deepen democracy, foster trade and investment, and promote sustained, broad-based economic growth. "The future of Latin America," the President said, "lies with free governments and free markets." The United States supports the Central Americans' expressed desire for greater political and economic interdependence which we believe will discourage instability and accelerate economic, social, and political progress.

<sup>1</sup>Belize is dealt with by A.I.D. primarily in the context of the Caribbean region. It will be formally involved in the Central American Strategy as the opportunity arises, e.g. its observer role in the Partnership for Democracy and Development.

The EAI is designed to bolster the democratic and market-oriented transition throughout Latin America by focusing on trade, investment, and debt reduction. A companion initiative, the Partnership for Democracy and Development in Central America (PDD), will encourage broad support from the international community for regional democratization and development. The PDD will provide a forum for fostering international support for regional economic policies and integration efforts, strengthened democratic institutions, and a coordinated approach to bilateral and multilateral assistance to the region.

Increased private investment in productive areas is the key to the success of the EAI. Foreign investment is important – and substantial amounts of it are already flowing. Some of the flight capital that left the region in the early 1980s has begun to return, and continued good policies will result in additional repatriation. Further financial reforms are also needed to increase the level of domestic savings which are critical for greater investment in the region.

With its field missions, the Agency for International Development (A.I.D.) can play a role in achieving the goals of the EAI. A.I.D. support for institutional and policy reforms in the trade and investment area, in addition to macroeconomic policy reform, will lay a basis for sustained growth in investment. In addition, support for increased linkages between the U.S. business community and Central American entrepreneurs will speed up the process of investment and trade. A.I.D. can continue to help Central American countries address their debt problems and take advantage of opportunities under the EAI to reduce debt. Consolidating democracies, addressing the social problems of the disadvantaged and ensuring better management of the environment will require the Central American countries to mobilize increased internal and external resources and use them more efficiently.

## C. CENTRAL AMERICA: RECOVERING FROM THE CRISES OF THE 1980s

### *Crisis Management: The Early 1980s*

In the early 1980s, Central American countries faced a profound economic and political crisis. The governments of Guatemala and El Salvador were under virtual siege by leftist insurgents and the extreme right; the Sandinistas were solidifying their power in Nicaragua and menacing El Salvador; Panama was under the increasingly brutal control of General Noriega; Honduras was preparing to end a long period of military rule in the face of a faltering economy. Only Costa Rica had a democratically elected government at the beginning of the decade.

The economies of the region were reeling under the impact of the oil crisis and subsequent recession. It is estimated that at least \$1.5 billion in capital left between 1980 and 1982; public and private debt skyrocketed to over \$10 billion; and private investment, both domestic and foreign, plummeted. Sharp declines in income (12% region-wide and as much as 20% in El Salvador) exacerbated the political crises. Even stable Costa Rica experienced sharply reduced incomes, high inflation, and rising unemployment. Governments everywhere were losing the capacity to face the economic challenges and to deliver basic social services.

### *Adopting an Outward Economic Orientation*

The crisis of the 1980s made clear to the Central American countries that their economies were ill-equipped for the rapidly changing international economic environment. A regional consensus has emerged that a more outward-oriented economic strategy is essential to sustained, broad-based development. Private sector leaders who once lobbied for the revival of a protected regional market are now turning their energies to exporting new products to new markets outside the region. Governments are lowering tariffs, eliminating restrictions on foreign investment, and taking other important measures to liberalize their economies.

*Progress under the Central America Initiative*

The Central American Initiative, launched in 1984, was a comprehensive effort by the U.S. Government to help the Central Americans restore long-term political and economic progress. Much has been achieved (Chart I). Democratically elected governments are now in power throughout the region, headed by presidents who achieved national prominence as political, rather than military, leaders. They are men and women of vision, committed to the democratic process and to improving the well-being of their citizens through sustainable, economic growth.

The economic hemorrhage of the early 1980s has been stemmed and positive economic growth restored. Excluding Panama and Nicaragua, the region has achieved positive real annual per capita growth each year since 1987. Outward-looking economic policies are now in place that promise sustainable growth. The region's entrepreneurs have responded by developing new export products for the United States and Europe. This export growth has created significant new employment and generated growing demand for imports, particularly from the United States.

With substantial aid from the United States and other donors, most countries have been able to improve social indicators. Over 1.8 million more people now have access to potable water. Infant mortality rates have fallen and immunizations and the use of oral rehydration therapy have expanded. An additional 400,000 children are attending primary schools, producing modest gains in primary school coverage and completion rates, despite high birth rates (Chart I).

CHART I: Indicators of Progress During 1984-1990

INDICATOR	1984	1990
Real Per Capita GDP Growth <sup>1</sup>	-0.5%	0.2%
Private Investment (% of GDP)	7%	13%
Nontraditional Exports (\$ Billion) to US	0.4	1
Democracy Rating for Political Rights and Civil/Political Liberties (Scale of 1 to 7) <sup>2</sup>	3.6	2.7
Primary School Enrollment Ratio (Gross) <sup>3</sup>	89%	93%
Primary School Completion Rate (Gross) <sup>3</sup>	52%	60%
Infant Mortality (per 1000 births)	58	45
Water Supply Coverage <sup>4</sup>	56%	60%
Sanitation Coverage <sup>4</sup>	48%	59%
Vaccination Coverage <sup>5</sup>	50%	66%
Children under 5 Malnourished <sup>6</sup>	20.4%	17.8%
Calorie Availability (per capita)	2,336	2,383
Annual Rate of Population Increase <sup>7</sup>	2.71%	2.65%
Annual Deforestation Rate <sup>8</sup>	N/A	3%-7%

<sup>1</sup>Excludes Nicaragua.

<sup>2</sup>Freedom House is an independent non-profit organization that has conducted a comparative survey of freedom since 1972. Countries are ranked on a scale of 1 (fully free) to 7 (not free), on the basis of a 36-point checklist of political rights and civil liberties that measures such variables as elections, breadth of political participation, freedom of groups and the press from political terror or intimidation, and individual human rights.

<sup>3</sup>Percentage of Central Americans with access to water within 50 meters.

<sup>4</sup>Percentage of Central Americans with access at least to a latrine.

<sup>5</sup>An estimate of the percentage of living children between the ages of 12 through 23 months who have been vaccinated before their first birthday—three times in the cases of polio and DPT and once for both measles and BCG.

<sup>6</sup>Percentage of children under 5 years of age below 2.0 standard deviations of the WHO/NCHS reference population.

<sup>7</sup>Excludes Nicaragua, El Salvador (due to war).

<sup>8</sup>Under the Regional Environmental Project (RENARM), A.I.D. is developing improved environmental indicators to measure performance and progress in this priority program area.

## II. A.I.D.'S STRATEGY AND TARGETS FOR THE 1990s

### A. THE FRAGILITY OF PROGRESS TO DATE

Much has been accomplished to achieve peace, democracy, and economic recovery in Central America, but much remains to be done. The foundation for progress must be made permanent. More than anything else, what is needed now is the continued nurturing of the institutions of economic and political freedom to deepen their roots.

Serious challenges remain. Continuing internal strife in El Salvador and Nicaragua is evidence of the fragility of democratic principles. While elections have been held, many democratic institutions are weak, particularly at the local level. Although most countries are managing their economies better, they still need assistance to sustain their adjustment programs. Moreover, continued poor world markets for Central American products, an unresolved external debt problem, high population growth rates, and environmental degradation will complicate the economic management problems of the region's leaders. The majority of Central Americans still live in poverty, many in extreme poverty, and lack the means to alter their situation in the foreseeable future unless national policies and programs reduce the barriers to their participation in democratic political systems, growing economies, and fundamental social services.

### B. KEY PREMISES

A.I.D. will build on past successes by consolidating and focusing its programs in the areas of participatory democracy and broadly-based growth. The World Bank's *World Development Report for 1990* makes clear that market-based economic growth is essential for rapid and sustained progress in reducing poverty. "Getting prices right" not only provides farmers and urban residents more incentives to increase production; it also removes exchange-rate, credit, fiscal, and other distortions that have made capital arbitrarily cheap. This means that employers will place a higher value on labor, thus creating more jobs and providing the poor more income with which to improve their standards of living. Rapid and sustained economic growth also provides governments more revenue with which to expand primary education, primary health and nutrition programs, family planning programs, and other basic services that constitute the second major element of a successful strategy for reducing poverty. This kind of broad-based, sustainable model of economic growth offers Central American countries the best prospects for strengthening the democratic gains made during the 1980s.

A.I.D.'s strategy for supporting a deepening of democratic processes and the achievement of rapid broad-based, and sustainable economic growth is based on the following key premises:

#### *There is a Shared Vision of the Region's Future*

Central Americans have a vision of their future, and one aspect of that vision is that increased regional interdependence can promote common good for the region.

The Central Americans will use the consultative group and PDD mechanisms to mobilize additional external cooperation, trade, investment, debt relief, and democratic development.

***Trade, Investment, and Aid are Linked***

Over the longer term, increased trade and investment are key to the economic development of Central America, and aid can help lay the basis for this private sector-led growth. A.I.D. will place increased emphasis on trade and investment within its programs and explicitly link them to business outreach activities with and in the United States.

Expansion of trade and investment must be based on comparative advantage, which will require increased productivity, specialization, and aggressive marketing.

Significant policy and regulatory changes encouraging increased private investment and open trade are required to stimulate significant growth.

A reduction of political strife and an improved regional macroeconomic and sector policy environment will encourage substantial renewed private capital flows into the region.

Accelerated economic growth in Central America will create larger markets for U.S. exports, greater opportunities for U.S. investors, and more trade opportunities for Central American countries within the region, with the United States, and in the world economy.

***Public and Private Sector Responsibilities Must be Realigned***

Centralized government bureaucracies need to be reduced, with productive activities transferred to the private sector and essential government services provided with greater efficiency. The roles of municipalities, the private sector, and non-governmental organizations in development should be increased.

The multilateral banks and the private sector will take the lead in financing the construction and rehabilitation of productive infrastructure in the region.

A.I.D. will maintain and foster sound and focused safety net programs in the context of continued support for the Central Americans' macroeconomic policies and programs.

***The U.S. Role and Objectives Will Change***

The need for U.S. assistance to Central America will decline as recovery proceeds, as trade and investment flows to the region expand, and as other sources of multilateral and bilateral assistance increase.

In order to obtain the most productive use of more limited resources, Congress will need to agree to eliminate functional accounts and minimize earmarks of U.S. assistance to Central America.

A.I.D. will also streamline the programming process, including new sector assistance approaches.

### C. TEN PRINCIPLES OF A.I.D.'S STRATEGY IN THE 1990s

With these premises serving as a framework, ten major principles will guide A.I.D.'s development assistance strategy in Central America during the 1990s:

1. Greater emphasis will go to supporting the development of democratic institutions and particularly to deepening and broadening participation in democratic processes.
2. To consolidate the democratic process, A.I.D. will emphasize programs to strengthen the judicial, legislative, and electoral systems through increased professionalism, heightened accountability, and civilian oversight.
3. Programs will be expanded to promote informed civic participation in public policy issues as a stimulus for open and responsive government.
4. The Central Americans, with A.I.D. assistance, will strengthen democratically-elected local governments through decentralization of real authority and resources.
5. A.I.D. will help Central Americans eliminate impediments to private sector-led trade, investment, and employment generation. In doing so, A.I.D. will gradually shift its focus from addressing macroeconomic constraints to helping to reduce barriers to growth in specific economic sectors, i.e. industry, agriculture, tourism, energy, and services such as finance.
6. Greater emphasis will be given to encouraging Central Americans to adopt economic policies, incentives, regulatory frameworks, and management practices which promote the protection and sustainable use of the natural resource base.
7. To help assure that a majority of Central Americans share in the benefits of a growing economy, A.I.D. will encourage governments to adopt policies and regulatory frameworks that will facilitate greater participation in the economy by the disadvantaged. A.I.D. will focus especially on policies designed to promote increased employment at the lower end of the economic spectrum where Central America has comparative advantages in labor costs.
8. A.I.D. will help Central American governments and the private sector improve the effectiveness, efficiency, financing, and local control of basic social services, thus increasing access to them and assuring their sustainability. Further improvements in the social service sectors will require increased national financing of public sector programs (in contrast to donor-funded service delivery) and broadening of private sector financing of quality health and other social service delivery wherever feasible.
9. Within the EAI and PDD frameworks, A.I.D. will more closely collaborate with other U.S. Government agencies, multilateral development institutions, and bilateral donors in helping Central Americans meet their political and economic development goals.
10. To reinforce the benefits of increased cooperation among the Central Americans, A.I.D. will support regional initiatives through regional and bilateral efforts to encourage regional dialogue and networking. Working with the Central Americans, A.I.D. will support initiatives such as promoting and strengthening intra-regional dialogue and interchange among Central American legislative representatives, including the possible emergence of a Central American Parliament; promoting liberalization of trade in goods and services; facilitating the free flow of capital both intraregionally and between the region and the rest of the world, and supporting initiatives of special significance to the U.S. Government, e.g. counter-narcotics issues.

#### D. TARGETS FOR THE YEAR 2000

With adequate international support, Central America by the year 2000 can be a democratic, vibrant, and increasingly prosperous region. Specifically, the following targets appear attainable:

##### *Democracy*

- Free and open national and local elections will be the norm.
- Administrative and financial authority of local governments, including the power to generate revenues, will be increased, while that of central bureaucracies will decrease.
- Strengthened judiciaries will increase respect for the rule of law and human rights, and better protect the security of person and property.
- Legislatures will function effectively, and intraregional cooperation will increase through a Central American Parliament.
- The autonomy of the military in political and economic processes will be reduced.
- Civic participation in the democratic process will increase.
- The press and other communications media will be freer and more responsible.

##### *Broad-Based, Sustainable Economic Growth*

Central America will be a full participant in the world economy, with market-oriented economic policies that make possible steady increases in employment and productivity based on the region's comparative advantages. Government policies will reinforce a broadening of the economic base by improved access to quality basic education and health care in response to the democratically-expressed will of the people, by market-based policies that nurture entrepreneurs, small businesses, and agricultural producers, and by a legal framework that protects property.

Feasible indicators for measuring progress are shown in Chart 1. Specific quantitative goals will be reflected in regional and country strategies and annual action plans, and adjusted as may be necessary in light of evolving circumstances. In this manner, it is feasible to account for and measure progress in each country. This is particularly important due to the diversity that exists in the region in the quality of life, conditions and prospects for economic growth, and the stability and development of democratic institutions.

While it is difficult to project goals ten years in advance, it is estimated that regional economic growth by the end of the decade should increase to 5% per year. Private investment as a percentage of Gross Domestic Product should increase from 13% to 19% region-wide, while nontraditional exports to countries outside the region are expected to increase from a baseline of \$1.46 billion in 1990 to over \$4.7 billion by the end of the decade. Infant mortality (per 1,000 births) should decrease from a 1990 baseline of 45 to about 37 region-wide. Communicable diseases susceptible to immunization control should be virtually eliminated by the end of the decade. The regional primary school completion rate is expected to rise from a 1990 baseline of 60% to over 70% in the year 2000.

# APPENDIX 4

## STATEMENT OF

AMBASSADOR BILL K. PERRIN, PRESIDENT

OF THE INTER-AMERICAN FOUNDATION

Mr. Chairman, Having been sworn-in as President of the Inter-American Foundation on February 19, 1991, this is my first opportunity to testify before the Subcommittee on the Foundation's behalf. It is a distinct honor to do so and one which I take most seriously. You have entrusted the Foundation with a considerable amount of taxpayers' dollars, and it is my responsibility to ensure that these precious resources are well spent. My view is that this can best be accomplished by redoubling our efforts to help people at the grassroots in Latin America and the Caribbean to help themselves. With your support, which is so vital to our continued progress and with the necessary resources, we can succeed.

The President has requested a Fiscal Year 1992 appropriation of \$28.794 million for the Foundation which would be combined with \$8.617 million in Social Progress Trust Funds ("SPTF") resources to yield a total budget of \$37.411 million. This request reflects both the Administration's increasing interest in channeling U.S. development assistance through people-to-people programs and its commitment to replacing the Foundation's diminishing SPTF resources with appropriated funds. Consistent with previous years' expenditures,

82 percent of the total budget, \$30.593 million, would be used for program activities in Latin America and the Caribbean. The remaining \$6.818 million would be allocated for administrative expenses.

The Foundation's FY 1992 budget presentation provides considerable detail on the Foundation's proposed program. Rather than reiterate the information contained in that document, I believe it would be more useful to briefly reflect on my first few weeks at the Foundation's helm.

In this short span, I have learned a great deal about the Foundation's significant role in promoting self-help development throughout Latin America and the Caribbean. Clearly, I have much more to learn and look forward to the many challenges ahead.

Fortunately, my arrival at the Foundation is like a homecoming. I have great admiration for Latin America's people and diverse cultures resulting from many years as a businessman in Mexico and Texas and my work as Peace Corps Country Director for Belize and the Eastern Caribbean. It is genuinely exciting to again devote my energy and attention to this hemisphere at such a pivotal moment in its development.

Despite the region's well-documented economic and social problems, there is great hope that the 1990s will be a decade of change, growth, and prosperity. Yet these goals cannot be achieved without addressing the needs and aspirations of its poorest people. As the English poet John Donne eloquently wrote more than three hundred years ago:

No man is an island, entire of itself; every man is a piece of the continent; a part of the main...

Now, more than any time in history, we are all involved in mankind; we are all part of the main.

Thus, we are compelled to try together to find workable solutions to the problems of poverty and underdevelopment. Otherwise, we will all be diminished by the cries of the hungry, the despair of the illiterate, and the frustration of the unemployed.

Modern telecommunications, computer technology, and air travel have revolutionized the world we inhabit and the problems that confront us. In the shantytowns of Rio de Janeiro or the mountain communities of the Andean altiplano, Latin America's poor are keenly aware of the momentous political and economic changes transforming the globe. And many are asking, "What

does all this mean for me and my family? Is there reason to hope for a better life?"

I believe there are compelling reasons to hope for a better life, and one of them is the Inter-American Foundation. The Foundation was created to promote local, self-help solutions to the problems that the poor confront, and to do so through organizations managed and run by those whom they serve. These are the essential ingredients that people need to take control of their lives and their futures.

My goal is to identify and support those programs which are most effective in creating and sustaining economic growth at the grassroots. Such efforts encourage people to invest themselves in their communities rather than moving to already overcrowded cities or emigrating to other countries. Moreover, these initiatives not only contribute to the well-being of the people directly involved but also help to create conditions conducive to orderly social and political progress. In this way, positive changes proceed along vertical and horizontal paths that influence the pace, scale, and quality of development.

Another important way to improve our chances for success is to ensure that the Foundation carefully coordinates its plans with

the Peace Corps and the Agency for International Development. I am personally familiar with both agencies and know that when we work in concert rather than at cross-purposes our combined efforts are much more effective. Both in Washington and when traveling in the field, I will pursue this theme with Peace Corps and AID Country Directors.

Finally, I want to express how honored I am by the trust and confidence which the Foundation's board of directors has placed in me. I will certainly do all I can to fulfill their expectations and help the Foundation achieve its full potential. With the support of the staff, the board of directors, and the Congress, I know we can succeed.

Thank you.