

# ARMS CONTROL AND FOREIGN POLICY CAUCUS

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## THE DEVELOPING WORLD: DANGER POINT FOR U.S. SECURITY

A REPORT TO THE ARMS CONTROL AND FOREIGN POLICY CAUCUS

COMMISSIONED BY

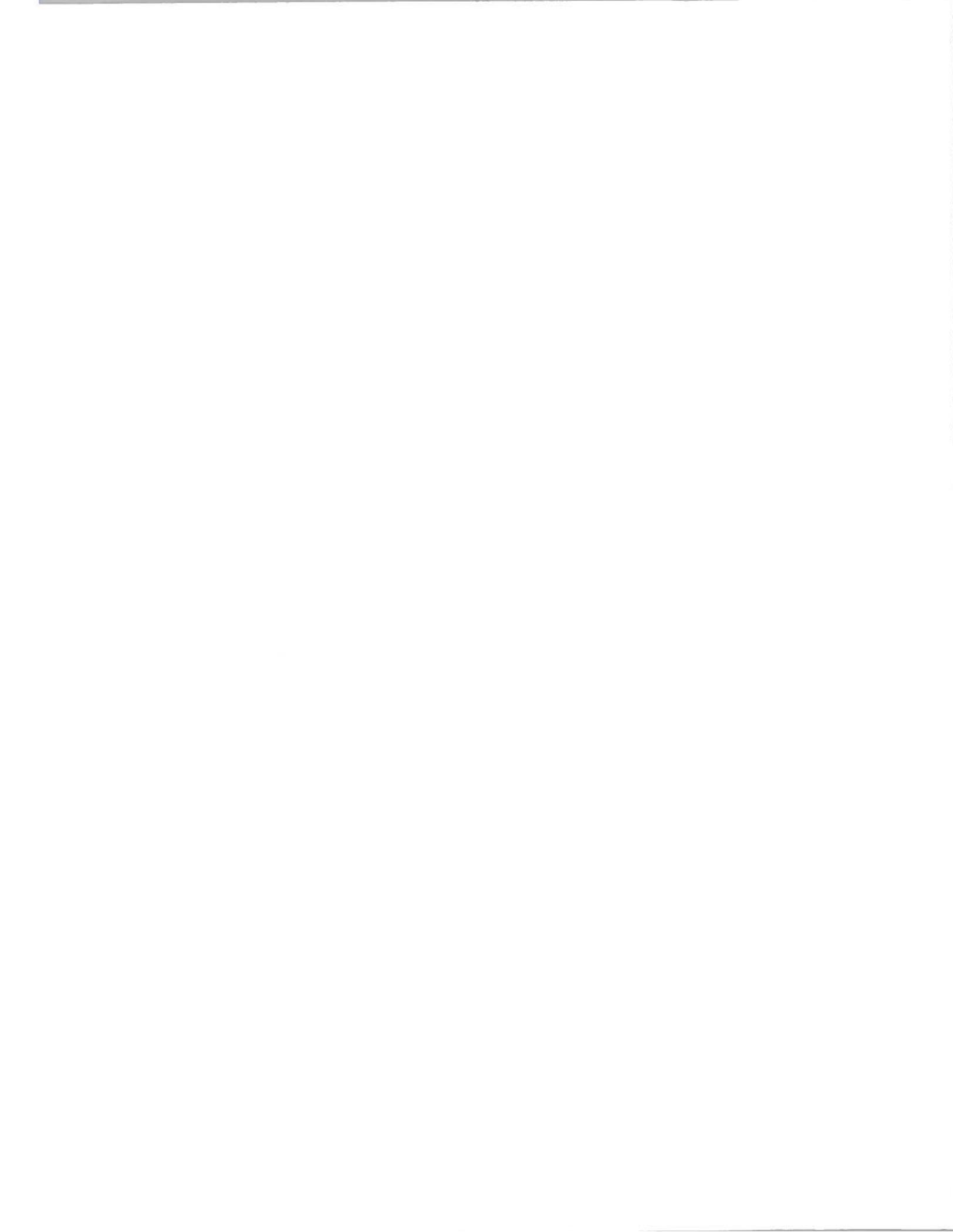
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## THE DEVELOPING WORLD: DANGER POINT FOR U.S. SECURITY

### PREFACE

A year ago, as the Senate was ratifying a nuclear arms control treaty for the first time in 15 years and as Ronald Reagan's eight-year term in the White House was drawing to a close, a group of Members of Congress from the Senate and House of Representatives began meeting to discuss new concepts of U.S. security, and to educate ourselves on the key aspects of what we called the "North-South" relationship.

These meetings, at which a broad range of experts from both the developing and developed countries spoke, challenged our assumptions on many foreign policy issues and introduced us to new approaches and new threats. At the conclusion of the series, participating Members expressed a desire for more information: for specific data on the situation in the developing world and its impact on U.S. security, for the compilation of that data in an easily-usable reference, and for specific evaluations of U.S. policies and recommendations about the directions the United States ought to take in the 1990's and the 21st Century.

This report is the result.

The report, which was prepared by the staff of the Arms Control and Foreign Policy Caucus (the Congressional policy group that originated the meetings) in consultation with us and members of our staffs, identifies and defines five key challenges that confront developing nations -- economic stagnation, environmental damage, the threat to democracy of the military's political power, weapons proliferation and militarization, and drug-trafficking -- and their implications for U.S. security.

We believe this report documents that these five challenges are emerging as a potentially greater long-term threat to U.S. security than Soviet military power. U.S. foreign policy must address them as key challenges not just to the developing world, but to U.S. security as well -- rather than as isolated or secondary issues, as we have too often in the past. The policies we adopt must be fashioned on economic and security grounds that are relevant to the 1990's, rather than on the ideological grounds of a Cold War that began at the end of World War II.

We also believe that the advent of a new Administration in Washington and the apparently new approach to international relations exhibited by Soviet leader Mikhail Gorbachev offer a unique opportunity to reorient foreign policy for the next decade.

This report serves the valuable function not only of identifying the five challenges we believe are paramount, but also of measuring -- with facts and figures -- the extent of those problems in the developing world and of evaluating their impact

specifically on the United States. For instance, the report documents that the economic slow-down in developing countries during this decade cost the United States 1.8 million jobs; that the instability caused by recent civil conflicts in Central America cut U.S. exports to that region by 30 percent; and that the destruction of tropical rain forests eliminates wild species that provide half of U.S. medicines.

By providing a range of specific, detailed examples of the direct importance of the developing world to the United States -- economically, politically and militarily -- this report represents a unique effort: it puts the challenges and changes in the developing world into an American political context, rather than into a solely academic or strictly legislative one.

By fundamentally reexamining the goals and assumptions of U.S. programs and reassessing our priorities, the report is bound to provoke controversy -- especially in its evaluation of U.S. programs and policy toward the five challenges. The report finds, overall, that U.S. policy often has failed to achieve U.S. interests in promoting development and democracy. And the report documents this failure with hard, even brutal, data.

On a more positive note, the report also finds that a transition may be beginning toward a more workable foreign policy, one which recognizes the importance to U.S. interests of assisting the developing world, particularly through multilateral initiatives, to reduce debt, protect the environment, promote democracy and civilian control of the military, negotiate settlements to wars, reduce weapons proliferation, and provide alternatives to drug production. The report makes a number of recommendations to strengthen and speed this transition.

Finally, to guide Members in fashioning sustainable policies, the report includes a comprehensive review of available polling data on public opinion on both foreign policy and foreign aid.

The report also makes some significant discoveries -- findings with which we are still grappling, but which clearly demand new attention. For instance:

- Only one of the 23 conflicts being fought in the world in the past two years occurred in a full and stable democracy, while the 22 others occurred in one-party states or countries with elected governments that have not fully consolidated democracy. This suggests that the chance of war increases as political freedoms decrease, and that U.S. security interests in political stability are enhanced by the expansion of political rights.

- Developing countries spend \$200 billion each year on military budgets, more than enough to pay their annual international debt service of \$135 billion, and four times the level of their annual economic aid from all donors,

including the U.S. This suggests that priorities must change in developing countries' own budgets as well as in the U.S. foreign aid budget.

● The comprehensive review of polling data reveals that Americans' concerns have shifted from East-West issues, such as communist expansion, to North-South issues, such as drugs and trade; and that while the U.S. public strongly supports foreign aid when it believes the aid directly benefits the poor, a majority opposes military aid and aid to dictators.

The findings in the report, and the recommendations, are those of the staff of the Arms Control and Foreign Policy Caucus. While we are not unanimous in our support of each and every one of them, as the Members who commissioned the report we are pleased to submit it to our colleagues in the Caucus as a unique resource on which we should reflect before making decisions on the real nature of the threats to U.S. security. We call for recognition that the next decade and the next century will require new approaches and a new commitment to seeing the developing world as a full partner with the developed world. Only with this recognition will we be able to design policies to achieve our mutual security.

Sen. Mark O. Hatfield (R-Oregon)  
Rep. Mickey Leland (D-Texas)  
Rep. Matthew F. McHugh (D-New York)

August 1, 1989



## Chapter I

### INTRODUCTION AND SUMMARY

The United States is at a turning point in its foreign policy toward the developing world. As we enter the 1990's, our traditional East-West orientation in foreign policy, initiated over 40 years ago to meet the challenges of the Cold War, is becoming increasingly irrelevant to our security interests.

The world has undergone a dramatic transformation since the conclusion of World War II. Few of today's African and Asian countries were independent then, and few Latin American countries had foreign policies independent of the United States. In just the past five years alone, a radical shift in East-West relations has begun to turn a dangerous competition for influence into an uneasy, mutual search for security.

Signs of this shift include the Intermediate-Range Nuclear Forces Treaty, Mikhail Gorbachev's and George Bush's proposed reductions of forces in Europe, the decision of Central American Presidents to disarm the contras and sponsor democratic elections in Nicaragua, the withdrawal of Soviet troops from Afghanistan, and U.S.-Soviet cooperation on a cease-fire and the withdrawal of foreign troops from Angola and Namibia.

At the same time, U.S. policy-makers have started to see the overriding importance to U.S. security of issues that fit into a global, or North-South, context rather than an East-West one. For example, solutions to problems such as global warming, drug trafficking and international debt require the cooperation of developed and developing countries, and would benefit all.

This report seeks to define U.S. security interests in the developing world for the 1990's and beyond, to evaluate the policies and foreign aid programs that are used to promote those interests, and to make recommendations to improve policies and programs. The report also includes a comprehensive review of polling data on foreign policy, designed to ascertain what sort of policies and programs the public is likely to support.

#### Summary of Findings

(1) The developing world faces five serious challenges: economic stagnation, environmental damage, the political power of the military, militarization (war, military spending and weapons proliferation), and drug-trafficking.

- A trillion dollar debt has led to a 50 percent reduction in economic growth in the developing world.

- At current rates of deforestation, one quarter of tropical forests will be gone within 20 years. An area the size of Pennsylvania is lost every year.

- The developing world's population could nearly double to 7 billion people by the year 2025.

- Half of the governments in the developing world are unelected; another quarter are elected, but still struggling to "consolidate democracy" through civilian control of the military.

- The chance of war appears to increase as political freedoms decrease: of the 23 wars that occurred in the past two years, only one occurred in a full and stable democracy.

- The number of developing countries with chemical weapons has doubled in the 1980's to 13, and the number producing ballistic missiles could double to 15 in the 1990's.

- Developing countries spend \$200 billion each year on military budgets, more than enough to pay their debt service.

- Escalating drug production has made sections of drug-growing countries ungovernable.

(2) The problems of the developing world pose an immediate and far-reaching threat to U.S. security.

- One-quarter of unemployment in the U.S. today is due to the economic slow-down in developing countries, which reduces their demand for U.S. exports.

- The developing countries buy one-third of U.S. exports, a share that can greatly increase if their income rises. At present, they have 77 percent of the world's population, but only 20 percent of the world's income.

- Continued destruction of tropical rain forests could result in the loss of materials used in half of U.S. medicines, and is responsible for one-quarter of global warming.

- Countries with a politically-independent military or an unelected government lack accountability and the rule of law, and so are prone to corruption that wastes U.S. aid (as in the Philippines under Marcos) and to drug-trafficking (as in Panama under Noriega).

- Civil wars dramatically cut demand for U.S. exports; in Central America, wars and the instability they cause have cut U.S. exports by 30 percent.

- The proliferation in developing countries of chemical and nuclear weapons -- and of missiles and aircraft to carry them -- places at risk U.S. forces stationed nearby in Italy, Turkey, the Persian Gulf and the Philippines.

- Cocaine and heroin produced exclusively in developing countries cause 5,000 U.S. deaths a year; drug-related murders account for the majority of murders in a number of U.S. cities.

(3) Many U.S. policies and programs have failed to adapt to meet the changing nature of the challenges in the developing world.

- Multilateral solutions are required to tackle multilateral problems such as debt, the environment, weapons proliferation, and drugs, but U.S. policy often remains focused on bilateral efforts.

- The structure of the U.S. bureaucracy discourages a comprehensive approach -- the Agency for International Development is excluded from key decisions on debt, trade, the environment, security aid, and the multilateral banks.

- Programs whose primary purpose is to promote long-term economic development receive less than one-fourth of all U.S. foreign aid, and U.S. funding for the actors with the most potential to promote development, the multilateral organizations, has fallen 25 percent in the 1980's.

- Despite the Baker Plan, \$85 billion more left the developing countries in the last three years than came in to finance growth.

- Environmental policy is fragmented in a dozen U.S. agencies, and is flawed by a reluctance to seek multilateral solutions to problems, such as global warming, that cross national boundaries.

- U.S. leadership in the area of family planning has been hampered severely by the debate over abortion and abortion rights, and U.S. funding for key programs has been cut by a third.

- U.S. military aid, while in many cases used as leverage to support elections, inadvertently has undercut another key component of the transition to democracy -- civilian control of the government after elections -- by strengthening politically-independent military forces.

- U.S. policy has emphasized pursuing elusive military solutions to civil wars in developing countries, more than settling them. Very often, the conflicts simply continue, halting economic and political development.

- U.S. efforts to reduce military spending and weapons proliferation have not been supported vigorously with the tools available to U.S. foreign policy. The U.S. is the second-largest exporter of weapons to developing countries.

- Anti-drug funding has been misdirected, with the majority going to futile bilateral eradication and interdiction programs.

(4) A transition may be beginning toward a more workable foreign policy that promotes long-term U.S. interests in development and democracy in the developing world.

- The Brady Proposal on international debt has the potential to ease developing countries' debt burdens by up to 20 percent, and to restart economic growth.

- Protection of the international environment is increasingly a concern of policy-makers, as shown by the U.S. signing the ozone protocol and pressuring multilateral banks to block projects that damage the environment.

- A clear linkage has been established between military aid and the holding of elections, with only 2 percent of military aid going to unelected governments, and military aid being denied completely to dictatorships in Latin America.

- The Bush Administration has started in some cases, such as Nicaragua and the Sudan, to stress efforts to settle civil wars rather than simply helping U.S.-supported allies continue a futile search for a military victory.

- The U.S. has joined other developed countries in creating multilateral agreements on chemical weapons and ballistic missiles that have slowed, although not stopped, the export of technology needed to build them.

- U.S. anti-drug personnel are increasingly calling for more focus on educational campaigns in developing nations, and on programs to improve economic opportunity throughout drug-producing regions.

- Americans' concerns have shifted from East-West issues, such as communist expansion, to North-South issues such as drugs and trade. The U.S. public strongly supports foreign aid when it believes the aid directly benefits the poor, but a majority opposes military aid and aid to dictators.

#### Summary of Recommendations

##### (1) Adopt a Multilateral Approach.

- Design regional and multilateral solutions as a first resort to the regional and multilateral challenges in the developing world, since U.S. bilateral policies and programs lack the funding and scope needed to solve problems that cross national boundaries. Long-term U.S. security interests are more likely to be achieved by strengthening institutions that can craft multilateral solutions.

- Redirect funding for most U.S. bilateral programs on debt, development, drugs, the environment, and balance of payments to more effective multilateral programs and non-governmental organizations.

- Establish a clear division of labor in economic development, with the International Monetary Fund handling macroeconomic reforms, multilateral banks and international agencies focusing on large-scale development plans and research, and non-governmental organizations supporting local development projects. Bilateral donors such as the U.S. should fund and support these other actors, and should conduct their own projects only in those limited areas where they have unique expertise.

## (2) Confront the Threat to Democracy.

- Heighten the importance in U.S. relations with developing countries of progress toward a transition to democracy, the rule of law, and civilian control of an apolitical and professional military.

- Use military programs as leverage not just to encourage elections, but to support the consolidation of democracy, by providing aid, sales, training and military cooperation only to freely-elected governments; in the case of elected governments still consolidating democracy, eligibility should be conditioned on movement toward a rule of law and an apolitical military.

- Revamp military training programs to promote civilian control and an apolitical military by: teaching civilian officials of foreign governments how to manage their military and improve military judicial systems, and teaching officers that they have a professional duty to accept civilian control and the rule of law.

## (3) Dramatically Reduce the Debt Burden.

- Implement the Brady Proposal to reduce developing nations' debt repayments through multilateral agreements. A one-time approval of guarantee authority may be necessary, but actual funding should be possible within the current levels of foreign aid, both because regulatory pressure can be put on private banks to participate, and because of the transfer of bilateral balance of payments aid for most countries to the multilaterals (see recommendation 1, above) and the reduction of military aid (see recommendation 7, below).

- Encourage bilateral and multilateral donors to ease the burden of debts owed them, in concert with negotiations under the Brady Proposal. The U.S. should follow the lead of Canada and France and reduce repayments from poorer countries; multilaterals should expand their concessional aid, to help these countries manage their debt without adding to short-term repayment problems.

- Stress sustainable growth in negotiations on debt. The reforms required of developing countries participating in the Brady Proposal and other debt plans should promote long-term growth by protecting the environment and living standards for the average citizen, rather than short-term bursts in repayments.

#### (4) Intensify Environmental Efforts.

- Pursue multilateral agreements that require developed and developing countries to share the political and economic costs of making improvements in their environmental practices.

- Push for changes in lending rules in the multilateral banks that favor protection of the environment, such as lowering interest rates for environmentally-sound projects to compensate for their short-term economic costs to the recipients.

- Negotiate a political compromise among all sides of the domestic debate over abortion and abortion rights, to restore both U.S. leadership and earlier levels of U.S. funding for international family planning.

#### (5) Replace Low-Intensity Conflict (LIC) with a Policy of Attacking the Roots of Intense Conflict (RIC).

- Encourage governments engaged in civil wars to negotiate settlements, and to attack the economic and political causes of war with dramatic and sustained changes in policy.

- As a general rule, oppose bilateral and multilateral balance of payments aid for countries not trying to negotiate settlements to civil wars. U.S. policy should be to spur vigorous attempts to promote negotiations in civil wars, not to provide sustained funding for wars that disrupt society so badly that nobody can really "win."

#### (6) Attack the Drug Problem Multilaterally.

- Break the "us versus them" attitude that limits current policy by making anti-drug efforts completely multilateral. The current policy of providing funds and imposing sanctions bilaterally forces the U.S. to bear all the diplomatic costs for what is truly an international problem, and fosters opposition in countries that are sensitive about being directed by the U.S.

- Recognize that U.S. forces operating in eradication and interdiction efforts overseas are of minimal effectiveness in reducing the availability of drugs in the U.S., but are in maximum personal danger and, furthermore, could lead to U.S. military involvement in civil wars. U.S. military, intelligence, DEA, and contract personnel should be withdrawn from overseas operations, except for gathering and sharing intelligence.

- Support multilateral initiatives to improve rural economic opportunity throughout entire drug-producing regions -- as opposed to "crop substitution" that helps only a small number of farmers grow alternative crops -- and to carry out educational campaigns in both developed and developing countries.

(7) Cut Military Spending and Weapons Proliferation.

- Challenge developing countries to join developed countries in a mutual 50 percent reduction in troops and spending by the year 2000, to free up huge resources while maintaining mutual security. New thinking about security interests and military doctrine has already led to similar levels of cuts being given serious consideration in bilateral U.S.-Soviet talks.

- Expand international agreements that limit the proliferation in both developed and developing countries of ballistic missiles and of chemical, biological and nuclear weapons, and enforce them with stiff sanctions on companies and countries that are found responsible for violations.

- Reduce the volume and sophistication of military aid and sales, except to the Camp David countries, and open negotiations with the Soviet Union and other arms exporters to reduce the volume and sophistication of their arms transfers. U.S. foreign aid and developing countries' budgets are limited, and have much higher priorities than modernizing military forces.

(8) Establish a Framework to Address the Challenge.

- Establish a single governmental unit, the U.S. Development Representative, modeled after the Cabinet-level U.S. Trade Representative, to serve as the President's top adviser and coordinator for U.S. policy toward developing countries on economic growth, environmental protection, democratic institutions, military respect for civilian rule, military spending and weapons proliferation, and drug-trafficking.

- Initiate a program of development education in the U.S. and "people-to-people" aid overseas, in which a streamlined AID, renamed the Institute for Development and Democracy, would establish long-term links for U.S. municipalities, universities, and citizens' groups with counterparts overseas. The Institute would also provide operating grants to local-level organizations, human rights monitors, and groups promoting legal rights.

- Elevate the importance of the five challenges to U.S. and world security by convening a Summit to prepare a 10-year agreement to meet them, with leaders of developing countries, developed countries, international organizations, and key private development, environmental, and human rights groups.

(9) Strengthen Congress' Expertise.

● Appoint a House-Senate Task Force on Democracy and Development to attend key international meetings with the Administration and report back to Congress, based on the successful precedents of the Arms Control Observer Group and the Congressional Delegation to the UN.

● Educate Members and staff about the developing world by establishing, with private funds rather than taxpayer monies, a foundation to sponsor in-depth field visits. Pooling donations from foundations, corporations, and foreign groups would reduce the conflicts-of-interest inherent in the existing system of direct sponsorship of travel by these organizations.

● Augment the current system of foreign policy hearings with informal discussions between Members of Congress, top Administration officials, foreign and domestic experts, and representatives of foreign governments in the formative stages of foreign aid and other foreign policy decisions.

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## Chapter II

THE DANGER OF ECONOMIC STAGNATIONSummary of FindingsThe Extent of the Problem in the Developing Countries:

- \* The rate of per-capita growth in the developing countries fell by 50 percent in the 1980's. Sub-Saharan Africa and the 17 most debt-burdened countries had negative growth.
- \* Net annual lending to the developing countries fell nearly \$90 billion between 1981 and 1987; \$40 billion more goes out each year to pay their \$1.2 trillion debt than comes in.
- \* This economic slow-down has lowered living standards and undermined the prospects for future growth: the number of poor in Latin America increased 25 percent in the 1980's; half of the developing world lacks safe drinking water; and 40,000 children die daily from preventable diseases.

Impact on the U.S.:

- \* Slow growth in the developing world in the 1980's cost the U.S. \$362 billion in export earnings and 1.8 million jobs, or one-quarter of total U.S. unemployment in 1987.
- \* Continued slow growth jeopardizes repayment of the \$101 billion U.S. banks have lent to developing nations.
- \* The developing countries can be the source of a significant rise in U.S. exports if their income rises: at present, they have 77 percent of the world's population but only 20 percent of the world's income.

Evaluation of U.S. Policies and Programs:

- \* The Brady Proposal to reduce debt by up to 20 percent is a significant improvement over the unsuccessful Baker Plan; \$85 billion more came out of countries targeted by Baker during his three-year plan than came in as new lending.
- \* Programs whose primary purpose is to promote long-term economic development receive less than one-fourth of all U.S. foreign aid, and U.S. funding for the actors with the most potential to promote development, the multilateral organizations, fell 25 percent in the 1980's.
- \* Organization of the U.S. bureaucracy precludes a comprehensive development plan: prime responsibility for development falls under AID, but it has little control over Cabinet Departments' decisions in key areas, such as debt, trade, security assistance, and the multilateral banks.

The Extent of the Problem in the Developing Countries:  
Debt Inhibits Growth and Increases Poverty

As a result of a world-wide recession in the early 1980's, a lack of new financing to make debt payments, deteriorating terms of trade, poorly organized economies, and environmental problems, an economic crisis is gripping the developing world (Please see the Methodological Notes at the end of the report for a definition of the "developing world"):

\* After averaging a solid 3.6 percent annual increase between 1965 and 1980, the rate of per-capita economic growth in the developing countries fell by 50 percent between 1980 and 1987 (the latest year for which comparable data are available), to 1.8 percent. In much of the developing world, including Sub-Saharan Africa and the 17 most debt-burdened countries, per-capita growth actually was negative from 1980 to 1987. (1)

\* Net annual lending to developing countries fell nearly \$90 billion in the 1980's, from a \$47 billion annual inflow in 1981 to a situation in which annual repayments on old loans exceeded new loans by \$41 billion in 1987. (Unless otherwise noted, all dollar figures in this report are in real, 1989 dollars to permit fair comparison across time.) The lack of new financing forces developing countries to use their export earnings to service their \$1.2 trillion debt, rather than to promote internal development. (2)

\* The domestic investment needed to spur economies also suffered dramatically during the 1980's. In 23 of 24 Latin American countries, the amount of capital invested per worker -- a key indicator of future growth -- was lower in 1987 than in 1981, because of debt servicing and capital flight. (3)

\* A sharp decline in export earnings compounded the developing world's financing gap. Between 1980 and 1987, the purchasing power of Latin America's currencies fell 26 percent and Sub-Saharan Africa's 50 percent. (4) Developing countries' "terms of trade" deteriorated as well, as the prices they received for their commodity exports fell more than 50 percent between 1974 and 1986 -- meaning that they had to export twice as much just to be able to buy the same amount of imports. (5) Their losses on the terms of trade were estimated at \$104 billion in 1986 alone. (6)

\* The developing world as a whole was allocating one-fifth of its export earnings to debt payment in 1987, and the 17 most heavily-indebted nations and Sub-Saharan Africa were allocating one-third. (7)

\* A number of countries have either stopped meeting their original terms of repayment or have needed emergency loans.

Brazil, Peru, the Philippines, Venezuela and a number of African countries have sharply reduced payments, while Egypt, Zaire and many others have repeatedly deferred them by agreeing to "rescheduling" under strict foreign control. Mexico has twice required multi-billion dollar rescue packages from the U.S. Government to maintain its payments to U.S. private banks. (8)

\* Severe reductions in living standards have resulted from the economic slow-down and the lack of financing for debt, not only imposing immediate hardships but also threatening the prospects for future growth:

- In more than half of the 39 "least developed countries," daily calorie consumption was lower per person in 1985 than in 1965. (9)
- The number of people living in poverty in Latin America increased 25 percent in the 1980's, to 170 million or 40 percent of the population. (10)
- Only half of the people in the developing world have access to safe drinking water. (11)
- Every day 40,000 children under the age of five die in developing countries from diseases that are either controllable or preventable for children in the developed countries, such as diarrhea, infections, measles and polio. (12)

\* \* \*

Impact on the U.S.:  
Debt and Poverty Cost Millions of American Jobs

As economic growth was cut in half in developing countries during the 1980's, creating a "debt crisis" and forcing them to cut back on imports to make debt payments, the United States and other developed countries suffered significant economic damage: (13)

\* Between 1980 and 1987, the U.S. lost \$362 billion in export earnings because of the economic slow-down in developing countries. The 1.8 million jobs lost accounted for fully one-quarter of all U.S. unemployment in 1987. (14)  
The exports lost accounted for nearly 90 percent of the world-wide drop in U.S. exports. (15)

\* U.S. exports to developing countries tripled in real terms to nearly \$120 billion from 1970 to 1981, but then fell 27 percent to \$87 billion between 1981 and 1987. (16)

\* Despite this decline in the 1980's, exports to developing countries still account for one-third of all U.S. exports and 1.8 million jobs. (17)

\* By 1987, the U.S. was losing \$78 billion in exports annually because of the slow-down in the developing countries, equal to nearly 30 percent of total U.S. exports of \$271 billion. (18)

\* Mexico's purchases of U.S. farm products fell 60 percent, from \$3.4 billion in 1981 to \$1.3 billion in 1987, hitting the soybean, corn and beef industries hardest. (19)

\* U.S. exports to Africa were cut in half, dropping from \$11 billion in 1981 to \$5 billion in 1987. (20)

\* In just one year, 1985, 220,000 American manufacturing jobs and \$5.7 billion in exports were lost because of economic slow-down in five key debt-burdened countries. (21)

A longer-term problem for the American economy is the \$101 billion that U.S. banks hold in outstanding long-term debt of governments in the developing world. (22) Much of the debt is uncollectable at face value, and is being sold on secondary markets at prices ranging from 10 to 70 percent of face value. (23) Banks at the national and regional levels started in 1987 to take losses on these loans: Citicorp took a \$2.5 billion loss when it decided to set aside reserves of \$3 billion against them; Chase Manhattan took a \$1.4 billion loss on \$1.6 billion in new reserves; and Norwest Corporation of Minneapolis took a \$160 million loss on \$200 million in new reserves. (24)

The developing countries, far more than U.S. trading partners among the developed countries, have the potential for substantial growth in U.S. exports, if the problems of poverty and debt can be addressed effectively and per-capita incomes rise as they did in the 1970's:

\* 77 percent of the world's population lives in the developing world, but it accounts for only 20 percent of the world's income. Per-capita income is \$12,000 in developed countries and \$900 in developing countries. (25)

\* Before the slow-down, the developing countries were buying an expanding share of U.S. merchandise exports. Their share rose from 30 percent to 42 percent in the 1970's, before declining to 36 percent by 1986. (26)

\* Despite the slow-down in growth in the developing world, nine out of the top 20 purchasers of U.S. goods are developing countries, and these nine alone account for 20 percent of all U.S. exports. (27)

\* \* \*

Evaluation of U.S. Policies and Programs: Long-Term Economic Development Has a Low Priority in Funding and Organization

The immediate causes of the economic crisis in the developing countries have been the short-term squeeze on foreign exchange caused by debt, reduced external financing, and poor terms of trade. Fundamentally, however, it is a crisis of long-term development. In order to grow, the developing world needs to invest in the future -- in the schools, health clinics, research stations, water systems and other infrastructure that can create a population capable of generating jobs and income. Three general findings on U.S. policies and programs that affect growth are presented in the following subsections:

(1) For the short-term problem, U.S. policy has recognized the need for debt reduction in addition to new lending. The "Brady Proposal" signals a welcome shift from the "Baker Plan," which called only for new lending, and failed to stop an \$85 billion outflow from nations targeted by the Plan.

(2) For the longer-term problem, U.S. policy relies on the foreign aid program, but less than one-fourth of all aid goes to programs whose primary purpose is to promote long-term economic development. U.S. funding for the development programs with the most potential, those of the multilateral organizations, fell 25 percent during the 1980's.

(3) Responsibility for promoting long-term development has been placed in the Agency for International Development, but it has little control over decisions by Cabinet Departments in areas that affect development, such as debt, trade, security assistance and the multilateral banks.

(1) The Brady Proposal is a Significant Improvement Over the Baker Plan, Which Failed to Solve the Short-Term Crisis.

In March, 1989, Treasury Secretary Nicholas Brady proposed a new approach to the problem of international debt, in which private banks would reduce by an average of up to 20 percent the debt and debt payments owed them by developing nations, in return for having developed nations guarantee the repayment of the debt remaining after the reduction.

The Brady Proposal envisions the World Bank and the IMF managing the guarantee program and making loans to the developing nations that participate. Resources to support the proposal would be provided by Japan, the U.S. and other developed countries whose exports are being hurt by the debt crisis. Developing countries could participate only if they made "policy reforms" in their economies, such as reducing subsidies and increasing privatization.

Early support for the Brady Proposal was expressed by many of the actors whose cooperation is needed to implement it. Japan agreed

to help fund the initiative, the World Bank and IMF agreed to commit \$25 billion to debt reduction over three years, and the banking industry gave its cautious approval of the concept of debt reduction backed by guarantees. (28) However, officials from debt-burdened countries argued that a 20 percent reduction in debt and debt payments would be insufficient to restart growth, and that debt needed to be reduced up to 50 percent. (29)

As of this writing, it remains too early to evaluate the Brady Proposal. Major unresolved questions include how much money will be dedicated to it, how that money will be raised and what mechanisms will be used to encourage banks to participate. Nonetheless, it is a welcome replacement for the plan proposed in October, 1985, by then-Treasury Secretary James Baker, which rejected a policy of reducing debt, and instead sought to promote economic growth by calling for a \$29 billion increase in commercial and multilateral lending to fifteen high-debt countries, in return for their undertaking "policy reforms." (30)

Unfortunately, the Baker Plan did not achieve its twin goals of increased lending and growth:

- \* The commercial and multilateral banks resisted making what they saw as risky loans, and only provided \$15 billion in new lending, or half the goal, to countries covered by the Baker Plan. (31)

- \* During the three years of the Baker Plan, \$85 billion more was transferred out of the highly-indebted countries in repayments on previous loans than was transferred in as new lending. (32)

- \* As a result of slow or negative economic growth, lower earnings for exports and the reverse net flow of resources, the debt of Baker Plan countries increased \$40 billion to \$540 billion in the three years of the Plan. (33) Gross national product for the Baker Plan countries grew only one percent in the first two years, far less than the increase in population, resulting in negative growth per-capita. (34)

- \* All of the preceding contributed to budget reductions that resulted in less investment in physical infrastructure and in pressing human needs.

## (2) Foreign Aid Allocations Have Not Effectively Addressed the Long-term Crisis.

Most developing countries lack the internal resources they need to be competitive in the world economy and to be able to promote long-term development. In addition to commercial lending, the developed countries provide resources to advance these goals in the form of governmental "foreign aid." In the case of the United States, foreign aid has been the primary tool used to promote U.S. interests in developing countries, including

economic development. What has its contribution been to promoting long-term economic development?

Our analysis of trends in U.S. foreign aid from the last year of the Ford Administration to the last year of the Reagan Administration shows the following:

(A) Less than a quarter of U.S. foreign aid is allocated to programs whose primary purpose is to promote long-term economic development.

(B) Multilateral institutions have the largest and most effective programs for promoting long-term economic development, but during the Reagan Administration, U.S. contributions to them fell 25 percent.

(A) Less than a quarter of U.S. foreign aid is allocated to programs whose primary purpose is to promote long-term development.

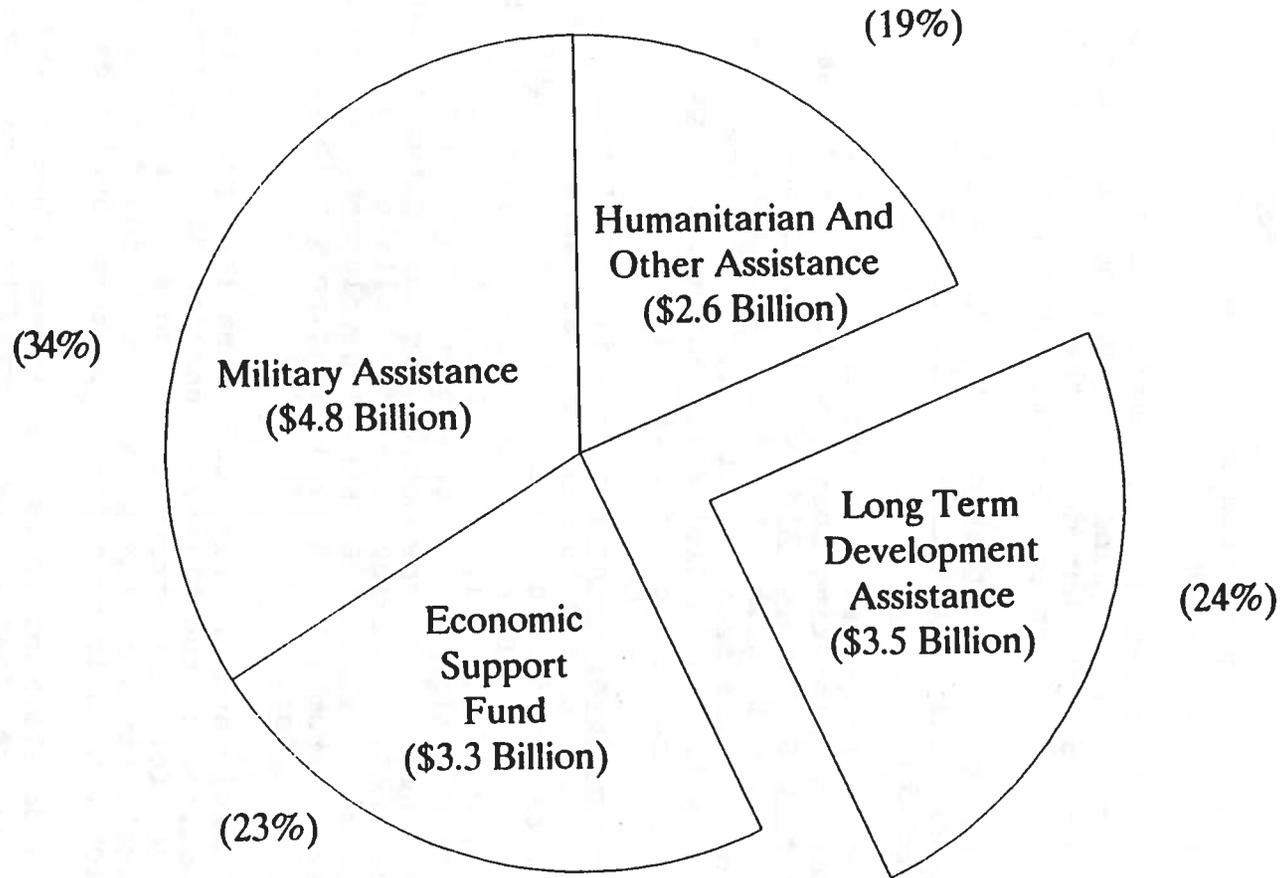
Promoting long-term economic development is not the determining factor in allocating most U.S. foreign aid. (See Figure II-1, The Uses of U.S. Foreign Aid, which breaks down funding for all U.S. foreign aid programs into four categories, based on the primary purpose of the program: long-term development aid, economic aid directly linked to diplomatic and military goals, military aid, and all other aid programs.) (35)

Long-term development aid, consisting of bilateral Development Assistance and aid to multilateral banks and organizations, accounts for just under a quarter of aid in 1989, or \$3.5 billion. It fell by a third from a high of \$5.1 billion in 1979 to a low of \$3.4 billion in 1987, and ranged as a share of all aid from a high of 34 percent in 1979 to a low of 20 percent in 1986. Nearly all the decline in this category came from a reduction in contributions to multilateral institutions (discussed below). Bilateral development aid remained relatively constant from 1977 to 1989, ranging within \$200 million of a \$2 billion level.

Diplomatic and security considerations play a role in the allocation of the bilateral portion of development aid, and some is used for short-term relief and administrative costs. In general, however, the primary criterion for its allocation is its effectiveness in promoting long-term development.

AID's development goals are extremely broad, and Congress often has required that aid be directed to programs that it believed were under-funded. These earmarkings have been criticized, with some justification, as "micro-management" that impairs AID's flexibility. In some cases, however, they have led AID in directions that were later acknowledged to be crucial to development efforts. Examples include the promotion of aid in the 1970's for "basic human needs" and the earmarking of funds in

Figure II - 1  
The Uses of U.S. Foreign Aid  
Fiscal Year 1989



the 1980's to assist women in development and to provide support for basic as well as advanced education.

Economic aid directly linked to diplomatic and military goals accounts for another quarter of foreign aid in 1989, or \$3.3 billion. These Economic Support Funds (ESF), mostly in the form of cash transfers and other balance of payments aid, go to countries perceived to be of special strategic importance to the United States. ESF increased by half in the early 1980's, as it grew from a low of \$2.9 billion in 1981 to a high of \$4.4 billion in 1985 before declining in the second half of the decade. Its share of all foreign aid has ranged from 20 to 26 percent from 1977 to 1989.

Some ESF is used for development purposes, but the funds are allocated among countries primarily on the basis of strategic criteria such as U.S. military access, the Camp David Peace Accord and security threats to recipient governments.

For example, Sub-Saharan Africa, with a population of nearly half a billion people, is considered a high developmental priority, but of low strategic importance to the United States. As a result, Africa will receive about one-third of all U.S. bilateral development assistance in 1989, but only four percent of ESF.

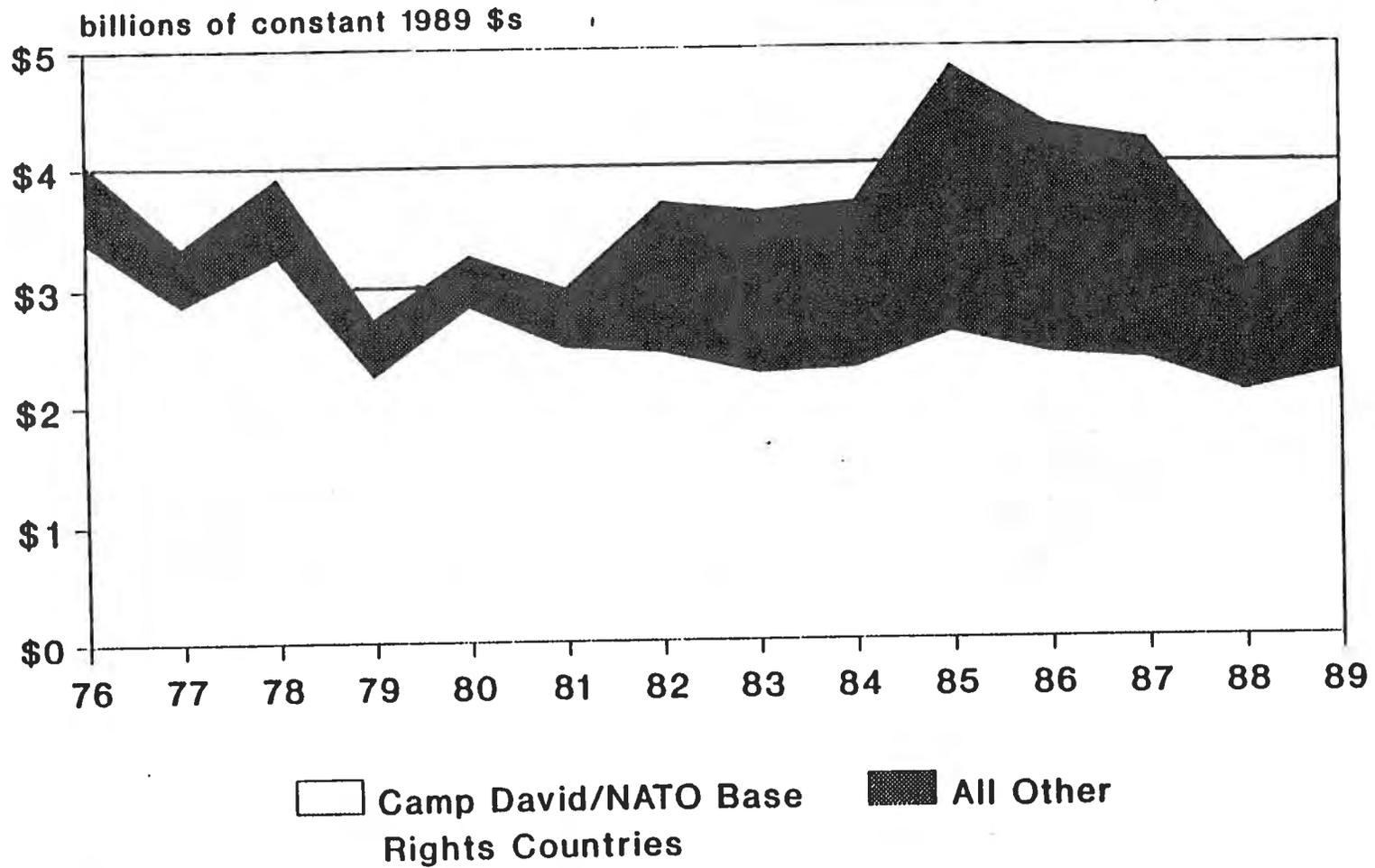
(36) Because of strained political relations, Ghana receives no ESF, despite a sustained commitment to economic reforms; Somalia and Liberia, with extremely weak records on economic reforms, do receive ESF, in large part because of agreements providing facilities to U.S. agencies.

In contrast, Central America is considered both a strategic and developmental priority: although its population is only one-twentieth that of Africa, it will receive 13 percent of all ESF funding, three times as much as Africa, and 11 percent of development assistance, one-third Africa's allocation. (37)

While the Camp David countries of Israel and Egypt, as well as the NATO countries that receive aid in return for base rights, have received a fairly consistent amount of ESF, ESF to other developing countries quintupled between 1980 and 1985 to \$2.2 billion. It declined to \$1.4 billion in 1989, still three times the 1980 level. (38) (See Figure II-2, Distribution of ESF.) These funds were focused on perceived threats to U.S. diplomatic and security interests in Afghanistan and Central America, and on fostering U.S. military access in the Persian Gulf and the Pacific. According to AID'S Inspector General, this rapid expansion of ESF programs brought such "severe management and control problems" to AID that it has "no idea of what's happening to many of our funds." (39)

Military aid accounts for a third of foreign aid in 1989, or \$4.8 billion. It too is allocated on "security" grounds, such as agreements providing U.S. military access, the Camp David Accords and threats to governments whose survival is perceived as vital

Figure II - 2  
**Distribution of Economic Support Funds**



Obligations data provided by  
 Congressional Research Service

to U.S. security. Like ESF, military aid rose rapidly in the early 1980's, more than doubling from \$3.1 billion in 1980 to \$7.6 billion in 1984; its share of foreign aid nearly doubled as well, rising from 22 to 42 percent during the same period. Its current share is its lowest since 1984. Military aid to non-NATO, non-Camp David countries doubled to \$2 billion in 1984 before declining to \$760 million in 1989, lower than the 1980 level. (40) (See Figure II-3, Distribution of Military Aid.)

Other aid programs account for a fifth of foreign aid in 1989, or the remaining \$2.6 billion. Some respond to short-term humanitarian emergencies by providing food and shelter to those displaced by war and natural disaster (\$1.1 billion), others pay U.S. administrative and miscellaneous costs for foreign aid (\$700 million) and provide low-interest loans to obtain U.S. agricultural commodities in surplus (\$900 million). (41)

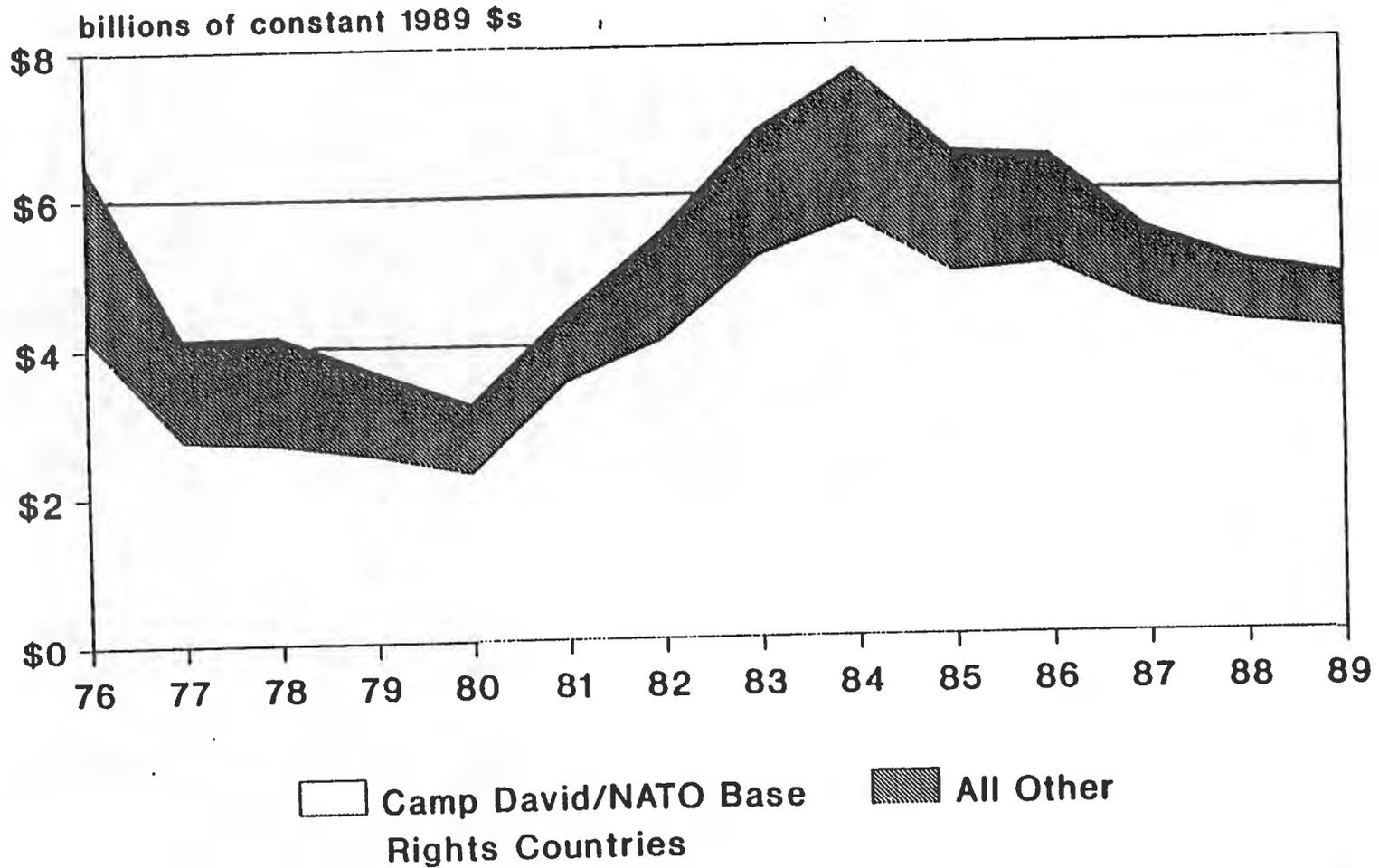
As is the case for ESF, some of these funds have an impact on long-term economic development, but they are allocated primarily for other reasons, such as disaster relief and the creation of markets for agricultural exports. As a share of total aid, this category was as high as 28 percent in 1980 and as low as 16 percent in 1984, with funding ranging from a high of \$4.1 billion in 1980 to a low of \$2.9 billion in 1983.

Our point in highlighting the relatively small share of resources allocated primarily to promote long-term economic development is not that other U.S. interests should play no role in the allocation of foreign aid. Rather, it is to make clear that the current allocation is an inadequate response to a critical situation, which means that U.S. aid programs are not having much impact. To be sure, foreign aid alone will not solve the long-term economic problems of developing nations. Expanded trade and investment are much more important than aid in promoting and sustaining economic growth. However, aid can be instrumental in creating the conditions for successful trade and investment.

Given the increasingly tight federal budget, foreign aid is more likely to contract than expand in the 1990's; only a change of priorities within the existing level of resources can result in substantially greater resources being focused on long-term economic development:

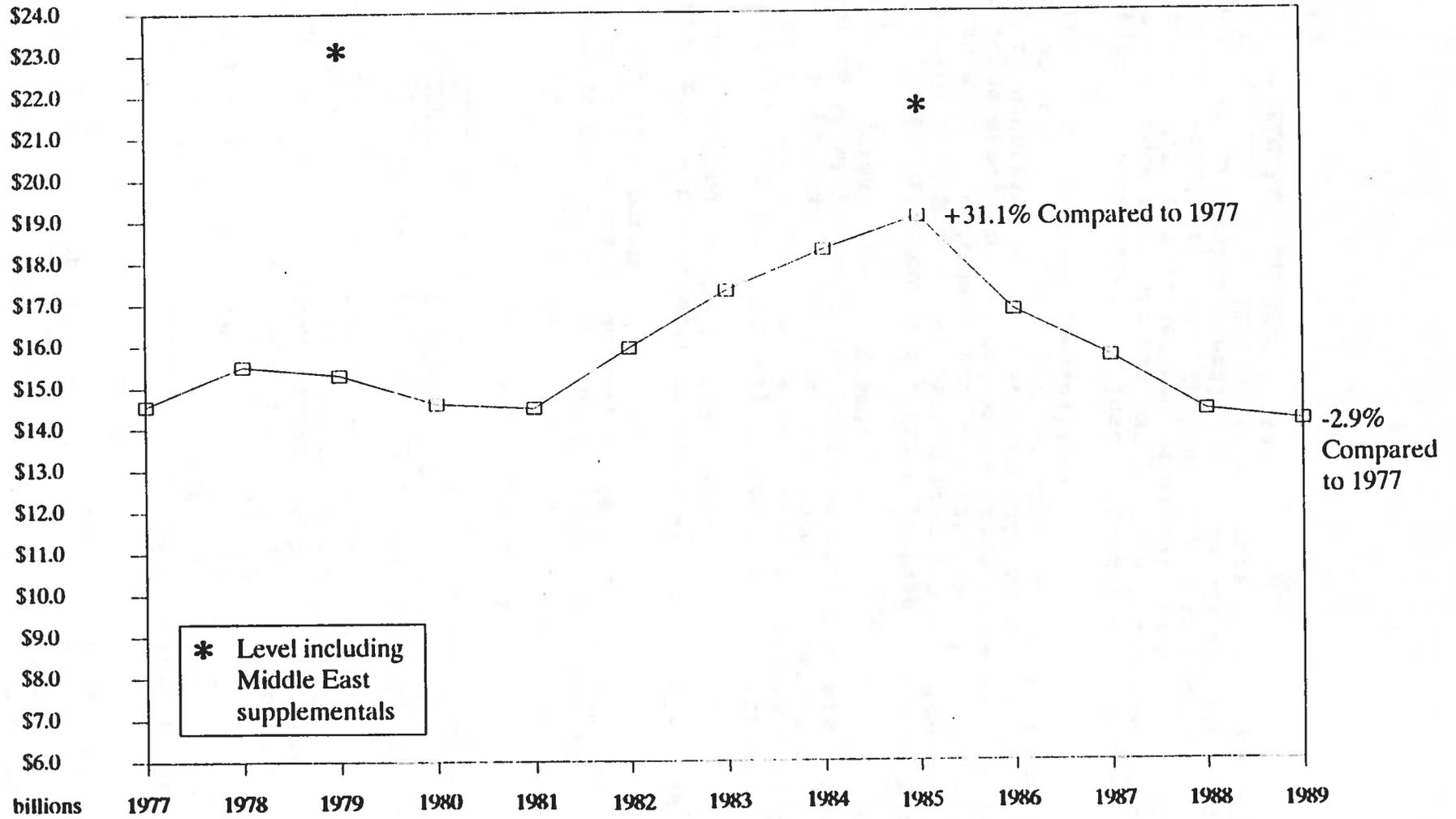
\* Pressure to reduce federal deficits has cut U.S. foreign aid by a quarter from its 1985 high of \$19 billion to this year's low of \$14 billion. (42) (See Figure II-4, Trends in U.S. Foreign Aid.) Foreign aid is 1.1 percent of the federal budget in 1989, as compared to 1.8 percent in 1985. This reduction during President Reagan's second term more than cancelled out the one-third increase foreign aid registered in his first term.

Figure II - 3  
Distribution of Military Aid



Obligations data, provided by  
Congressional Research Service

Figure II - 4  
**Trends in U.S. Foreign Aid: 1977-1989**  
 [In Constant 1989 Dollars]



Percentages reflect the highest and lowest levels compared to 1977.

\* Some reallocation of U.S. foreign aid occurs every year, and over time these decisions can significantly reshape the program. As noted previously, military aid ranged from a high of 42 percent of total aid to a low of 22 percent during the past 13 years, and multilateral economic aid ranged from 20 percent to 9 percent.

\* However, nearly 40 percent of all aid is allocated to the Camp David countries, and that figure is unlikely to decline significantly until there is a Middle East peace agreement. Substantial reallocation of the remaining aid would require a strong consensus in Congress that long-term economic development is increasingly important to our national security, in comparison to short-term support for governments cooperating with U.S. military policy.

(B) The multilateral institutions have the greatest potential to promote development, but U.S. support for them has been reduced by 25 percent, leading to cuts in programs of up to 40 percent.

#### Potential of the Multilaterals

The multilateral institutions such as the World Bank, the regional development banks, and the U.N. agencies have far greater potential to change underlying development problems than do U.S. bilateral programs:

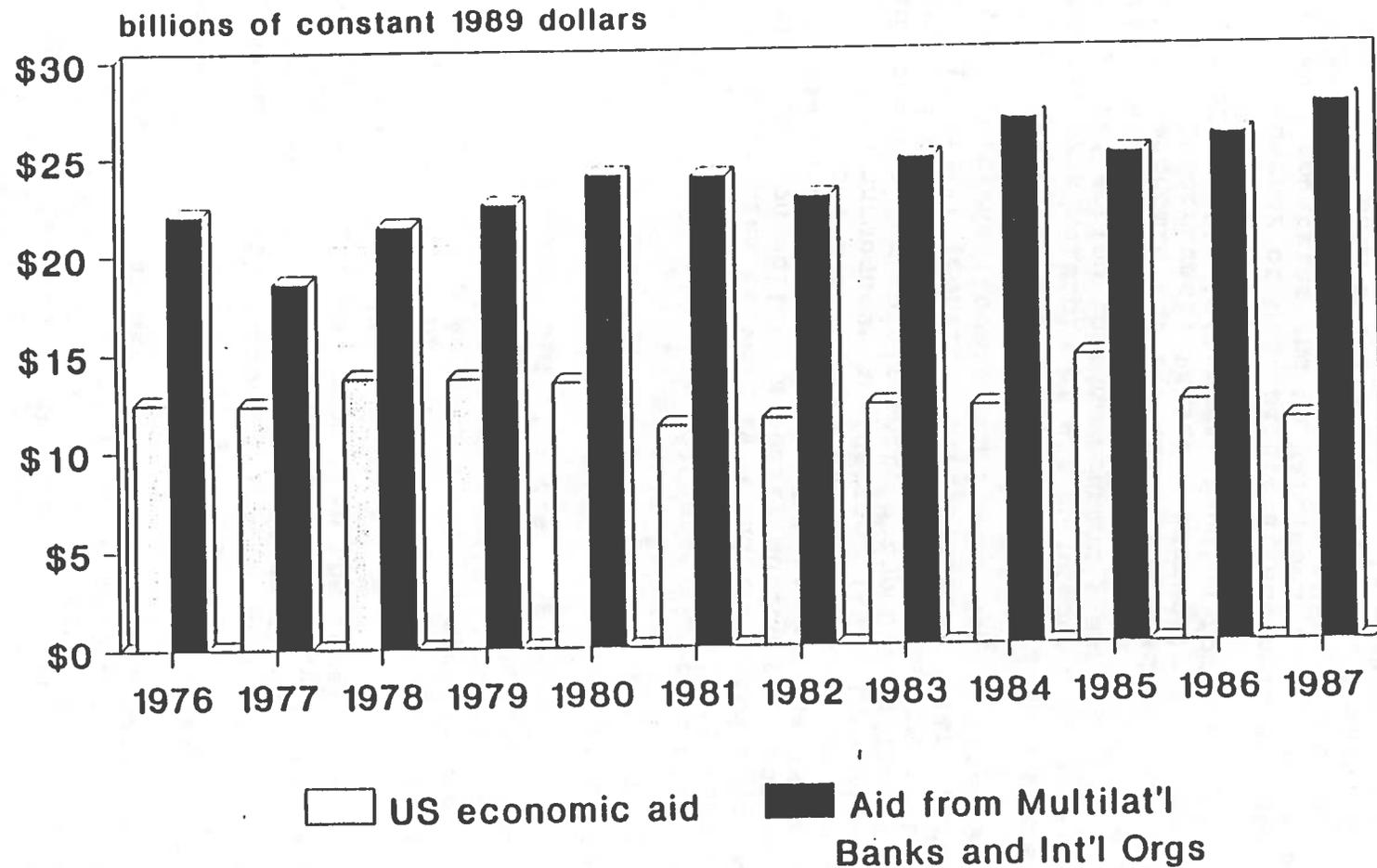
\* They provide the developing world with three times as much economic funding as the United States.

\* They allocate funds largely on the basis of economic criteria, rather than on the political and military criteria that U.S. programs emphasize, and so have substantial programs in many important, populous countries where there are only minimal U.S. programs.

\* Their economic focus and their expertise make them more effective than U.S. bilateral programs in encouraging governments to undertake economic reforms. U.S. programs are large enough to be used as leverage on economic reforms only in countries where U.S. strategic interests are high -- meaning that U.S. attempts to withhold aid until there are economic reforms lack credibility.

Overall size: The multilateral institutions usually provide three times as much economic aid per year as the United States, even when such U.S. aid is defined as broadly as possible to include all non-military aid. In 1987, the most recent comparable year, the multilateral total was \$27 billion, compared to the U.S. total of \$11 billion. (See Figure II-5, Multilateral and U.S. Economic Aid Compared.) (43)

Figure II - 5  
**Multilateral & U.S. Economic Aid Compared**



Obligations data, provided by  
 Congressional Research  
 Service

Distribution of funding: The multilaterals not only provide three times as much aid in the aggregate to developing countries, but they allocate it largely on the basis of economic criteria, rather than on the political and military criteria that U.S. programs emphasize. This permits them to maintain substantial programs in countries that have minimal U.S. bilateral programs:

\* There is only a minimal U.S. program in a number of the large, low-income countries, such as China, India, Nigeria and Indonesia (which account for more than half of the developing world's population). In contrast, the multilaterals provide \$7.7 billion annually to these four countries, over 20 times more than the level of U.S. economic assistance. (44)

\* Similarly, the \$5.4 billion provided by the multilaterals to Mexico, Brazil and Argentina, three middle-income developing countries with more people in poverty than the rest of Latin America, is a remarkable 200 times the \$27 million U.S. economic aid provides. (45)

\* U.S. economic aid is nearly \$50 per capita annually to Central America, compared to less than \$1 per capita to South America. In contrast, multilateral aid is better balanced at \$15 per-capita to Central America and \$20 per-capita to South America. U.S. economic aid to Central America quintupled between 1980 and 1987, and averaged almost a billion dollars annually during the last half of the decade to fund the recommendations of the "Kissinger Commission," but U.S. aid to South America remained under \$300 million throughout the decade. (46) Interviewed during field research for this report, a top U.S. official in Peru frustrated by low U.S. funding for its massive problems said, "it wasn't (controversial President Alan) Garcia that did us in, it was (Commission leader Henry) Kissinger."

\* During the same period, U.S. economic aid to Pakistan increased by a multiple of six to nearly half a billion dollars, reflecting that government's support for the Afghan rebels. (47) Pakistan receives nearly a third of all U.S. bilateral economic aid for Asia, compared to only 7 percent in 1980. In contrast, Pakistan currently receives 13 percent of total multilateral funding for Asia. (48)

\* Over a quarter of U.S. bilateral economic aid goes to the Camp David countries and to NATO countries where the U.S. has base rights. When funding for these countries is excluded from both multilateral and U.S. totals, the multilaterals provide three times as much aid to the rest of the world.

Credibility of aid as leverage: In many cases, even when the United States, for political reasons, provides more resources to

a country than the multilaterals, its political agenda often inhibits its pursuit of economic reforms:

\* The World Bank cut back its lending to Honduras in the first half of the 1980's to one-third its \$100 million annual average of the last half of the 1970's, because Honduras was perceived to be employing unsound economic policies. According to a top U.S. official in Honduras, the United States became "Honduras' World Bank," tripling its economic aid to an annual average of \$131 million in the first half of the 1980's, but AID officials were repeatedly unable to hold the Suazo Government to its promised economic reforms because Honduras "ran to the NSC to play the contra card." (49) This pattern of Honduras failing to meet agreed economic targets but receiving aid nonetheless, because of cooperation with other U.S. policies in Central America, continued into the late 1980's. (50)

\* In Liberia, World Bank aid was halted in the mid-1980's because of government mismanagement of the economy and failure to repay loans, but the United States filled the gap, in large part because Liberia hosts various U.S. facilities. There was no World Bank aid from 1985 through 1987, while U.S. economic assistance totaled \$190 million. AID was unable to extract significant reforms from Liberia and even pulled out its financial advisers; nonetheless, the Executive Branch requested an additional \$22 million for Liberia for fiscal year 1990. (51)

It is not just the Executive Branch whose political agenda undermines pressure for economic reforms. Administration officials who were strongly in favor of pressuring El Salvador to make significant reforms report that President Jose Napoleon Duarte lobbied Members of Congress, who in turn protested successfully to the State Department that AID should "get off his back" on economic conditions.

Debate over economic reforms: Both the World Bank as the leading multilateral donor and the United States as the leading bilateral donor (until 1988, when Japan displaced it) have provided an increasing share of their aid in the 1980's in cash transfers and other balance of payments programs rather than in development projects. The purpose has been to help with immediate debt repayments, preserve political stability, and promote "policy reforms" that allow market forces more of a role in recipients' economies. (52)

Some of the reforms, such as paying market prices to farmers, have a sound long-term economic basis but can have adverse short-term political and humanitarian consequences. Only recently has the World Bank come to support a policy of "adjustment with a human face" that provides more flexibility with a view to preserving the political stability that is necessary for future growth as economies are restructured.

Whether the restructuring will work is hotly debated. "Policy reforms" favor export-led growth, because this type of growth can generate foreign exchange earnings to pay off old debts and attract new financing. This strategy worked for the newly-industrialized countries of Asia, but it has thus far failed to restart economic growth in a number of countries that have implemented reforms in the 1980's, in part because of adverse conditions in the world economy. (53) In a meeting with Caucus Members in 1988, Singapore's Ambassador to the U.S. stressed that what worked for his country could not be transplanted to Sub-Saharan Africa because of the greatly different conditions there.

The debate over what economic reforms should be sought, and how to implement them, will certainly continue. This section has not tried to resolve that debate, either in general or for particular countries. Rather, it has pointed out that whatever strategy the United States adopts on economic reforms, it is far more likely to be pursued effectively through multilateral programs than through bilateral balance of payments programs.

#### Decline in U.S. Contributions

U.S. contributions to the multilaterals have declined significantly, from a high of \$3 billion in 1979 to \$1.5 billion in 1988. As a share of total U.S. aid, these contributions ranged from a high of 20 percent in 1979 to a low of 9 percent in 1986. In 1989, it stood at 11 percent. (See Figure II-6, U.S. Support for Multilateral Development Institutions.)

These contributions fluctuate year to year more than the level of bilateral aid programs does, and the 1979 figure was uniquely high because it contained substantial payments of previously pledged contributions, so it is misleading to conclude that U.S. funding has been cut in half. A fairer assessment is that during President Reagan's eight-year tenure, the average yearly contribution of \$1.8 billion represented a 25 percent cut from the \$2.4 billion annual average under President Carter.

This reduction in U.S. contributions -- caused largely by the Reagan Administration's preference for bilateral aid, because of the more immediate political benefits it provides the U.S. -- greatly restricted the multilaterals' plans to assist the poorer developing nations. U.S. insistence, especially during President Reagan's first term, in stretching out payments on previous commitments and lowering new contributions effectively forced reductions in other developed countries' contributions, because in most institutions they are linked to the level of U.S. contributions:

\* U.S. commitments to replenishments of the World Bank's International Development Association (IDA), the largest source of low-interest loans to poorer countries, were one-third lower under the Reagan Administration than the Carter

Figure II - 6  
**U.S. Support for Multilateral Development Institutions**  
 [In Constant 1989 Dollars]



Percentages reflect the highest and lowest levels compared to 1977.

Administration. Commensurate cuts were made in contributions by other nations, resulting in an 18 percent decrease in total funding provided by all countries to the first replenishment under the Reagan Administration, and a 40 percent decrease for the second. (54)

\* A similar scaling back of U.S. contributions has taken place in the Inter-American Development Bank's (IDB) agency for low-interest loans and in the innovative International Fund for Agricultural Development (IFAD), as well as in other international institutions focused on the needs of the poorest countries.

In most multilateral institutions, the United States remains the largest contributor, and so has the largest share of voting power. Although the United States is likely to continue to have the top voting share in the World Bank, its overall influence in the multilaterals will be weakened if its contributions are not increased in the 1990's -- since Japan and other donors are likely to increase their contributions and play a larger role.

### (3) A Lack of Priority and Coordination Among U.S. Agencies Handicaps Development.

A major barrier to the U.S. Government's ability to achieve its goals in international economic development has been the lack of a single, strong coordinator for development in the Executive Branch. Nearly half of the 16 official U.S. Cabinet agencies -- State, Defense, Treasury, Agriculture, Commerce and the Special Trade Representative -- share responsibility for U.S. policy toward the developing world, and numerous other independent agencies and commissions wield significant power in specific matters.

In determining U.S. policy toward the developing world, the following areas of specialization are held by the following offices in government, none of which is primarily interested in promoting long-term development:

\* Trade negotiations, including GATT and GSP, are managed by the U.S. Special Trade Representative. One of the most important decisions that the United States can make affecting a developing country's economy -- taking away import preferences or "graduating" it from the tariff relief provided to developing countries by GSP -- is recommended by an inter-agency group under the USTR.

\* Import quotas and relief from tariffs for specific products exported by developing countries are managed by the International Trade Administration of the Department of Commerce. Others participating include the Departments of State, Treasury, Labor and Agriculture. The Customs Service also has a hand in certain of these decisions.

\* Unfair trade practices alleged against developing countries are argued before the International Trade Commission, an independent executive agency.

\* International debt policy is managed by the Treasury Department, with assistance from the State Department and other agencies. Treasury represents the United States when developed countries' governments convene the "Paris Club" to reschedule debts they are owed by developing countries.

\* Emergency debt relief, such as that provided recently to Mexico, is managed through "swaps" of currency by the Federal Reserve Board, under the guidance of Treasury.

\* Multilateral development banks are under the purview of the Treasury Department. The U.S. representative at each MDB is named by the Treasury, and the Treasury Secretary is responsible for U.S. policy and votes at the banks.

\* Most other international development organizations are the responsibility of the State Department's Bureau of International Organizations. The Bureau manages U.S. policy for U.N. programs, including the Food and Agriculture Organization, the U.N. Development Program, UNICEF, the World Food Program, and the Program for Action for African Economic Recovery and Development.

\* International Monetary Fund decisions that affect the developing countries, which in the 1980's included the managing of a number of African economies, are the responsibility of the Treasury Department.

\* Government-subsidized exports are managed by the Export-Import Bank and the Department of Agriculture's Commodity Credit Corporation and Food for Peace sales program.

\* Economic Support Funds and military aid and sales are agreed to by the State and Defense Departments. AID plays a relatively minor role in allocating ESF and no role in approving military aid and sales, even though all of these decisions can have an important impact on a country's economic development.

The agency with primary responsibility for promoting economic development -- the Agency for International Development -- is one of the few actors in foreign policy that is officially subservient to another department, i.e. the State Department. For the largest share of economic aid, ESF, the State Department decides on primarily political and military grounds the funding each country will receive, and AID then implements the program in each country. AID's ability to use ESF to bargain with countries to advance a development agenda is weakened because it does not, in the final analysis, control the key decision on funding.

AID has more operational control over the Development Assistance program, but still must secure approval of all country allocations from the State Department, which has the power to veto on political grounds AID's attempts to reduce or terminate development assistance in countries AID believes are not committed to a sound economic strategy. State demonstrated this power in 1980, when it rejected an AID proposal to focus development assistance on countries with solid records in development. AID issued no similar challenges during the rest of the decade.

\* \* \*

## Chapter III

THE ENVIRONMENTAL CRISISSummary of FindingsThe Extent of the Problem in the Developing Countries:

- \* At current rates of deforestation, one quarter of the tropical forests will be gone within 20 years. An area the size of Pennsylvania is lost every year.
- \* Cropland the size of Virginia is severely eroded by overwork each year, cutting annual crop values by \$28 billion. Half of Turkey's cropland is severely eroded, as is one-quarter of India's. 40 percent of Guatemala's growing capacity has been lost.
- \* Most of the 3 billion people expected to be born within the next 35 years will be born in poverty in developing countries, putting even more pressure on the environment.

Impact on the U.S.:

- \* Environmental practices in developing countries threaten U.S. climate and health: deforestation accounts for 25 percent of "global warming," and foods from developing nations are twice as likely to contain dangerous pesticides.
- \* Clearing of tropical forests destroys the genetic materials responsible for half of U.S. medicines and for at least \$1 billion annually in improvements to U.S. crops.
- \* Destruction of forests and cropland creates millions of "environmental refugees," and in the long-term reduces income needed to buy U.S. exports.

Evaluation of U.S. Policies and Programs:

- \* Failure to solve the debt crisis is one of the primary reasons developing countries face more pressure than ever for short-term production that damages the environment.
- \* Unchecked population growth contributes to environmental degradation, yet U.S. funding for population programs has fallen 32 percent since 1985. Funds for two key agencies have been cut off because of disputes relating to abortion.
- \* Multilateral solutions are required. While some positive steps have been taken, including an ozone treaty and increased attention to environmental concerns at the multilateral banks, the U.S. refuses to sign three other important international agreements.

\* \* \*

The Extent of the Problem in the Developing Countries:  
A Downward Spiral of Poverty and Destruction

The primary cause of environmental destruction in developing countries is the desperate search for income needed both to repay international debts and to raise living standards for a rapidly increasing population. Poverty causes people to destroy rain forests and overplant cropland in an effort to sustain themselves; businesses that are encouraged by indebted governments to generate more foreign exchange carry out the same damaging practices to increase exports. The problem is compounded by continued increases in population.

Ironically, more poverty and debt is the long-term result of this destructive search for income, as erosion, reduced production and flooding, create a vicious, downward cycle. Current data indicate that the situation continues to deteriorate. (As there is no single U.S. Government agency responsible for addressing global environmental issues, this chapter relies heavily on data issued by the World Resources Institute. WRI is an independent Washington-based policy group comprised of environmental and scientific experts that has prepared a number of comprehensive assessments of the developing world's environmental problems and their impact on the developed world, often in collaboration with the United Nations Environment Program.)

\* Deforestation: More than 44,000 square miles of tropical forest, an area equal in size to Pennsylvania, are lost annually in developing countries to fuelwood, agriculture, grazing land and logging. (55) At current rates of deforestation, one quarter of the world's remaining tropical forests will be gone within 20 years. Five countries -- Ivory Coast, Nigeria, Costa Rica, Sri Lanka and El Salvador -- will have virtually no forest remaining. (56)

\* As forests disappear, animal dung that is usually used as fertilizer for crops must be used as fuel instead, reducing yields and income; 14 million fewer tons of grain are grown each year as a result of this diversion of dung. (57)

\* The severity of the floods in Bangladesh in September, 1988, that took some 3,000 lives was due to deforested watersheds in Nepal and northern India. (58)

\* Loss of Cropland: Each year, 40,000 square miles of cropland in the developing world, an area equal in size to Virginia, are seriously degraded by overwork, reducing agricultural production by an estimated \$28 billion. (59)

\* Guatemala has lost 40 percent of its growing capacity to erosion from overwork. Half of Turkey's arable land has been severely damaged by erosion, and one-quarter of India's. In Mali, the Sahara has advanced 200 miles since the 1960's, destroying needed cropland. (60)

\* Damage to Water Resources: Dumping of raw sewage and industrial waste into the waterways in developing countries increasingly endangers health and productivity. In India, for example, almost three-fourths of the surface water is contaminated. (61)

\* Fishing catches in Central America are declining as a result of overfishing and the destruction of coastal forests that protect shore habitats. (62)

Population growth is one of the primary causes of environmental destruction:

\* At current growth rates, the world's population will increase 70 percent, or 3 billion people, between 1985 and 2025; over 90 percent of the increase will take place in the developing world. (63) Most of the additional population will be born into poverty, putting even more pressure on firewood, cropland and water resources.

\* Even at global population levels existing in the late 1980's, 1 billion people, or a quarter of the developing world, are unable to get enough calories to lead a normal workday, and so tend to use up firewood and other environmental resources without replacing them. (64)

\* \* \*

Impact on the U.S.:  
Harmful Consequences for Finances and Health

Destructive environmental practices in developing countries damage the economic and environmental interests of the United States and other developed countries by eliminating plants used in medicines and business, creating costly refugee problems, hurting export markets, and accounting for 25 percent of "global warming."

Destruction of tropical rain forests in developing countries eliminates plants used to produce new medicines and improve U.S. agricultural products. These species' potential is illustrated by some current examples: (65)

\* Half of U.S. medicines are derived from the genetic material of wild species of plants, most of them from tropical forests. For example, a single plant from Madagascar's besieged forests is the basis for two drugs used to fight blood cancers such as Hodgkin's disease. These two drugs' economic benefit to the U.S. has been estimated at \$350 million per year. At current rates of deforestation, all tropical forest in Madagascar will be gone by the year 2020.

\* U.S. farmers add at least \$1 billion per year to the value of their crops as a result of genetic improvements, many of them derived from materials in developing countries. When corn blight destroyed half of many states' crop in 1970, new varieties based on Mexican corn strains revitalized the industry. Benefits to consumers of nearly-extinct Mexican strains discovered in 1978 have been estimated in the billions of dollars.

\* Only one percent of the world's plant species have been examined by researchers for their potential benefits. If deforestation continues at its current rate, more than 1000 species will be lost annually and up to 20 percent of all wild species could be lost by the year 2000.

Environmental disaster in the developing world, sometimes tied to political strife, often requires costly relief efforts to support people fleeing environments that are no longer able to sustain them: (66)

\* In Haiti, the nearly one million people who fled the country in the 1980's can be termed "environmental refugees." While fear of a repressive government certainly plays a part in the decision to leave, most of the refugees come from northwestern Haiti, where extreme deforestation and erosion have slashed food production, resulting in malnourishment for 80 percent of children. Florida's spending on Haitian refugees in the 1980's exceeds the amount of U.S. foreign aid provided to Haiti.

\* In Ethiopia, damage to the environment, caused primarily by poverty and civil war, contributed to the breakdown of society that has required billions of dollars in relief from the U.S. and other donors. Environmental refugees searching for viable land played a role in turning a border dispute with Somalia into a war in 1977.

\* In Mexico, two-thirds of the country is now semi-arid -- with the newly infertile acres the result of desertification and erosion. The lack of land to support a growing population is one important motivation for illegal immigration from Mexico to the U.S.

\* Bangladesh's devastation in 1988 by floods linked to deforestation was not only a human tragedy, but also required a half billion dollar relief effort by developed countries. Even under normal conditions, flooding in the Ganges Plain costs India and Bangladesh \$1 billion annually in lost income, reducing demand for U.S. and other developed countries' exports.

Less visible types of environmental damage in developing countries also impose costs on U.S. health and finances:

\* Massive use of toxic chemicals in agriculture in developing countries -- so great as to increase poisoning of workers 2000 times over U.S. levels -- results in high levels of pesticides in foods exported to the U.S. Inspectors are able to test only one percent of U.S. food imports, so American consumers are exposed to fruits, vegetables, coffee and other products that are twice as likely as domestic produce to contain dangerous amounts of these chemicals. (67)

\* Destruction of tropical forests at current rates without adequate replanting will reduce developing countries' timber income from \$7 billion in the mid-1980's to \$2 billion in the mid-1990's, cutting purchasing power needed to buy U.S. exports. (68)

\* Dams built in developing nations lose their electrical capacity because deforestation and erosion fill them with sediment. For example, sedimentation cut the capacity of the Anchicaya Dam in Colombia 25 percent in two years, and will cut in half the projected life of the Mangla Reservoir in Pakistan. (69)

\* The cost of operating the Panama Canal will rise if deforestation of its watershed is not slowed. According to the Panama Canal Commission, 20 percent of the forest in the watershed has been destroyed in the past 25 years, and further deforestation and the resulting erosion would create extensive sedimentation in the reservoir that feeds the Canal. Substantially increased dredging would then be required in both the reservoir and the Canal. (70)

\* Deforestation in developing countries is responsible for as much as a quarter of the carbon dioxide build-up in the atmosphere that may be producing significant changes in the earth's climate, known as global warming. (71)

\* Chemicals released in the developing countries account for about 10 percent of world-wide depletion of the ozone layer; the ozone blocks solar rays that cause skin cancer and eye damage. China and India, who account for about half of the developing world's ozone-depleting chemicals, have yet to sign the Montreal Protocol limiting their release. (72)

\* \* \*

Evaluation of U.S. Programs and Policies: Increasing Attention to the Crisis, but Roadblocks on Debt and Population

Only recently has the developed world's attention focused on destruction of the environment in the developing world as a significant threat to its interests. As a result, the U.S. approach to the world's environmental crises has been characterized by minimal funding levels and fragmented policies.

U.S. leadership has been weak on the two primary causes of the environmental crisis, debt and population growth:

\* As noted in the previous chapter, despite bilateral and multilateral efforts after 1985 to help the developing countries grow out of their debt problem, total debt continued to grow through the three-year Baker Plan to \$1.2 trillion. The developing nations face more pressure than ever for short-term production that damages both the environment and long-term growth, although the Brady Proposal may help reduce some of that pressure.

\* The high-profile debate in the U.S. in the 1980's about the morality of abortion has caused tremendous collateral damage to family planning programs in developing countries. U.S. funding was cut off for the two key family planning groups: the International Planned Parenthood Federation, because some of its affiliates and non-U.S. funds aided abortions; and the United Nations Fund for Population Activities, because it assisted China when China was pressuring women to have abortions under the "one-child" policy. Total U.S. funding fell 32 percent in real terms from \$361 million in 1985 to \$244 million in 1989. (73)

The multilateral development banks of which the United States is a member often have contributed to the destruction of the environment with large-scale projects of the sort AID phased out in the 1970's. Under pressure from environmental groups and Congressional mandates, these institutions have begun to assess the impact of proposed projects on the environment. The consensus of environmental experts interviewed for this report, however, is that while the multilaterals have stopped some projects and are stepping up funding for projects to restore and preserve croplands and forests, they continue to start projects that damage the environment: (74)

\* World Bank and Inter-American Development Bank livestock programs have destroyed thousands of hectares of Central American forests, rendering land useless after it has been overgrazed and abandoned. (75) Both continue to fund livestock programs, although the World Bank lends mostly to projects that do not clear additional forest. (76)

\* Multilateral lending in Brazil for road projects opened up territories that ranchers and settlers quickly deforested. Some disbursements on these projects have been frozen, with remaining funds allotted to reforestation in damaged areas. Other projects continue to be funded, with conditions written into the loan agreement to protect the environment. Some environmental experts argue that similar conditions have been ignored in the implementation of past loans. (77)

AID also has started to assess formally the environmental impact of its development projects. However, the assessments are rarely

in-depth, and there is no comprehensive U.S. governmental policy on protecting the developing world's resources. While AID now allocates \$225 million a year for projects that protect the environment, it has no bureau focusing solely on this issue. (78)

International agreements and treaties, primarily under the United Nations, have addressed some environmental problems, and others are under negotiation:

- \* The U.N. Environment Program, formed in 1972, assisted in the negotiating of the 1987 Montreal Protocol to Protect the Ozone Layer. Both this treaty and the International Whaling Commission's multilateral agreement to curtail whaling have been successful initiatives to protect the environment. (79)

The unwillingness of the United States to accede to some of these treaties and to negotiate others has undercut its leadership:

- \* The U.S. has refused to sign three important environmental agreements, the Law of the Sea Treaty and conventions to reduce sulphur emissions by 30 percent and protect migratory species. (80)

- \* The U.S. has been hesitant to negotiate an international convention on global warming, which could entail restrictions on automobile and industrial emissions. Disagreements within the Bush Administration resulted in U.S. delegates to a key meeting in Geneva in May, 1989, giving a mixed message about U.S. willingness to support the negotiation of a convention.

One reason why a unified negotiating position is often difficult to attain is that the bureaucratic fragmentation of policy-making on international environmental issues is, if anything, even more extreme than it is on the international economic issues discussed in the preceding chapter, with more than a dozen entities in the U.S. Government playing important roles:

- \* The Agency for International Development funds and implements environmental and family planning projects.

- \* The State Department serves as the primary coordinating agency for U.S. global environmental policy, negotiating all international environmental treaties.

- \* The Environmental Protection Agency oversees the implementation of international environmental agreements in the U.S., and advises AID and the State Department.

- \* The Treasury Department controls U.S. policy at the World Bank and other development banks on environmental issues, and is the lead agency on resolving the debt problems of developing countries, which exacerbate environmental problems.

- \* The White House Office on Science and Technology Policy serves as the chief science advisory agency to the President.
- \* The Council for Environmental Quality also recommends domestic and international environmental policy to the President.
- \* The Department of Energy develops cleaner and more efficient energy technologies, and works to develop alternatives to ozone-depleting chemicals.
- \* The Department of Agriculture researches the impact of global climate changes on agriculture.
- \* The Forest Service, a part of USDA, provides technical assistance and training on the problems of deforestation and tropical forest management, and studies the connection between deforestation and global warming.
- \* The Interior Department provides technical assistance to foreign countries on environmental projects, and advises AID and the State Department on global environmental issues.
- \* The National Oceanic and Atmospheric Administration in the Commerce Department is the primary researcher of climate change, and also monitors ocean circulation.
- \* The National Aeronautics and Space Administration researches climate change and ozone depletion with theoretical models, weather balloons, aircraft and satellites.
- \* The National Science Foundation funds research on environmental issues, especially global warming and ozone depletion.

\* \* \*

## Chapter IV

THE CHALLENGE TO DEMOCRACYSummary of FindingsThe Extent of the Problem in the Developing Countries:

- \* The political power of the military often slows the transition toward multiparty elections and the consolidation of democracy that is underway in the developing world.
- \* A full half of the developing world still lives under unelected governments; another quarter lives under governments chosen in multiparty elections, but still building other elements of democracy, such as a working judiciary, a free press and a civilian-controlled military.
- \* The risk of war or violent revolution decreases as political freedom increases: only one of the 23 wars in the past two years occurred in a fully-functioning democracy, while 16 occurred under unelected governments.

Impact on the U.S.:

- \* Countries with a politically-independent military or an unelected government usually have a weak rule of law. Endemic corruption can result, hurting U.S. programs designed to spur economic growth and reduce drug-running.
- \* Fully-functioning democracies often outperform their less democratic neighbors in economic growth and, as a result, in purchases of U.S. exports.
- \* U.S. security interests have been threatened by civil wars that originated in large part because of a lack of democracy, as in Cuba, the Philippines and Vietnam.

Evaluation of U.S. Policies and Programs:

- \* U.S. military aid is almost always provided to governments chosen in fair, multiparty elections, but it can inadvertently undercut the consolidation of democracy by strengthening a military that maintains its independence from civilian and judicial control after the elections.
- \* U.S. training of foreign military officers does not challenge directly, and often does not appear to have changed, attitudes about civilian control and human rights.
- \* There are a number of little-known but influential U.S. military programs in developing nations that are outside the foreign aid process, and that send mixed signals to the military about the need to accept civilian control.

### The Extent of the Problem in the Developing Countries

A movement toward greater political freedom is underway in the developing world, with countries ranging from El Salvador to South Korea moving in the 1980's from being undemocratic states to having governments chosen in multiparty elections. While the support of some military leaders has been crucial to this transition, the continuing political power of the military is a barrier to the consolidation of democracy in these countries, as well as a barrier to more countries moving from undemocratic selection of leaders to multiparty elections. Examples include:

\* In Argentina, elements in the military staged mutinies throughout the presidency of Raul Alfonsin, to forestall attempts by civilian authorities to try officers accused of abusing human rights.

\* In Brazil, the military continues to run a nuclear program that operates independently of the civilian government, and which could lead to the development of nuclear weapons. (81)

\* In Honduras, the military exercises an informal, but widely recognized, veto power over the decisions of elected civilians, and controls the activities of civilian agencies in rural provinces. (82)

\* Dictators and one-party states often rely on the military to control dissent and block movement toward multiparty elections. In some cases, such as Angola, Burma, Paraguay and Zaire, military leaders seize power and rule directly; in other cases, such as China, Kenya and Malawi, the military supports one-party leaders.

Today's transition toward democracy is significant, but it is at great risk of being reversed if the military continues to see itself as a political actor, and if debt and other economic problems keep civilian governments from meeting their citizens' demands for improved living standards. Such a reversal would not be unprecedented: similar trends toward elected governments occurred in the past, only to be ended when military forces that had been waiting in the wings returned to power, often during economic crises. For example, of the ten independent countries in South America in 1961, only Paraguay was a military dictatorship, but by the mid-1970's, eight of the ten were under military rule. (83)

Despite the trend toward multiparty elections, particularly in Latin America, full political rights remain elusive for most citizens of developing nations. To assess the status of political rights in the developing world, Caucus staff reviewed reports by the State Department and human rights organizations, conducted interviews with regional experts, and placed developing countries in three general categories (See Table IV-1 for examples):

\* Half of the developing world's population (including China) still lives under governments that prohibit competitive multiparty elections, where a dictator or a single party rules and where opposition parties are either banned or severely restricted.

\* Another quarter lives under governments chosen in multiparty elections, but which are in varying stages of consolidating other elements of a full democracy, such as a working judiciary, a free press, and a civilian-controlled military.

\* Only a quarter of the developing world lives in what might be called fully-functioning democracies, where citizens can rely on the judicial system and an apolitical military to protect their right to promote non-violent change through free speech and multiparty elections.

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Table IV-1:

Examples of Forms of Government in the Developing World

<u>Democracy/Fully Functioning</u>	<u>Democracy/Still Consolidating</u>	<u>Unelected Rule</u>
27 (22% of pop.)	28 (24% of pop.)	78 (54% of pop.)
Examples:	Examples:	Examples:
Botswana Costa Rica India Senegal Venezuela	Argentina Egypt Guatemala Philippines Zimbabwe	China Cuba Ethiopia Somalia Zaire

Notes: (84)

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The purpose of this categorization is to present a general finding about the status of political rights in the developing world, rather than to provide an absolutely definitive rating for each country. Certain countries could fall into more than one category, based on, for instance, how highly one rates the ability of the judicial system to prosecute officers for abuses of human rights, or how fair the electoral system is judged to be for opposition parties.

Egypt, for example, could be considered a full democracy, because it has expanded press freedom and permits opposition parties to campaign for seats in the legislature. However, we categorized

Egypt as still consolidating democracy, because the State Department reports that citizens' political rights "remain limited": controversial election rules hamper opposition parties' ability to reduce the ruling party's majority in the legislature, and 900 political detainees were being held under a state of emergency at the end of 1988. (85)

There is a very real linkage in the developing world between democracy and peace. As political freedom increases, the risk of war or violent revolution decreases: of the 23 wars in the developing world in 1987 and 1988 listed in Chapter V, only one (in India's Punjab province) took place in a fully-functioning democracy, while 16 occurred under governments that were unelected, and the final six in countries still consolidating democracy. Only three of the conflicts were primarily caused by invasions; the other 20 were primarily civil wars. (See Table V-1 for details.)

The causes of each conflict are complex and varied, and include deeply-engrained economic, social and ethnic problems. In general, though, the lack of political freedom is an important contributing factor:

- \* The fact that a majority of the 20 civil conflicts took place under unelected governments and only one occurred in a full democracy indicates that if representatives of various ethnic and political factions can compete for electoral power, rely on civilian and judicial authority to control an apolitical military and make their case in a free press, nonviolent compromises are more likely than war.

- \* In the six civil wars in countries that are still consolidating democracy, the lack of clear civilian and judicial authority over military forces played a role in the decision by some, although by no means all, guerrillas to remain in rebellion rather than engage in electoral politics.

\* \* \*

#### Impact on the U.S.: Unelected Governments and Politically-Independent Military Forces Set Back U.S. Efforts

Countries with a politically-independent military or an unelected government usually lack accountability and have a weak rule of law. The result can be endemic corruption, increased drug trafficking, reduced civilian control, and environmental damage, all of which hurt U.S. security interests:

- \* Zaire, the Philippines, Haiti, and the Central African Empire were looted by corrupt dictators in the 1970's, setting their economies back by years, creating massive debt and rendering their U.S. aid ineffective. The economies of all four have performed poorly in the 1980's, although the

Philippines' economy has improved since President Corazon Aquino took office.

\* In El Salvador, corruption of some officials in the ruling Christian Democratic Party disrupted U.S. programs to assist the poor. Revelations of corruption helped swing the 1988 assembly elections to a right-wing party that has traditionally opposed U.S. policy.

\* The Andean countries' attempts to cut down on drug trafficking have been stymied by corruption in police forces and judiciaries, enforced by violent attacks on those personnel refusing bribes.

\* Panama's military leader, Gen. Manuel Noriega, was indicted in the United States in 1988 for providing protection to drug-runners, leading to U.S. sanctions that brought the economy to a standstill, at great cost to U.S. investors and traders, as well as to the Panamanian people.

\* U.S. efforts to increase civilian control over the military in Central America have often been frustrated by the failure of the Salvadoran, Guatemalan and Honduran judicial systems to punish officers for abusing human rights. Judges who have tried to bring officers to trial have been threatened, and in some cases, killed.

\* Judicial systems in the developing world are often unable to enforce laws barring unsound environmental practices. A leading Brazilian opponent of illegal destruction of forests was murdered in 1988, apparently by cattle-ranchers, with no prosecution of the perpetrators. (86)

The existence of a politically-independent military or an unelected government in a developing country also hurts U.S. economic interests. Fully-functioning democracies often outperform their less democratic neighbors in economic growth and purchases of U.S. exports, in part because they attract foreign and domestic investors who are discouraged by the frequency of civil conflict and the arbitrary exercise of power in less democratic countries.

Obviously, the process of economic growth is complex and not guided solely by the status of political rights: countries such as South Korea and Taiwan had repressive governments during their periods of phenomenal growth, as did Chile when it experienced solid macroeconomic growth, but weak performance in living standards, in the 1980's. Nonetheless, comparisons of fully-functioning democracies with their neighbors indicate that they tend to have an economic advantage over less democratic countries:

\* Costa Rica, which disbanded its military in the 1940's, has achieved the highest per-capita income, lowest incidence

of poverty and highest level of per-capita purchases of U.S. exports in Central America. For example, Costa Rica's per-capita purchases of U.S. exports are the highest in the region at \$241, compared to second-place Honduras' \$112. Costa Rica leads its neighbors in virtually every social and economic measure that relates to future growth in U.S. markets, including per-capita income and percent of citizens with access to clean water. (7)

\* Botswana, with a full democracy and a small, apolitical border military, has consistently outperformed the other six states in Southern Africa (except South Africa). Botswana's per-capita purchases of U.S. exports are the highest in the region at \$30, compared to second-place Angola's \$13 and Zambia's \$8, and it ranks first in the region on nearly every social and economic measure. (8) Botswana's functioning judicial system has protected the rights of all races in business, in contrast to countries such as Kenya, where the failure of a politically-powerful military to protect minorities from harrassment has driven out many successful investors.

A final way in which U.S. security can be damaged by a lack of democracy in developing countries occurs when it exacerbates other root causes of conflict and leads to a civil war that involves U.S. forces and bases, or other U.S. interests:

\* The Philippines. The insurgency that today threatens the future of the government of President Aquino, which has recently signed an agreement permitting continued U.S. use of military bases, expanded greatly during the 1970's and early 1980's, in large part because Ferdinand Marcos refused to transfer political power through free elections, as well as because the corruption associated with his government weakened its response to social and economic problems that were being exploited by the rebels.

\* Civil wars in Central America. The wars that have devastated the region since the late 1970's, resulting in billions of dollars of U.S. funding and increased Soviet military influence in Nicaragua, originated largely because of the failure of governments to provide and protect democratic rights.

\* Castro's revolution in Cuba, the Vietnam War and the fall of the Shah in Iran. These were probably the three most damaging episodes for U.S. foreign policy in the past 30 years, as well as human tragedies that claimed over a million lives and resulted in millions of refugees. In each case, powerful U.S.-aided militaries supported leaders who refused to permit change by democratic means, which would have meant their ouster.

\* \* \*

### Evaluation of U.S. Policies and Programs

The U.S. goal of promoting political stability in developing countries is best achieved by encouraging fair elections and other political rights for citizens, civilian control of the military after elections, and the rule of law. Staff research conducted for this report on U.S. policies and programs affecting political rights, civilian control and civil conflicts (including field research in a number of countries and at U.S. training facilities for foreign soldiers) provides three general findings:

(1) While U.S. military aid to developing countries is increasingly conditioned on the military permitting fair elections, it can also inadvertently undercut the transition to democracy, for example, by strengthening a military that maintains its independence from civilian and judicial control after elections.

(2) The primary military training program (IMET) does not directly challenge, and often does not appear to have changed, foreign officers' attitudes about the need for civilian control of the military, or about the need to punish military personnel for abuses of human rights.

(3) There are a number of little-known but influential U.S. military programs in developing nations that are outside the foreign aid process, and that send mixed signals to the military about the need to accept civilian control.

(1) Military aid is almost all conditioned on elections, but it can also inadvertently undercut the transition to democracy.

In his 1982 speech to the British Parliament, President Reagan called on democratic countries to "foster the infrastructure of democracy" throughout the world. In 1989, in his inaugural address, President Bush sounded that call again, arguing that U.S. policy-makers should stress to other governments that "freedom works." In between those two speeches, U.S. officials in a number of countries and Members of Congress of both parties stressed the need for free, multiparty elections and the importance of other democratic institutions such as independent judiciaries and civilian control of the military. The National Endowment for Democracy (NED) was created with bipartisan support to promote such institutions.

Military aid, although primarily designed to advance legitimate U.S. security interests such as promoting access to bases and facilities for U.S. forces and strengthening allied military forces, has also been used as leverage in the campaign to achieve advances in elections and human rights.

\* Contrary to popular opinion, only two percent of all U.S. military aid goes to governments not chosen by fair, multiparty elections, such as dictatorships and one-party

states. Nearly half of military aid goes to fully-functioning democracies; the remainder goes to elected governments trying to consolidate democracy. (89)

\* In Latin America, U.S. policy successfully linked military aid to two key democratic developments, free elections and reductions in abuses of human rights. Throughout the 1980's, Congress denied nearly all military aid to governments in Latin America that were not freely-elected, and often tied the aid that was provided to improved performance on human rights. In Asia, U.S. policy-makers supported fair elections as the core of U.S. policy in the Philippines in 1986 and South Korea in 1987, resulting in transitions to more stable and representative governments.

In spite of these "success stories," in many countries the military remains extremely powerful -- often becoming the ultimate arbiter of controversial policy issues and sometimes operating above the law, unaccountable to the judicial branch. In some of these cases, U.S. military aid provided for other reasons inadvertently strengthened military forces or unelected governments opposed to the consolidation of democracy.

\* The enduring political power of the military in South American countries that are still consolidating democracy today (e.g. in Argentina, Brazil, and Peru) is in part the result of the military being strengthened in earlier decades both by substantial U.S. aid and by the message of U.S. acceptance for the military's political role that was implicit in the act of providing the aid.

In other parts of the world, U.S. military aid continues to undercut inadvertently the consolidation of democracy by strengthening politically-active military forces, even though in some of these cases it is linked to important elements of democracy, such as elections or reduced abuses of human rights:

\* In Honduras, the U.S. has provided half a billion dollars to the military since it turned over official power in 1980, in large part because of Honduras' cooperation with U.S. policy toward the contras and Nicaragua. (90) The aid is provided on the basis of what a top U.S. official calls a "clear consensus between us and the military" that aid will be cut off if there is a coup. According to independent Honduran observers, however, the military has become even more entrenched as a behind-the-scenes political power, operating independently of the civilian government. When the U.S. Ambassador to Honduras pointedly sought decisions relating to security issues from the civilian president in 1986, the military reportedly complained to his State Department superiors, and he was removed from his post. (91)

\* In El Salvador, the military reduced death squad killings significantly as a result of then-Vice President George

Bush's warning in 1983 that such activity jeopardized continued U.S. aid, and U.S. policy-makers have apparently convinced the military that a coup would lead to a complete cut-off of aid. However, the military has refused to let officers be prosecuted in a number of human rights and common criminal cases for which the U.S. Embassy and U.S.-trained investigators have developed strong evidence. An additional \$100 million in U.S. military aid has been requested for 1990. (92)

\* In Kenya, Somalia and Zaire, military forces receiving aid in return for cooperation with U.S. military and intelligence policy in Africa repress democratic dissent. In Kenya and Somalia, for which the Administration has requested \$16 million each in military aid for 1990, the repression is spurring unrest that, ironically, could lead to the end of military cooperation. (93) The Administration justifies its request for \$10 million in military aid to Zaire for 1990 by saying that it "has been a staunch supporter of U.S. and Western policies for over two decades," despite the fact that U.S. policies in favor of democracy and development have clearly not been aided by Zaire's military dictator, who has repressed political dissent and amassed a personal fortune in foreign banks while resource-rich Zaire has stagnated. (94)

\* The U.S. has provided \$20 million since 1985 to a group of 22 African countries for "civic action" programs that have the effect of strengthening the military's political power by helping it engage in development projects. (95) These tasks add to the military's domestic role at the expense of weak civilian institutions that should be carrying out these projects. While performing valuable short-term service in many cases, the program sends a message of acceptance rather than rejection of the military's role in supporting the undemocratic, one-party rule in most of these countries.

\* In Lesotho, U.S. officials have linked eligibility for military training to reductions in abuses of human rights, but not to steps to end military rule. The Administration argues that the aid is justified because Lesotho "is heading in foreign policy directions congenial to the U.S.," and that it will give U.S. personnel "potential influence on Lesotho's military leadership, thereby encouraging stability" -- but Lesotho's military leadership itself refuses to schedule elections for civilian rule, which would truly encourage stability and be congenial to U.S. foreign policy. (96)

\* Historical examples of countries where U.S. military aid sustained dictators largely because of their extensive military cooperation with U.S. forces, only to have that cooperation terminated when undemocratic rule brought on political unrest, include Ethiopia under Emperor Haile

Selassie, Iran under the Shah, and Nicaragua under the Somozas.

U.S. officials argue that U.S. military aid is too small in most developing countries to be used as leverage in encouraging the military or an unelected government to cede power. While this point has merit, since less than \$700 million in U.S. bilateral military aid goes to countries other than Camp David and NATO countries, it is also true that even a small amount of U.S. aid can be an extremely important symbol -- as it was, for example, in Argentina under the military government preceding the Alfonsín Presidency and in Chile under the Pinochet government. (97)

The effect of U.S. military programs in strengthening the political power of the military -- whether intended or not -- far outweighs that of the important but minimal initiatives the United States has undertaken in the 1980's to support political rights, such as the Administration of Justice program, the National Endowment for Democracy and AID's Democratic Initiatives, all of which totaled \$44 million in 1989. (98)

(2) The U.S. military training program (IMET) does not challenge directly, and often does not appear to have changed, attitudes of foreign officers about civilian control and human rights:

The conflict between traditional U.S. military objectives in the developing world and the newer security objective of consolidating democracy is illustrated well in the Pentagon's International Military Education and Training program (IMET).

Despite its relatively low cost compared to U.S. programs that transfer arms to developing countries -- roughly \$160 million annually, comprised of nearly \$50 million in foreign aid and, according to IMET estimates, over \$110 million worth of Defense Department contributions of instructors' salaries, training facilities, and overhead -- IMET is an important program in establishing U.S. policy toward the military's role in the transition to democracy: (99)

- \* IMET has trained over half a million officers from developing countries and continues to train 5,000 annually in the U.S., for periods of a few months to two years.

- \* nearly half of the 98 countries taking part in IMET in 1989 have unelected governments supported by military power.

IMET's primary purpose is to support the legitimate U.S. military goal of building strong working relations with officers who will be returning to service in developing countries. IMET trains officers in both leadership and technical military skills, but it also attempts -- indirectly, by "exposure" to U.S. personnel and society, rather than by direct instruction in these topics -- to inculcate respect for human rights and democratic institutions.

IMET appears to define its success primarily in terms of future access for U.S. personnel to foreign officers rather than in terms of the attitudes about respect for human rights and civilian authority those officers take away from the training:

\* The Pentagon has never assessed whether its training changes attitudes about respect for human rights and civilian control: the only DOD evaluation of IMET declared it a success because among its active-duty graduates in 1978 were "over 1000 holding prominent positions" in their government or military. (100) Significantly, that evaluation counted without distinction as "prominent" both those officers who held high military rank in a democracy and those who seized power in a military coup -- such as the late ruler of Pakistan, Gen. Mohammad Zia, a member of the IMET Hall of Fame.

There is some evidence that IMET's indirect, "exposure" method of teaching respect for human rights and civilian control, although well-intentioned, has not changed most trainees' attitudes:

\* While in some countries, such as Venezuela, IMET-trained officers accepted civilian control, in other countries many officers exhibited little respect for civilian control and human rights: 150,000 officers were trained in Vietnam, Laos and Cambodia, 4,000 in Nicaragua under Somoza and 4,000 in Ethiopia; in addition, 9,000 were trained in Brazil, 7,000 in Chile, 6,000 in Argentina, 3,000 in Guatemala and 2,000 in El Salvador before aid was cut off to those countries in the 1970's, in large part because of military abuses of human rights. (101)

\* A study led by former top officials from both North and South America concluded in 1988 that "the record of military coups during the past 35 years suggests that the training programs (in Latin America) have not succeeded in ingraining desirable norms about military intervention in politics." The study, chaired by former U.S. Ambassador to the Organization of America States Sol Linowitz and former Costa Rican President Daniel Obuder, criticized IMET's indirect teaching method for assuming that "U.S. views on civilian control would be transferred automatically through exposure to the U.S. model." (102)

\* An analysis by a leading U.S. expert on Latin America published in Foreign Policy in 1988 concluded that Latin American officers trained by IMET over the past four decades are generally anti-democratic and disdainful of civilian power, and that they see themselves as the "custodians" of the nation, whose role it is to step in when civilian rule violates their definition of national security. (103) The analysis found that there had been "no systematic effort to change these attitudes," and that, in fact, by strengthening

Latin militaries, military aid has made them more, rather than less, of a political force.

IMET trainers believe that efforts at "indoctrination" backfire, so they stress practical arguments to try to change attitudes. For example, rather than using a teaching session to explicitly condemn any mistreatment of civilians and prisoners as an unacceptable violation of military ethics, during discussions of field operations they point out the international repercussions of abuses of human rights, such as sanctions. Similarly, they tell trainees that torture is a counter-productive way to get information and that firing into a village alienates the population, rather than teach trainees that troops who engage in such behavior must be taken into custody immediately for prosecution. (104)

The U.S. message appears to be muffled by the lack of clarity on these points, as well as by the use as instructors of foreign officers who endorse rather than challenge existing attitudes:

\* 40 percent of the instructors at IMET's school for Latin American officers are themselves active-duty officers from the region. In 1988, they included officers from non-democratic countries such as Chile and Paraguay, from democracies with a politically-powerful military such as Argentina and Honduras, and from countries in which the military has a record of recent abuses of human rights, such as El Salvador and Peru. (105)

(3) U.S. military programs outside of foreign aid also send mixed signals on the need for civilian control.

The Defense Department has developed a series of programs to aid foreign military forces that often send weak or mixed signals on civilian control and human rights. These "military-to-military" programs are in addition to foreign aid programs that fund U.S. "Mil-Groups" and trainers, and so operate largely outside the purview of the Congressional foreign policy committees. (106) In some countries, these DOD programs provide more military training and advice than do the foreign aid programs themselves.

These military-to-military programs are conducted by the individual services and regional military commanders (such as SOUTHCOM, the U.S. Southern Command in Panama) without coordination by a single Pentagon office, making it difficult for the Defense Department itself to describe the extent of the activities undertaken. (107) A number of the programs are listed here, perhaps for the first time in one place:

\* The Personnel Exchange Program (PEP): U.S. military personnel assume positions with a foreign military for over a year at a time as field trainers or as instructors in military schools. In one country in which a low level of military aid rules out aid-funded trainers, the U.S. Mil-

Group maintains a total of 16 PEPs, covering all the service schools and all the main commands. According to DOD, some 75 U.S. PEPs serve in developing countries.

\* Subject Matter Experts (SMEs): U.S. military personnel or contractors hired by the Pentagon consult with foreign military forces, giving workshops on topics such as anti-terrorism, civic action, low-intensity conflict and specific military skills. SMEs are ostensibly short-term (as "TDY" personnel -- see below), but some instructors in guerrilla warfare stay on duty overseas for two years, and doctors and helicopter pilots also have had extended tours. In one country with long-term warfare instructors, no SME seminars have been offered on human rights and military discipline, because, according to DOD personnel in-country, "we like to offer what they ask for; they don't ask for this." (108)

\* The Foreign Area Officer (FAO) Program: U.S. military personnel who specialize in foreign affairs can earn the designation of FAO, and then serve overseas, attending foreign military schools or reporting as Defense Attaches on developments in the foreign military. In some cases, however, they also function as informal advisers and trainers: in countries with small "funded" military aid programs, U.S. Mil-Groups openly treat FAOs as trainers. In one such country, there are FAOs with each branch of the military. According to DOD, the Army alone has 50 FAOs in developing countries attending foreign military schools.

\* Temporary Duty (TDY) Assignments: U.S. military commanders can use "temporary" assignments to increase the number of military personnel in a country, over and above what Congress or even the host country may know. For example, TDYs have been used to raise the number of U.S. military personnel assisting El Salvador's military effort from the 55-man limit agreed to by Congress and the Administration in 1981 to a constant rate of between 150 and 200 today. (109) In some cases, TDY assistance is for extended periods, since personnel may repeat a TDY assignment after leaving a country for a brief period.

\* Exercises and Operations: In addition to the known practice of training during joint exercises, DOD trains foreign officers by inviting them on U.S. operations, sometimes on missions that apparently contradict other U.S. policies. For example, Chilean officers have been trained on U.S. aircraft carriers during the 1980's, despite the ban on training under foreign aid programs because of Chile's record on human rights.

\* Military Conferences: DOD helps establish joint military conferences and sends U.S. officers to attend them -- often with the militaries of undemocratic countries. The U.S. Army, for example, is a member of the Conference of American

Armies, which includes the armies of undemocratic countries such as, in the case of the 1987 Conference meeting, Chile and Paraguay. The Conference promotes among its members the view that the "main threat" to Latin America is the "International Communist Movement," aided by "subversion" by local, legal, communist parties. (110)

The U.S. Army has classified its copies of the proceedings of the 1987 Conference meeting, but if what appear to be excerpts in the Brazilian press are accurate, the U.S. delegation did not argue that undemocratic governments and weak civilian control of the military were also threats to Latin America. (111) Participation in the Conference appears to contradict the goal of conferences AID is sponsoring in Latin America on "the appropriate role of the military in strengthening democracy," which are intended to give impetus to a transition to an apolitical military. (112)

Total funding for these low-visibility programs to aid developing countries' military forces is difficult to estimate, but it could well exceed the \$44 million in U.S. programs, such as NED, designed specifically to promote political rights.

\* \* \*

## Chapter V

THE THREAT OF MILITARIZATIONSummary of FindingsThe Extent of the Problem in the Developing Countries:

- \* There were 23 wars in the developing world in 1987 and 1988, setting back economic development throughout entire regions and sending thousands of refugees across borders.
- \* Military spending by developing nations -- some \$200 billion each year and growing four times as fast as their non-military spending -- diverts resources that could cover all their annual payments of international debt.
- \* Weapons proliferation is accelerating: over half of the 13 developing countries reported to have chemical weapons have acquired them since 1979; the number producing ballistic missiles could expand from six to 15 in the 1990's.

Impact on the U.S.:

- \* Civil conflicts in developing countries reduce the demand for U.S. exports, often generate refugees, create the need for relief aid and can lead to U.S. military involvement.
- \* Military spending by developing countries cuts their growth and, as a result, their demand for U.S. exports. It could replace all U.S. and other donors' economic aid four times over if redirected instead to the civilian economy.
- \* The proliferation of chemical and biological weapons -- and of missiles and aircraft to carry them -- increases the threat to U.S. forces and damages U.S. interests in economic and political development.

Evaluation of U.S. Policies and Programs:

- \* U.S. policy has too often stressed military solutions to conflicts more than negotiations and other efforts to address the economic and political causes; the wars usually continue, halting development and exacerbating the causes.
- \* The U.S. participates in multilateral agreements limiting the export or use of some weapons, but has often not backed them with sufficient diplomatic or economic sanctions.
- \* U.S. initiatives to curb proliferation and military spending are undercut by other U.S. policies, such as \$9 billion in annual arms transfers, the building of new chemical and nuclear weapons, and military spending that exceeds that of the developing nations' combined.

\* \* \*

The Extent of the Problem in the Developing Countries:  
Wars, Increased Military Spending and Weapons Proliferation

Militarization in the developing world has three primary components: wars, heavy expenditures for military forces at a time when countries are increasingly short of funds to address severe development problems, and the spread of sophisticated weapons such as chemical weapons and ballistic missiles.

Wars

In 1987 and 1988 there were 23 wars -- defined as conflicts in which more than 1,000 people died during either year (See Table V-1). Of these, 20 were primarily civil conflicts. (113)

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Table V-1: Wars in the World, 1987-88

(23 conflicts in which annual deaths were estimated in either year at over 1,000)

<u>Africa</u>	<u>Latin America</u>	<u>Middle East</u>	<u>Asia</u>
Angola	Colombia	*Iran/Iraq	*Afghanistan
Burundi	El Salvador	Lebanon	Burma
Chad	Guatemala		*Cambodia
Ethiopia	Nicaragua		India
Mozambique	Peru		Indonesia
Somalia			Philippines
South Africa/ Namibia			Sri Lanka
Sudan			
Uganda			

\* Wars caused primarily by invasion; all others are civil conflicts.

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There is no question that wars set back development throughout an entire region, as conflict in neighboring countries reduces regional growth and incentives for investors and sends thousands of refugees across borders. Recent examples where wars played an important role in hampering regional growth include:

\* Ethnically-based civil wars in Africa in the 1980's in Angola, Ethiopia, Somalia, South Africa, and the Sudan set back economic and environmental efforts in those countries by decades. The wars also burdened neighbors with refugees and involvement in the conflict. In the case of South Africa, the government destabilized all seven neighboring states by funding rebel groups or conducting military raids and economic warfare. (114)

\* Civil wars in Central America since the late 1970's have killed some 200,000 people in El Salvador, Guatemala, and Nicaragua. The wars caused a sharp drop in economic growth throughout the region, including Costa Rica and Honduras, as domestic investors transferred billions of dollars in capital to more secure investments in the developed world, and foreign investors stayed out of the region. (3)

#### Military Spending

The developing world spends \$200 billion annually on its military forces -- more than enough to pay its annual international debt service of \$135 billion. (4)

While military spending in many cases is justified to deter attack and defend security interests, it also can divert scarce resources from development programs and social services that help provide the basis for future growth:

\* Military spending climbed 11 percent from 1980 to 1985 (the most recent year for which comparable data are available), four times as fast as non-military spending. (5)

\* Governments in developing countries spend three times as much on the military as on health, and 20 percent more on the military as on education. (6)

\* There are nine times as many soldiers as doctors in the developing world, twice the developed world's ratio. (7)

A number of developing countries are expanding their own arms industries, both for domestic use and for export. These arms industries generate some export earnings, but are also often a drain on developing nations' domestic economies, because they attract trained personnel and investment from the civilian economy, where both are often in short supply. Despite decades of analysis, there is no evidence that these industries, or military spending in general, provide "spin-offs" promoting modernization and economic growth. (8)

#### Weapons Proliferation

As the following table of countries reported to have or be acquiring various types of weapons indicates, weapons proliferation is a significant problem in the developing world. (See Table V-2.) Very few of these countries had such weapons 20 years ago.

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Table V-2: The Spread of Weaponry in Developing Countries  
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<u>Chemical Weapons</u>	<u>Nuclear Weapons</u>	<u>Ballistic Missiles</u>
13	7	19
Burma	#Argentina	Afghanistan
China	#Brazil	#Argentina
Egypt	China	#Brazil
Ethiopia	India	+China
+Iran	Israel	+Egypt
+Iraq	Pakistan	#India
+Israel	South Africa	+Iran
Korea (North)		Iraq
Korea (South)		+Israel
+Libya		+Korea (North)
+Syria		+Korea (South)
Taiwan		Libya
Vietnam		#Pakistan
		Saudi Arabia
		#South Africa
		Syria
		#Taiwan
		Yemen (AR)
		Yemen (PDR)

No marking: possession or capability to produce reported.  
 +: reported current producer, 1989.  
 #: reported to be still developing.                      Source: (121)  
 -----

Concerns about proliferation traditionally have focused on the developing countries thought to be capable of producing nuclear weapons or seeking to develop such a capability. This section does not focus on the better-known problem of nuclear proliferation, but rather addresses primarily the proliferation of other weapons of mass destruction, and of delivery systems that could be used for them as well as for nuclear weapons:

\* five developing countries reportedly produce and another eight reportedly possess chemical weapons. More than half of these 13 countries reported to possess chemical weapons have acquired them since 1979. (122)

\* ten nations are developing biological weapons -- viruses designed to kill humans, animals or plants. (123)

\* 19 developing nations have or are developing ballistic missiles; six of these already produce their own, a number that the CIA expects to rise to 15 by the year 2000. (124)

\* 15 of the 18 countries reported to have or be developing chemical or nuclear weapons also have or are developing

ballistic missiles, and two of the remaining three have supersonic fighter aircraft. (125)

\* A number of countries developing these weapons have a history of poor relations, and even combat, with each other, such as Israel and Syria, India and Pakistan, and Egypt and Libya -- making their use even more likely.

\* \* \*

Impact on the U.S.:  
New Threats to U.S. Security

For the past 40 years, the primary threat to U.S. security has been posed by the Soviet Union, the only hostile power capable of attacking the United States with nuclear weapons. According to the Pentagon, well over half of U.S. military spending is devoted to deterring war between the United States (with its NATO allies) and the Soviet Union (with its Warsaw Pact allies). (126)

Improved U.S.-Soviet relations are opening up the prospects for reductions in nuclear and conventional forces on both sides of this East-West confrontation, which would lower the threat to U.S. security. At the same time, though, another threat to U.S. security interests is increasing: militarization in developing countries, which jeopardizes their political stability and economic growth and poses military risks to U.S. forces.

Wars

Wars and civil conflicts in the developing world not only cause great suffering and destruction, but also cost the United States billions of dollars each year in reduced exports and increased humanitarian aid. In addition, in some cases they result in U.S. military aid to one of the parties to the conflict, and drive thousands of refugees to the United States. Examples of such conflicts threatening U.S. security interests include:

\* Central America. Over ten years of civil war, U.S. exports to the region fell 30 percent, from \$2.8 billion in 1977 to \$2 billion in 1987. (127) This drop was particularly remarkable when compared to the 100 percent growth in U.S. exports to Central America from 1970 to 1977. U.S. aid of over \$5 billion was provided to the region in the 1980's to help fight civil wars, maintain governments in power, and care for over a million refugees, many of whom ultimately migrated to the U.S.

\* Civil Wars in Africa. A decade of civil wars in Africa from 1979 to 1988 resulted in over \$1.5 billion dollars in U.S. emergency assistance, and held back Africa's potential as a U.S. trading partner. (128) The U.S. has been drawn into funding a number of the parties to the conflicts,

including the Somalian and Sudanese Governments and the UNITA rebels in Angola.

\* Peru. The civil war between the Maoist "Shining Path" and the Armed Forces in the Indian regions of Peru interferes with efforts undertaken by the United States and Peru's democratic government to attack the cocaine trade. It also hampers growth for Peru, a leading debtor nation whose purchases of U.S. exports fell by over 50 percent from \$2 billion in 1981 to \$900 million in 1987. (129)

### Military Spending

Another component of militarization that hurts U.S. interests in developing countries is the tremendous burden on their economies of military spending -- as noted above, \$200 billion annually. By absorbing resources that could otherwise have been invested in infrastructure and living standards, this level of military spending retards growth in the developing world that could increase U.S. exports and reduce the need for U.S. economic assistance:

\* Developing countries' military spending is four times the level of their annual economic aid from the U.S. and other donors. (130)

\* It is more than twice the level of annual new lending from the developed to the developing world. (131)

### Weapons Proliferation

A final component of militarization, the proliferation of advanced weapons -- most notably in the Middle East but also, increasingly, in Asia and Latin America -- makes it more likely that if wars break out they will be extremely damaging. Weapons proliferation also increases the threat to U.S. forces based overseas and, in the case of importation into the United States by terrorists, the threat to U.S. citizens. Examples of U.S. forces potentially endangered include:

\* U.S. forces on NATO bases in Turkey are within the range of ballistic missiles possessed by Iraq and Syria, both countries with poor relations with the U.S. (132)

\* U.S. forces in the Mediterranean Sea and at NATO bases in Italy are within range of Libyan and Syrian sea-launched STYX missiles. (133)

\* U.S. forces in the Philippines could come within the range of missiles India is developing; and U.S. forces in the Persian Gulf could be reached by Pakistan's supersonic aircraft. (134) India has and Pakistan probably has the ability to construct nuclear weapons. While at present they enjoy good relations with the U.S., the example of Iran

under the Shah shows how quickly even an apparently firm U.S. ally can become a bitter enemy.

Military challenges faced by U.S. forces in the Persian Gulf in 1987 show how the proliferation of advanced missiles and supersonic aircraft can threaten those forces directly. A sophisticated anti-ship missile launched by an Iraqi fighter killed 37 crewmen on the U.S.S. Stark, and Iranian anti-ship missiles damaged loading areas and a U.S.-reflagged tanker in Kuwait Harbor. (135)

\* \* \*

### Evaluation of U.S. Policies and Programs

This section presents three general findings about U.S. policy toward militarization in developing countries:

(1) U.S. policy toward conflicts in developing nations has too often stressed military solutions more than addressing their economic and political causes through negotiations and significant reforms; the wars usually continue, halting development and exacerbating those root causes.

(2) The U.S. has opposed the spread of chemical and biological weapons and ballistic missiles in developing countries, but has not imposed sufficient diplomatic or economic sanctions to make this policy successful.

(3) U.S. leadership and credibility in the effort to curb proliferation and military spending is weakened by some U.S. military policies, such as \$9 billion in annual arms transfers to developing nations, the building of new chemical and nuclear weapons, and military spending that exceeds that of the developing nations combined.

#### (1) U.S. policy toward conflicts often stresses military solutions more than efforts to address their causes.

Once a significant internal conflict breaks out in a developing nation, it is rarely "won" by either side in the sense that military victory brings with it a viable economic future. If one side does prevail, the result is usually a dominant military force presiding over a devastated economy, as in Vietnam in 1975, Nicaragua in 1979 and Uganda in 1988. More typically, both sides develop significant military power and the war drags on, postponing economic development, as in Angola, El Salvador, Ethiopia, Peru and Somalia today.

Conclusions of civil wars that leave a country with a viable political and economic future typically have come through negotiations and changes in the political and economic roots of conflict, rather than through outright military victory. For example:

\* Zimbabwe's civil war came to an end in 1979 with an agreement brokered by Britain, with U.S. support, that guaranteed political rights to all citizens, and convinced many whites to remain in the country, along with their skills and capital.

\* Venezuela, faced by leftist rebellion in the early 1960's, dramatically improved conditions for small farmers and provided safe, legal participation in politics for previously-outlawed parties; the rebels eventually dispersed.

This suggests that the primary focus of U.S. policy should be on negotiating solutions to civil conflicts rather than on intervention on behalf of one side or another. Admittedly, the capacity of any outside power to promote such solutions is limited. For the long-term, U.S. policy should try to head off future civil conflicts by helping governments sustain policies that promote equitable economic growth and political rights.

In contrast to this prescription, U.S. policy toward the developing world in the 1980's often focused on trying to help "friendly" forces militarily defeat rebel movements, rather than on attacking the underlying roots of the conflict or negotiating a settlement. This U.S. strategy, in which equipment, training and intelligence information is provided to sustain a foreign military in small-unit combat while the government tries to expand its bureaucracy and the economy into rebel-influenced areas, is named Low-Intensity Conflict (or "LIC").

As defined in the Pentagon's key study on LIC, which advocates LIC's expansion as a tool of foreign policy in the 1990's, LIC in many ways reflects thinking that is a hold-over from an earlier era of U.S. foreign policy, and contradicts the growing consensus on the importance of democracy and human rights: (136)

\* LIC promotes an East-West view of foreign policy, in which the primary cause of conflict is the Soviet Union's exploitation of local grievances, by defining "friendly" forces as virtually any military fighting leftist insurgents.

\* LIC sees violations of human rights as being "unrelated or only distantly related" to U.S. security interests.

\* LIC calls for aid to insurgencies against leftist governments to be a mainstay rather than an exceptional instrument of U.S. foreign policy.

The LIC strategy, like most attempts to "win" civil wars, does not have a good track record: it has not resolved a civil war since the British used it to isolate an ethnic minority in Malaya in the early 1950's. LIC's lack of success is not surprising,

because it strengthens rather than challenges the very military and political forces whose power usually lies at the root of a conflict, and eschews substantive negotiations in which each side must give up something significant to the other.

In the 1990's, a number of wars could escalate out of control if governments rely on LIC to pursue an unlikely military victory, rather than mount an aggressive attack on the political and economic roots of the conflict. These wars could then pose extremely difficult choices for U.S. policy:

\* In Peru, where the leaders of the brutal "Shining Path" rebellion have ruled out negotiations, U.S. officials, including U.S. military advisers who assist the Government, agree that the rebellion can only be weakened through dramatic improvements in economic opportunity and justice for Peru's Indian population. The current, almost exclusively military effort appears to be further alienating citizens in combat zones.

\* In Somalia and the Sudan, ethnically-based civil wars are well on their way to causing a total breakdown of society, of the type that occurred in Ethiopia in the 1980's. Today's significant refugee problems could multiply as the economy ceases to function. The Reagan Administration did not press hard on the U.S.-funded governments in these countries to pursue negotiated settlements; in its first few months in office, in contrast, the Bush Administration stressed the importance of negotiations and served as an intermediary in promoting dialogue.

\* In the Philippines, the government of Corazon Aquino achieved a two-month cease-fire in 1986 to engage in negotiations with the New People's Army, communist rebels who have an armed presence in nearly all 73 provinces. The rebels broke off the peace-talks and refused to extend the cease-fire in 1987, however, and the war has continued unabated. The Aquino Government, despite over \$1 billion in U.S. economic and military aid in three years, is still struggling to implement programs such as land reform to address the conflict's underlying social and economic roots.

\* In El Salvador, during the five-year term of President Jose Napoleon Duarte, U.S. policy-makers and Congress endorsed the Salvadoran Government's decision to insist that the rebels' only option was to take their chances in the existing political process, without guarantees of security. In its early months, the Bush Administration pressured the Salvadoran Government to reconsider its rejection of a rebel peace plan, but as of the publication of this report, how its policy will differ from its predecessor's remains unclear. The root causes of conflict in El Salvador -- unpunished political violence, poor living conditions, and a

lack of economic opportunity -- remain firmly entrenched, despite over \$3.6 billion in U.S. aid in the 1980's. (137)

(2) Non-proliferation policy has not been backed by significant diplomatic and economic sanctions.

Two positive multilateral initiatives were undertaken in the 1980's to slow the pace of proliferation:

\* 19 Western allies formed the "Australia Group" in 1985 to block the export of eight "precursor" chemicals to countries thought to be producing chemical weapons. This agreement has been credited with delaying, although not ultimately preventing, proliferation, since other exports of these chemicals can be diverted surreptitiously to the banned countries. (138)

\* The Missile Technology Control Regime (MTCR), started in 1987 by the U.S. and six of its allies, commits participants to prohibit certain exports and to ensure that purchasers of other items do not use them to develop nuclear-capable missiles. The MTCR has been credited with slowing the development of long-range missiles in a number of countries, including Argentina and India. (139)

In spite of these agreements, U.S. policies to block the proliferation and use of weapons frequently have not been supported with vigorous diplomatic efforts or economic pressure. There has been no concerted effort to encourage major non-western suppliers, particularly China, to become members of the suppliers' agreements. Neither of the agreements is enforced through multilateral sanctions, and companies in member countries have evaded the guidelines developed by each member:

\* West German firms have been accused of selling technology to Libya to build chemical weapons and to Argentina to build ballistic missiles. At least one U.S. firm has also been implicated in supplying Iraq with chemicals that could be used to build weapons.

Developing nations who produce, sell and even use the proscribed weapons have paid little diplomatic or economic price for their activities:

\* Chinese ballistic missiles were sold to Iran during its war with Iraq and to Saudi Arabia in 1987, but China received no international sanctions. (140)

\* Although the U.N. has confirmed Iraq's use of chemical weapons in its war with Iran and against its Kurdish population, no significant sanctions were applied by the U.S., the U.N., or Iraq's other trading partners.

(3) U.S. efforts to curb militarization in developing countries are undercut by U.S. arms sales, procurement of new weapons and military spending.

U.S. leadership is crucial to achieving multilateral agreements to slow the proliferation of sophisticated weapons and reduce the drain of military spending on the developing world, but our credibility in these areas is weakened inadvertently by U.S. arms transfers to developing countries, and by U.S. military production and spending.

#### Arms Transfers

With \$9 billion in annual arms transfers to developing nations, the United States is their second largest supplier of military equipment, behind the Soviet Union's \$16 billion. More than half of the U.S. total is financed by aid programs. (141)

Obviously, governments' decisions to acquire weapons are motivated by their perceptions of their security needs, and there is no blanket "right" or "wrong" that can be applied to each decision. In the aggregate, though, U.S. arms exports to the developing world tend to undercut nonproliferation policy by encouraging governments to focus on increased military capability as the solution to their security problems, rather than on establishing a strong and secure economy or -- in the case of civil conflict -- on negotiating with the other parties to address the causes of the conflict.

In the early 1980's, the U.S. abandoned guidelines implemented in the 1970's to restrain sales of sophisticated weapons such as fighter aircraft and anti-ship missiles -- for example, a ban on such sales to Latin America and Sub-Saharan Africa -- and replaced them with a "case-by-case" approach. The result was a significant increase in exports of sophisticated weapons to the developing world: (142)

\* In Latin America, Honduras and Venezuela received supersonic fighters that they had been denied in the 1970's;

\* In Asia, South Korea received a version of the top U.S. fighter, the F-16, which it had been denied in the 1970's. Pakistan also received the F-16 for the first time, following the Soviet invasion of Afghanistan.

Advocates of U.S. sales of sophisticated weapons to developing countries often justify them on the grounds that other exporters will fill the market if the United States does not. This argument directly contradicts efforts to achieve U.S. interests in restraining proliferation and military spending. If the United States believes that its security and its interests in regional security are threatened by the proliferation of sophisticated weapons, it should promote vigorously multilateral

collaboration for a policy of restraint, rather than simply accept proliferation and compete with other countries for sales.

In fact, U.S. policy-makers have rejected the "if we don't, somebody else will" argument in the cases of chemical weapons and ballistic missiles, and have pursued the multilateral restraints described above. Efforts to promote multilateral restraints on the export of advanced aircraft and short-range missiles, however, have been on hold since the break-down of the U.S.-Soviet Conventional Arms Transfer (CAT) Talks in the late 1970's.

#### U.S. Production and Spending

Leaders in the developing nations invariably argue that the U.S. and other developed nations have no moral standing to demand restraint on chemical weapons and missiles, since the developed nations already have sophisticated weapons and are continuing to build them:

- \* U.S. leadership on stopping the proliferation of chemical weapons is undercut by U.S. production, which resumed in 1987 after a moratorium of nearly 20 years.

- \* U.S. leadership on stopping the proliferation of missiles is undercut by U.S. production of new land, air and sea-launched missiles for nuclear weapons throughout the 1980's, and by plans to build more in the 1990's.

The United States does not have a clear policy of encouraging moderation in military spending by developing countries. The U.S. has failed even to acknowledge that developing nations' military spending reduces funds that are available for economic development, and in 1987 actually boycotted the U.N. Conference on Disarmament and Development, arguing that the two concepts were not related. (143)

- \* Even if U.S. policy were to change, and call for a reduction in developing countries' military spending, this call would be undercut by the example of the U.S. level of military spending, which is 50 percent more than that of all developing countries combined.

It is not our purpose here to judge particular components of U.S. forces; in each case, U.S. security planners can present a reasonable military justification for building particular weapons or maintaining a certain level of spending. Rather, these examples are cited to demonstrate the difficulties the United States and other developed nations will encounter in encouraging the developing world to reduce its military forces if the developed nations do not attempt, consistent with their other security interests, to reduce their own.

\* \* \*

## Chapter VI

THE MENACE OF DRUG-TRAFFICKINGSummary of FindingsThe Extent of the Problem in the Developing Countries:

- \* The drug trade brings civil conflict and political paralysis to major producing countries, crippling efforts to develop the economy and strengthen democracy; it brings little economic benefit, as traffickers export most profits.
- \* Profits equal to 250 times the cost of production allow drug lords to challenge governments: Colombia's largest drug cartel outearns the government's budget. High-level corruption can, and often does, result.
- \* Drug production hurts the economy by blocking legal, taxable development, and damages the environment with erosion and the run-off from chemicals used for processing. Drug abuse in producing countries exceeds U.S. levels.

Impact on the U.S.:

- \* 70 million people in the U.S. have used illegal drugs, causing more than 5,000 deaths annually, a 13-fold increase in hospital emergencies, and a quarter of the cases of AIDS.
- \* Americans spend \$150 billion annually for illegal drugs, some five times what is spent for oil imports; and drug-related crime and law enforcement cost another \$100 billion.
- \* In major U.S. cities, a majority of people arrested for serious crimes are drug abusers. In Washington, DC, 60 percent of 1988's record 372 murders were drug-related.

Evaluation of U.S. Policies and Programs:

- \* U.S. foreign anti-drug funding doubled in the past four years, but production increased 25 percent and U.S. street prices fell 50 percent, indicating increased availability.
- \* U.S.-aided efforts eradicated five percent of coca in 1988, but new planting resulted in an overall seven percent increase in production.
- \* Three-fourths of U.S. overseas funding attacks production and trafficking, and only one-fourth goes to education and development projects that offer a long-term solution.
- \* The drug problem requires multilateral cooperation, but U.S. funding and policy is almost exclusively bilateral.

\* \* \*

The Extent of the Problem in the Developing Countries:  
Paralyzed Governments and Growing Social Costs

The trade in illegal drugs has brought virtual civil wars, massive expenditures and political paralysis to many of the 24 countries the State Department identifies as major producers or traffickers, handicapping their efforts to renew economic growth, provide a stable political system and protect the environment. In other producing and trafficking countries, corrupt governments have condoned rather than combatted the drug trade.

Contrary to public perception, the drug trade has had only marginal economic benefit for the major growing countries, since drug producers export most of their profits, damage the environment, and retard economic development by keeping legal infrastructure and services out of growing areas.

\* In Colombia, the Medellin cocaine cartel has killed nearly every high-ranking government official who has led the fight against them, including two Supreme Court justices, the Minister of Justice, the attorney general and the commander of the special anti-narcotics police. (144) The Colombian judicial system has been paralyzed as judges are forced either to accept bribes or risk assassination; in 1987, the Colombian Supreme Court struck down a treaty under which 16 alleged drug lords had been extradited to the U.S. (145)

\* Burma, the world's top producer of opium, is unable to carry its drug control program into most of its opium-producing areas, because they are controlled by rebel groups. The rebels have used their share of drug profits to strengthen their forces. (146)

\* In Peru, the government's drive against drug traffickers has created informal alliances between them and Peru's rebel movements. Both attack not only military forces and eradication workers, but all government representatives in growing regions. As a result, the government's economic development organizations have been unable to establish a significant presence in growing areas, which then become even more dependent on drug production. (147)

\* Mexico reports that a fourth of its military is used solely to combat narcotics-trafficking, and that a remarkable 60 percent of its law enforcement budget goes for anti-drug campaigns. (148)

The reason for this crisis, of course, is the profit margin for illegal drugs, which for cocaine is 250 times the cost of production. (149) Latin American traffickers reportedly receive only one-seventh of total revenues from the cocaine trade, but this still provides them with a profit margin of roughly 35 times their cost of production -- and gives them the economic

incentive, and the economic power, to challenge governments:  
(150)

\* Colombia's Medellin drug cartel alone earns an estimated \$3 to \$6 billion a year, compared to the government's annual budget of \$4.6 billion. (151)

\* Peru's drug traders earn some \$700 million a year, an amount equal to 30 percent of Peru's legal foreign exchange earnings. (152)

\* Coca dollars entering Bolivia equal 60 percent of earnings from all legal exports combined. (153)

One of the hardest problems for governments to solve is the graft and corruption that is encouraged by drug profits. Panama's Gen. Noriega has been indicted on drug-trafficking charges; many of Haiti's military leaders are alleged to have ties to drug-trafficking and money-laundering; in Peru, military and police units in drug-growing regions must be rotated every month, to preclude their being bribed at levels far in excess of their annual salary; (154) and in Bolivia, traffickers have been reported to offer drug police up to \$25,000 for one-time landing rights to pick up coca paste. (155)

While the drug trade is very lucrative for its corporate class, very little of its economic benefit trickles down to the country as a whole. Traffickers keep half of their earnings outside the producing countries, and what they do bring back is used to continue production and buy protection from the law. Farmers receive only a small share of drug profits, although they still have a strong incentive to plant drug crops, since they receive two to three times as much for them as for legal crops. (156) Meanwhile, the environmental and economic costs are substantial:

\* Even in extreme cases of dependency on the drug economy, the drug trade damages long-term development by diverting labor and land from legal crops, and thus reducing food production and often requiring net imports of food. (157)

\* Drug crops, especially coca and marijuana, damage the environment. The cutting of trees and dumping of kerosene and sulphuric acids used in drug production is responsible for more than 10 percent of deforestation in parts of Peru, resulting in significant erosion. (158) Silt from drug-caused erosion is clogging Colombia's rivers and damaging its shellfish industry. (159) Coca crops deplete the soil of nutrients in as little as three or four years, and the land must be left fallow for up to ten years before other crops can be planted. (160)

\* Drug production has resulted in drug use in developing countries, which has become a major health problem. In Colombia, the Ministry of Health estimates that 500,000

people are now regular users of a low-quality derivative of coca, three times U.S. per-capita levels of cocaine use. (161) Pakistan has become a net importer of opium in order to supply its rapidly growing population of heroin addicts, which rose from "virtually zero" in 1980 to today's 600,000, more than twice U.S. per-capita levels. (162) In Thailand, the Director of the Municipal Drug Program reports that intravenous heroin use introduced AIDS to Bangkok. (163)

\* \* \*

Impact on the U.S.:  
Social, Health and Crime Costs

The illegal drug trade has taken a severe toll in human life in the United States and elsewhere, while strengthening criminal organizations, boosting crime rates and costing billions of dollars in public and private funds. The developing world is the source of 95 percent of illegal narcotics used today in the United States, including 100 percent of drugs based on cocaine and opium and 75 percent of marijuana. (164)

The following data indicate how serious a human and financial problem illegal drugs have become for the United States:

\* There were over 5,000 deaths from drug abuse in the U.S. in 1987. Nearly 2,000 were caused by cocaine derivatives, a three-fold increase from 1984, and the number of hospital emergencies linked to cocaine use increased 13-fold in the 1980's to 100,000. (165) Roughly a quarter of this country's 90,000 diagnosed AIDS victims acquired the disease taking illegal drugs with infected needles. (166)

\* Over 70 million Americans, or nearly 40 percent of the population older than 12, have used illegal drugs, and 23 million, or more than 10 percent, have done so in the past month. Over 80 percent of this group use drugs that are "harder" than marijuana. (167) Nearly one and a half million Americans are addicted to cocaine and over half a million to heroin. (168) Half of high school students have tried marijuana, and 15 percent have tried cocaine or one of its derivatives. (169)

\* Americans spend roughly \$150 billion annually for illegal drugs, five times what is spent for oil imports. (170)

\* Drug-related crimes, law enforcement, prison expenses and treatment cost Americans another \$100 billion each year. (171) Direct federal funding for anti-drug programs has tripled since 1981 to more than \$5 billion in 1989. (172)

\* Recent Justice Department studies show that a majority of those arrested for serious crimes in major cities are recent users of illegal drugs. For example, 52 percent of men

arrested for assault in Houston and 86 percent of men arrested for robbery in Portland, Oregon, tested positive for drugs. (173)

\* In some major cities, a majority of murders are attributable to turf wars among drug dealers. In Washington, DC, for example, police estimate that 60 percent of the record 372 murders committed in 1988 were drug-related. (174)

\* Drug profits strengthen organized crime and lead to corruption in financial institutions. In 1988, a major bank in Miami, the Bank of Credit and Commerce International, was indicted on charges of laundering money for Colombia's Medellin cocaine cartel. (175)

\* \* \*

### Evaluation of U.S. Policies and Programs

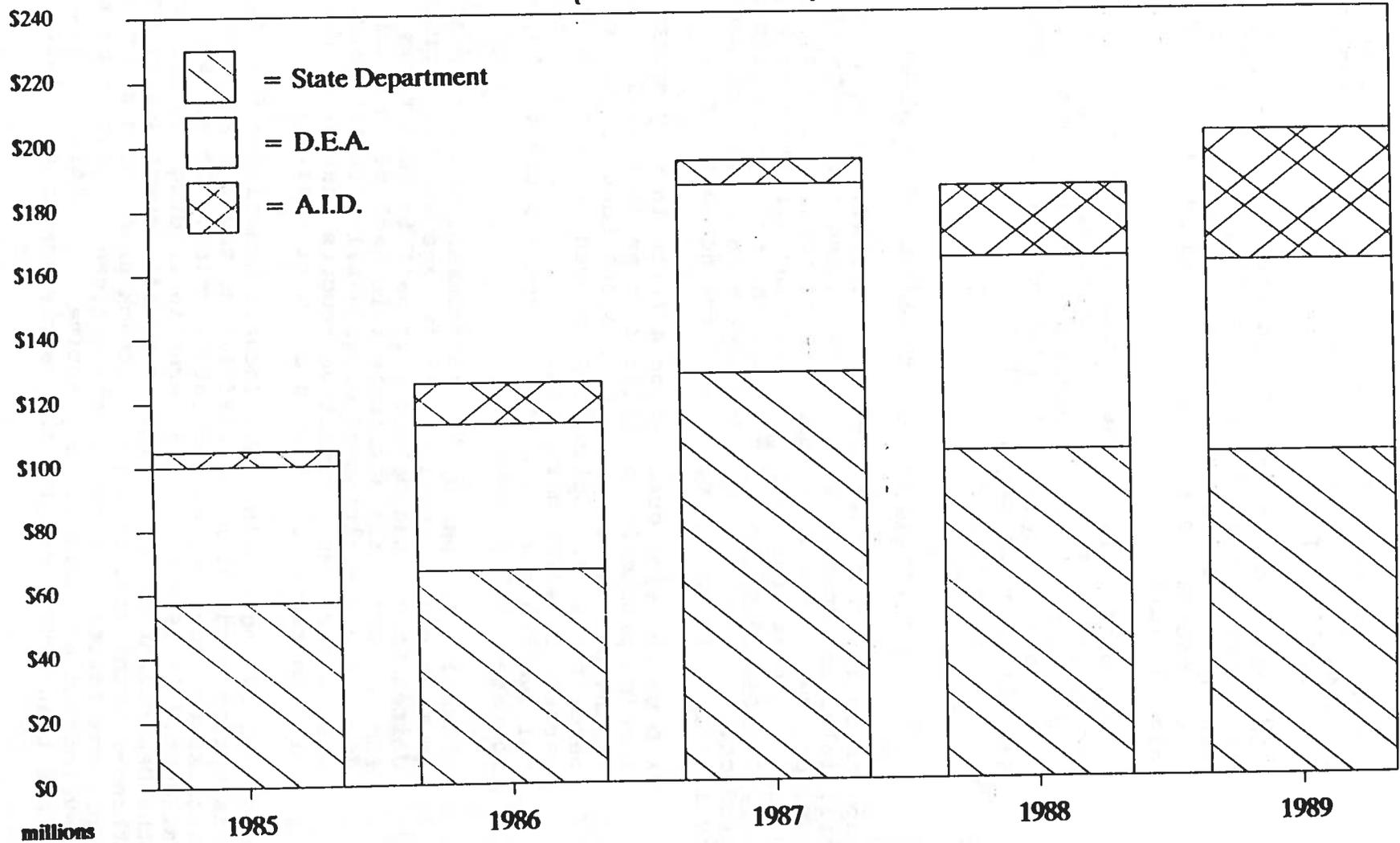
Experts on international narcotics, including many U.S. officials, are unanimous in acknowledging the limits of current U.S. policy. Despite the doubling of funding in real terms during the past four years to over \$200 million (See Figure VI-1, U.S. Overseas Anti-Drug Programs), the twin goals of reduced production of drugs in the developing countries and decreased availability in the United States are not being met:

\* Despite major eradication efforts in many countries, foreign production of illicit drugs increased by 24 percent in the past three years to 273,000 tons, including a 66 percent rise for opium, a 27 percent rise for coca and a 7 percent rise for marijuana. (176) Total land under illicit cultivation grew by a third, from 269,000 to 356,000 hectares. (177)

\* Despite stepped-up law enforcement and a dramatic increase in seizures of cocaine, its average wholesale price in the United States has been cut in half in real terms since 1984. Federal officials attribute this decline in price to increased quantities of drugs available for sale. (178) A U.S. inter-agency committee reports that availability has also increased for heroin and marijuana. (179)

U.S. policy and funding have focused heavily on directly disrupting production and trafficking through eradication, attacks on laboratories and interdiction. Of the \$202 million allocated in 1989 for the international drug control programs of the Department of State, the Drug Enforcement Agency and AID, three-fourths will be used to attack production and trafficking. Only one-fourth will go to international education or to area development projects to help entire communities profit from crops other than drugs, despite the nearly unanimous opinion of anti-

**Figure VI - 1**  
**U.S. Overseas Anti-Drug Programs**  
 [In Constant 1989 Dollars]



D.E.A. and A.I.D. data were supplied by those agencies. A.I.D. data for 1985/1986 are actual expenditures. A.I.D. data for 1987/1989 are obligations. 1989 figures are estimates for all agencies.

drug officials interviewed for this report that only these activities can reduce supply in the long-term. (180)

Direct attacks on supply have had some local and limited success, but new production and trafficking have more than kept pace:

\* Cultivation of marijuana in Mexico and opium in Turkey was reduced dramatically in the 1970's, but new sources of these drugs in other countries and new methods of trafficking filled the gap.

\* In 1986, U.S. military personnel helped Bolivian police destroy a number of processing laboratories for cocaine in "Operation Blast Furnace," but new laboratories sprang up, including some over the border in Paraguay. (181)

\* Similarly, the eradication of opium fields in Pakistan and coca fields in Peru have moved the growers around and in some cases over the border to Afghanistan and Brazil, respectively; and eradication in Burma and Thailand led to significant increases in opium cultivation in Laos, a country with no acknowledged drug control program. (182)

\* While five percent of the existing international coca crop was eradicated in 1988, mostly by U.S.-aided efforts, additional planting resulted in an overall seven percent increase in production. (183)

The use of herbicides can increase eradication, but many countries have resisted them, arguing that they simply push growers to new areas, and damage health and the environment as they eradicate. In response to a recent spraying campaign against marijuana in Colombia that has had dramatic short-term results, growers are starting to use smaller plots in new, non-traditional growing areas that are much harder for anti-drug personnel to identify. (184)

While drug production, trafficking and abuse cut across the borders of many nations, U.S. policy is characterized by a bilateral approach:

\* Only one percent of U.S. funding for foreign anti-drug programs in 1989 went to international organizations, such as the United Nations Fund for Drug Abuse Control (UNFDAC). (185)

\* U.S. law puts bilateral pressure on foreign governments by linking U.S. foreign aid to their efforts to crack down on production and trafficking. This policy, although certainly an appropriate response to tepid efforts in some countries, can reinforce anti-Americanism and reduce cooperation among officials, particularly in Latin America, who see weak U.S. efforts to reduce demand for drugs as the cause of the "drug problem." In these cases, multilateral programs to assist

cooperative governments are likely to be more successful than bilateral sanctions.

\* The use of U.S. personnel overseas for eradication and interdiction has had little impact on drug availability in the U.S., but puts them in great personal danger and risks U.S. military involvement in civil conflicts in drug-producing areas. A number of aircraft carrying U.S. anti-drug personnel were fired upon in 1989 in areas of Peru controlled by drug traffickers and insurgents. In May, 1989, six U.S. personnel were among the nine people killed when a U.S. anti-drug flight crashed there, apparently in an accident. (186)

\* \* \*

## Chapter VII

THE TRANSITION IN U.S. PUBLIC OPINIONA Comprehensive Review of Polls on Foreign Policies and ProgramsSummary of Findings

This chapter analyzes all of the major national polls taken from 1986 to 1988 with a focus on foreign aid or relations with the developing world. To the best of our knowledge, this is the first comprehensive compilation and analysis of a broad range of methodologically sound polls on foreign policy and foreign assistance.

While different polls reflect different opinions, the most dramatic findings of this survey -- which appear to represent a consensus -- include the following:

- \* There has been an overall decrease in concern over the threat to U.S. security posed by "East-West" issues such as communism and Soviet expansion, and an increase in concern over such global issues as trade, hunger, drugs, economic stagnation and terrorism.

- \* There is surprisingly strong support among Americans for U.S. efforts to attack humanitarian problems in the developing countries, even though the public believes some aid is wasted.

- \* Americans generally oppose military assistance to foreign governments as being counterproductive to development, and they also oppose aid to dictators and governments that do not protect human rights; but clear majorities support aid to meet the needs of hunger, health, children, and small farmers.

The polls analyzed were conducted by Gallup for the Chicago Council on Foreign Relations, by the Strategic Information Research Corporation for InterAction and the Overseas Development Council, by the Republican Party's Market Opinion Research and by Democratic and Republican party pollsters and others for Americans Talk Security. Additional data were taken from a variety of polls by Gallup, Harris, the New York Times and other polling organizations.

It is true that certain methodological problems arise when statistics from different polls are mixed under a single heading. Yet as differing perspectives among polling organizations inevitably tend to exert an effect on their public opinion findings, we believe a collection of polls representing a diverse range of political thought provides the broadest and most balanced picture of the complex attitudes of Americans toward foreign policy.

\* \* \*

Attitudes on Foreign Policy: An Increase in Concern for  
Global Issues

Not surprisingly, Americans are far more interested in domestic than in foreign policy concerns, although there has been an increase in interest in foreign policy in the past eight years. Government spending, drug abuse, crime and unemployment were cited most often when the public was asked to name the two or three biggest problems facing the country in 1986. (187) However, foreign policy problems more than doubled in their importance to Americans between 1978 and 1986: 26 percent cited problems in foreign policy as the biggest facing the country in 1986, compared to 15 percent in 1982 and only 11 percent in 1978. (188) Similarly, in 1986, 64 percent of Americans desired "a more active part for the U.S. in world affairs," up from 54 percent four years earlier. (189)

At the same time, Americans' attitudes toward specific foreign policy issues have been changing. There has been a decrease in the perception that "communism" and the Soviet Union pose immediate threats to U.S. interests, and an increase in concern about the impact of trade, drugs, world hunger and terrorism. Certainly attitudes have been shown to be volatile over time: in a three-month period in the spring of 1988, the number of Americans naming drugs as the most urgent problem facing the country jumped six times over to 17 percent. (190) Two years prior, a plurality of 34 percent had named "Libya/acts of terrorism/Qaddafi" as our most urgent problem. (191)

\* 67% of Americans today believe economic power to be more important than military power in determining a country's international influence. (192)

\* 59% of the electorate agree that economic competitors like Japan now pose more of a threat to our national security than traditional military adversaries like the Soviet Union. (193)

\* 72% consider America's trade imbalance to be a serious threat to our security. (194)

\* When offered three options, 31% of respondents cited "terrorism from Third World and extremist groups" as the greatest threat to the future of the United States. 48% replied "economic troubles within the U.S." and only 17% "the military strength of the Soviet Union." (195)

These statistics should not imply, however, that Americans disregard the perceived threat to U.S. interests of Marxist governments, although perceptions vary geographically:

\* 69% of the public believe that "pro-Soviet, communist governments" in Central America would pose a serious threat to the U.S., while 26% believe that such governments would

pose a minor or nonexistent threat to the United States. Pro-Soviet, communist governments in Southeast Asia pose a serious threat to 49%, and a minor or nonexistent threat to 37%. However, just 39% of the the public perceive serious threats of such governments in Africa, while 55% believe they would pose a minor threat or no threat at all. (196)

Yet in looking at problems facing the developing nations, Americans quite emphatically see challenges in terms of development rather than in terms of the threat of communism:

\* Asked in a poll to name the single biggest problem of the countries in Africa, only 1% named communism, while 69% cited development-related problems, including poverty, malnutrition, overpopulation, and lack of educational opportunity. For countries in Asia, only 6% named "communism/Russians," while 52% cited problems related to the lack of development. (197)

\* Republican pollsters found that significant percentages of the public still considered the following to be very serious problems for Central American countries in April, 1988, despite a 51-39% approval rating found for Reagan's foreign policy:

- Illegal drug dealers--87%
- Poverty--81%
- Government corruption--73%
- Military-run governments--57%
- Communism--55%
- U.S. interference in their affairs--34% (198)

While it appears from these polls that the public has a firm grasp of general themes in foreign policy, a certain degree of misunderstanding exists, particularly for specific countries:

\* El Salvador, a recipient of substantial U.S. aid, is considered by 43% to be unfriendly or an enemy of the U.S., while just 32% believe it to be friendly or our ally. (199)

\* As late as April, 1988, 61% of the public believed that the Soviet Union was supporting a communist revolution against the government of Nicaragua. (200)

\* Over a year after its introduction, 60% said they were unaware of the existence of the Arias peace plan. (201)

\* Despite a significant movement toward free enterprise in Africa, Asia, and Latin America in the 1980's, 58% of the public still believe that developing countries are moving toward more socialism and central government control over their economies. (202)

\* \* \*

Attitudes on Foreign Aid: People-Oriented Aid Supported, Military Aid Opposed

While Americans have contradictory instincts on "foreign aid" as a whole -- with 50-41% for the giving of foreign aid (203), but 73% for a 10% cut (204) -- they are surprisingly decisive in the type of aid they like, and the type they dislike: "economic aid" is supported by a 54-39% majority (205) but only 38% support "military assistance," while 51% oppose it. (206) (See Figure VII-1: Public Attitudes About Foreign Aid).

Strong Support for People-Oriented Programs

Interestingly, the more that foreign aid is portrayed as going to specific developmental purposes, the more popular it is. When aid is earmarked for "development projects such as health care, education, and agriculture to countries in Asia, Africa, and Latin America," support rises to 79%. (207) Probably the most popular programs have the strongest humanitarian focus: 89% said they believe that "wherever people are hungry or poor, we ought to do what we can to help them." (208)

The public's preference for programs portrayed as directly benefitting people is reflected in the fact that the percentage who considered "improving the living standard" of less-developed nations a "very important foreign policy goal" (37%) was substantially less than the percentage who thought the same of "combatting world hunger" (63%). (209) Though the two goals may be construed to be the same, hunger relief is considered by the public to be a more effective use of aid than the nebulous goal of "improving the living standards of less-developed nations."

Another indication of strong support for "people-oriented" programs is that Americans gave highest priority (a ranking of 8, 9, or 10 on a scale of 1 to 10) to projects that could be characterized as humanitarian or supporting the basic needs of the average person, such as disaster relief, health care, and seeds and tools for farmers. Lower priority was given to projects with less of a direct connection to the image of personal suffering and need, such as building roads, renting military bases and paying off governments' debts. (210) (See Figure VII-2: Types of Aid Program Favored by Americans)

Of the respondents favoring economic aid, a majority (53%) did so out of feelings of "humanitarian responsibility," while a lower percentage (only 28%) cited U.S. political or strategic interests as their reason of support. (211)

\* 75% of the public agree that helping the Third World will also benefit the United States in the long run. (212)

\* 74% believe that U.S. aid helps us make or keep other countries as allies. (213)

Figure VII - 1  
**Public Attitudes About Foreign Aid**

[Percent supporting or opposing]

"Wherever people are hungry or poor, we ought to do what we can to help them."



89% support



10% oppose

"...(Do) you tend to favor or oppose U.S. giving of foreign aid for development projects such as health care, education and agriculture to countries in Asia, Africa, and Latin America?"



79% support



17% oppose

"Are you generally in favor of or opposed to U.S. giving of economic assistance to other nations?"

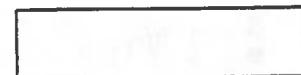


54% support



39% oppose

"Are you generally in favor of or opposed to U.S. giving of military assistance to other nations to buy arms and train soldiers?"



38% support



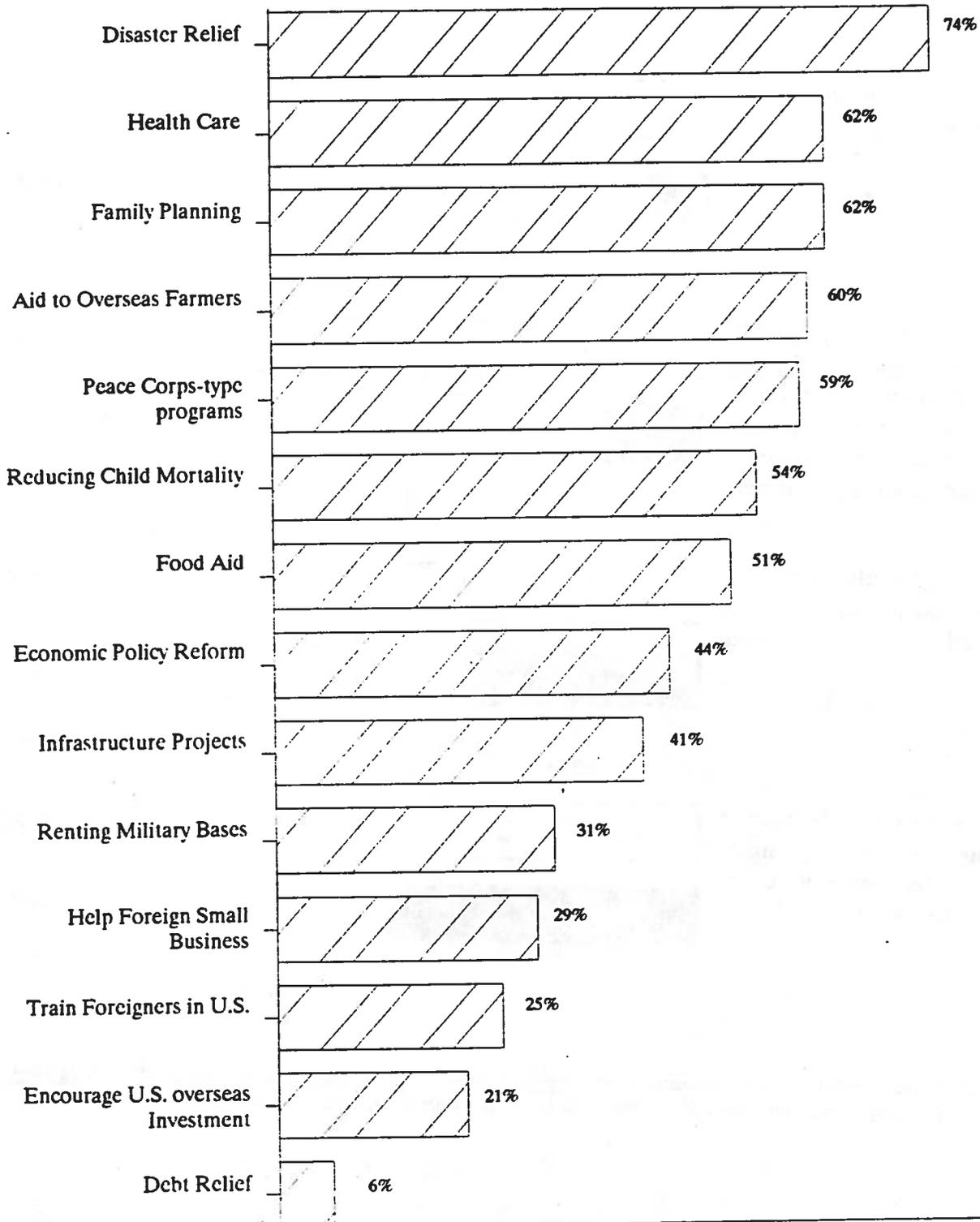
51% oppose

SOURCES: Interaction/Overseas Development Council, What Americans Think: Views on Development and U.S.-Third World Relations, 1986. Questions 1 and 2 from p. 50. Question 3 from p. 47. Question 4 from p. 48.

## Figure VII - 2 Types of Aid Programs Favored by Americans, 1986

"Now let's talk about what kinds of aid programs are important. On a scale where 1 means lowest priority and 10 means top priority, using any number between 1 and 10, where would you place these types of aid?"

(Percentages of respondents giving high priority [rate of 8-10] to types of aid.)



SOURCE: Christine E. Contee, *What Americans Think: Views on Development and U.S.-Third World Relations*, A Public Opinion Project of InterAction and the Overseas Development Council, New York and Washington, D.C., 1987. Poll taken in 1986.

\* 67% supported a proposition to send \$175 million in surplus food to starving African nations. (214)

\* 61% believe that developed nations must share responsibility to solve the problems of underdeveloped countries. (215)

The public is ambivalent, however, on whether aid should go first to countries important to U.S. security (44% in favor) or to countries with the poorest economies (33% in favor). (216)

In sum, it is clear that the public supports programs of humanitarian aid, but crucial to their support is the manner in which they are portrayed. As a result, public opinion polls show strongest support for projects presented as concrete, monitorable, and results-oriented.

#### Public Skepticism Over Effectiveness

As already noted, while Americans support foreign aid, they also support cutting it: 73% favored cutting aid an additional 10 percent below a 10 percent cut proposed by Reagan in 1986. (217) Public opposition to foreign aid appears to be based principally on the concern that domestic problems deserve first priority:

\* 60% of the public strongly believes that the U.S. needs to solve its own poverty problems before turning its attention to other countries, and another 24% agreed "somewhat" with this statement. (218)

Also weakening support for foreign aid is a deep skepticism about whether it ends up in the right hands:

\* 85% believe that a large part of aid is wasted by the U.S. bureaucracy. (219)

\* 88% believe that aid is frequently misused by foreign governments. (220)

\* 91% express significant doubts that aid sent abroad ends up helping those for whom it is intended. (221)

Yet it is crucial to note that the public would overwhelmingly support foreign aid if it could be sure that the aid ended up helping those for whom it was intended:

\* When respondents were asked, "If you could be sure that the economic aid we send to countries abroad ended up helping the people of those countries," a substantial 89-9 percent majority then said they would favor sending it. (222)

The public displays often contradictory attitudes over aid's effectiveness, and over its impact on the U.S.:

\* 58% believe that economic aid has not been effective in improving poor people's lives in developing countries. (223) However, in another survey, 69% agreed that "economic aid helps people in other countries to live better." (224)

\* 52% of those polled believe economic assistance to be cost-effective, while 40% think it to be "a waste of money." (225)

\* 59% think that giving such aid hurts our economy at home. (226) However, 87% supported helping farmers in other countries learn to grow their own food, even if this meant they would buy less food from the U.S. (227)

It is clear that negative perceptions about aid's impact or the effectiveness of aid organizations do not necessarily translate into lack of support for development efforts: by the public's reckoning, the fact that little aid reaches its mark does not mean that it should not be attempted.

In conclusion, it appears that while Americans support cuts in foreign aid, they also believe we should continue our attempts to use it to assist in development. Half of those who said that aid is a waste of money, is misused by foreign governments, or has not been effective in improving people's lives in the Third World nonetheless said they favor U.S. economic assistance. Clearly, the key to obtaining Americans' support for foreign aid is offering them convincing proof that foreign aid does directly benefit those in need.

#### Strong Doubts About Military Aid and Base Payments

Programs to provide military equipment and training to foreign militaries are opposed by a majority of Americans as counterproductive to development. (See Figure VII-3: Military Aid and U.S. Public Opinion)

\* Only 38% support military aid to buy arms and train soldiers; (228)

\* 62% would like to cut back on military aid, compared to only 48% for cutting back on economic aid; (229) and

\* Only 19% believe military aid helps prevent Marxist takeovers of U.S. friendly nations. (230)

The trend of favoring economic over military aid extends to fears about regions close to the United States. Part of the reason for the opposition to military assistance stems from fear of involvement of U.S. troops.

Figure VII - 3

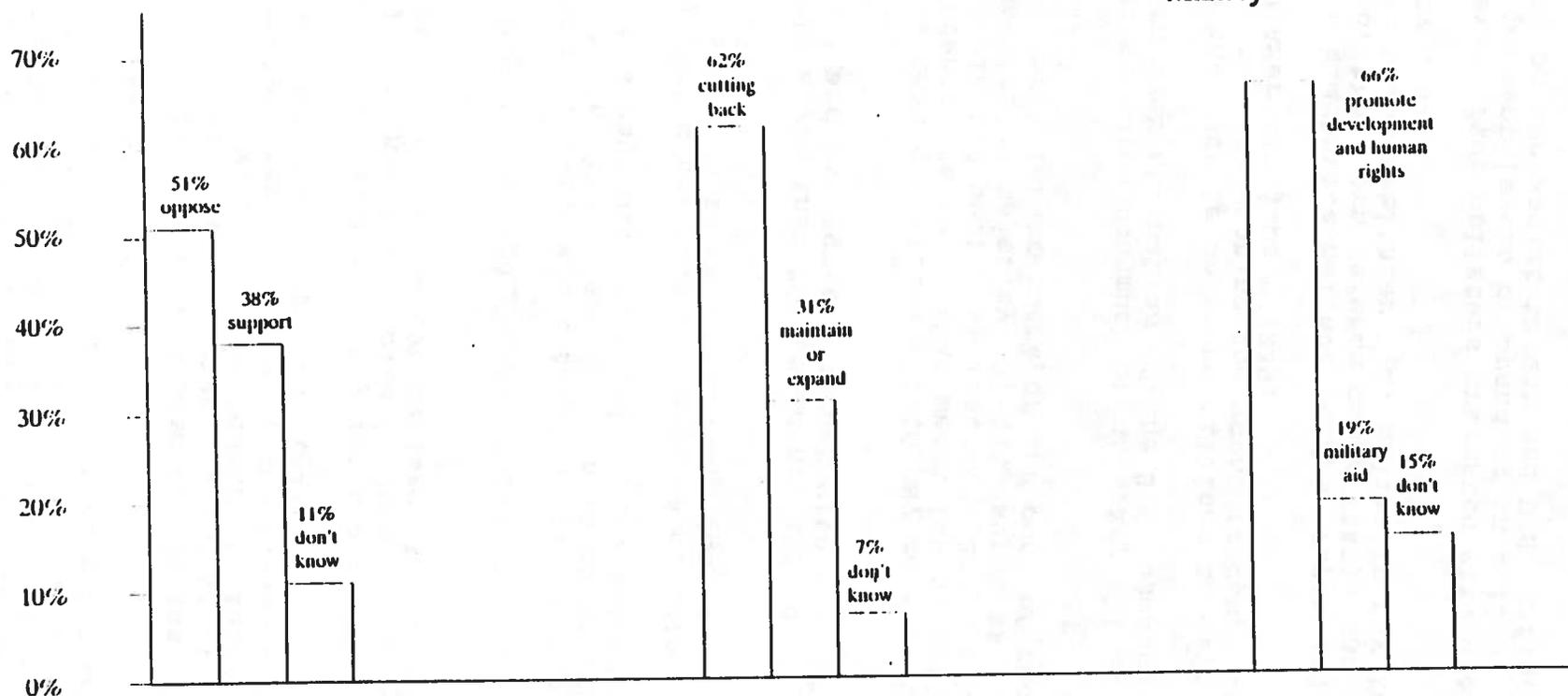
## Military Aid and U.S. Opinion

"Are you generally in favor of or opposed to U.S. giving of military assistance to other nations to buy arms and train soldiers?"

"Are you in favor of expanding, maintaining current levels, or cutting back on military aid?"

"Which would be more effective in preventing Marxist takeovers of U.S. friends:

- Promoting economic development and human rights?
- Military aid?"



**SOURCES:**

Column 1: Christine E. Contee, *What Americans Think*, p. 48.

Column 2: Chicago Council on Foreign Relations, *American Public Opinion and U.S. Foreign Policy*, 1987, p. 28.

Column 3: World Policy Institute, *Defining America's Strength*, 1987, p. 2.

\* 60% voiced fears that giving military aid to Central American or Middle Eastern countries would lead to American troop involvement in those areas (231), while 55% believe that economic aid would be a good substitute for the use of American troops abroad. (232)

\* While a strong 79% support economic aid to assist a "friendly Central American democracy facing severe poverty" (i.e. El Salvador), when the same country is faced with "communist revolutionaries backed by the Soviet Union and Cuba," only 46% favor military aid. (233)

\* 48% polled believe that military assistance to buy arms and train soldiers has hurt people in developing countries in the last few years, while 40% believe it has helped. (234)

#### "Burden-Sharing" and Foreign Military Aid

The aversion to using foreign aid resources for military programs also extends to assuming the defense burden in other countries, including base rights payments, particularly to wealthier allies.

\* 63% of the public perceive the expense of defending as many nations as we do to be a serious threat to our national security. (235)

\* 45% strongly agree that "we could not afford to defend so many nations," and 36% agree somewhat with this statement. (236)

\* 80% believe that our allies should pay more of the cost of their own defense, "even if that meant losing influence with them on economic and political issues." (237) A Harris poll found that a similar majority (87-11%) supports having our allies pay a "much larger share of the cost of their defense." (238)

Attitudes against spending too much on military allies are related to concern over stagnation of the U.S. economy:

\* 84% agree that "while we spend billions to defend Japan and Europe, they are winning the economic competition and taking away American jobs." (239)

\* 69% of the electorate believe Europe, Japan and Korea pay too little of their own defense costs (240), and 86% favor requiring NATO and wealthier U.S. allies to pay for their own defense. (241)

Interestingly, even after pollsters presented strong arguments for maintaining present levels of spending on allies' defenses, focusing on the Soviet threat and U.S. influence on

Western Europe and Japan, a 52% majority still favored a reduction. (242)

Aid to Dictators, Drug Traffickers and Abusers of Human Rights

The humanitarian values Americans express with their strong support for help for basic needs also find expression in their opposition to aid to governments clearly violating those values: strong majorities oppose aid to dictators and governments which abuse human rights and run drugs.

\* 76% support tying U.S. assistance to governments' improvements in the observance of human rights. (243)

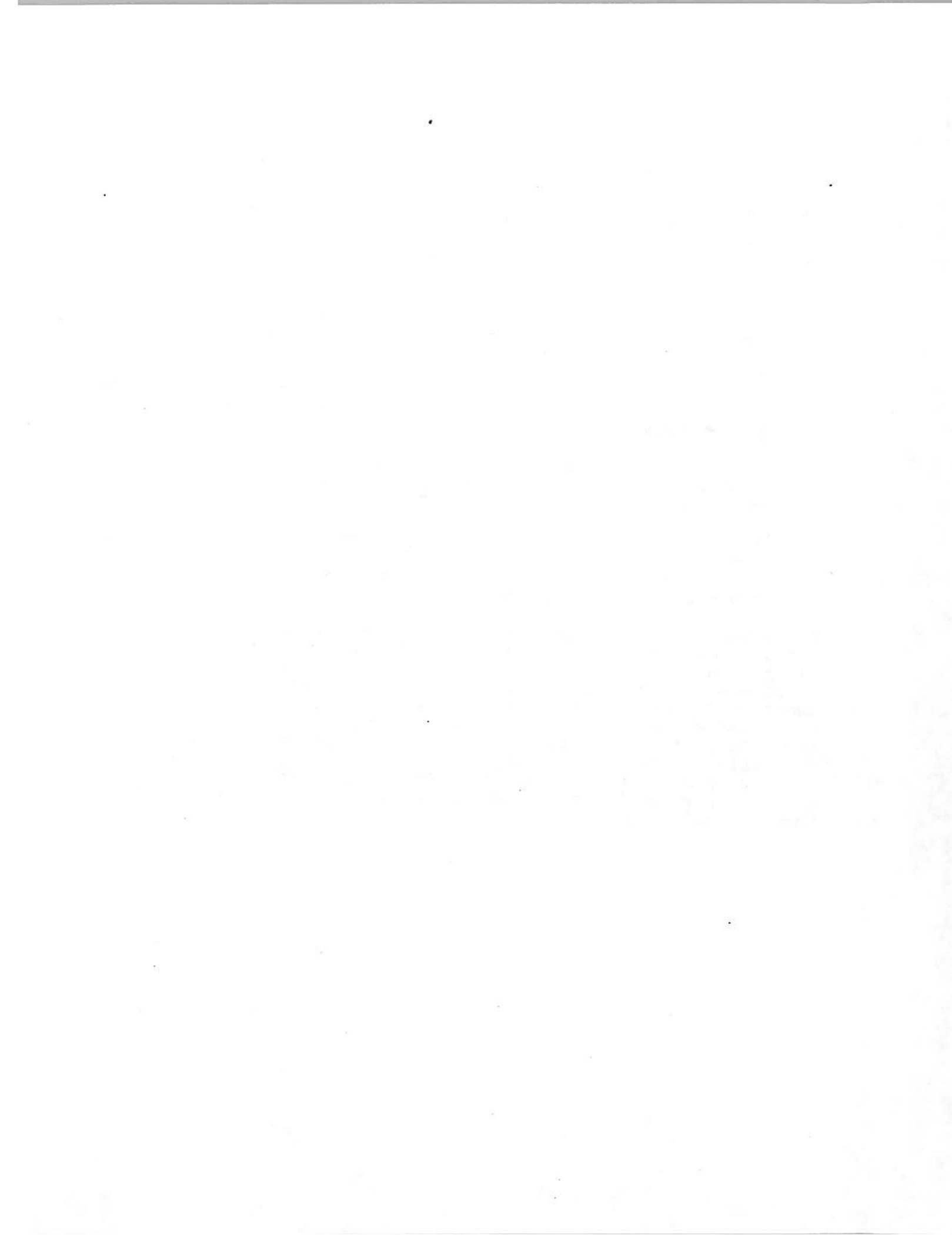
\* A greater percentage of voters identify as an important foreign policy goal the promotion of human rights around the world (31%) than identify as such a goal the containment of Soviet expansion (22%). (244)

\* 66% agree that the U.S. should not give any kind of assistance to countries that do not have free elections or that are ruled by dictators. (245)

\* 67% strongly favor reducing our economic aid to countries whose governments are not enforcing their laws against illegal drug production. Only 15% expressed some degree of opposition to this proposal. (246)

While these data reflect strong hostility toward governments violating humanitarian values, Americans are willing to make exceptions in emergencies: as already noted, 89% of polled Americans believe that wherever people are hungry or poor, we ought to do what we can to help them; and Americans strongly supported emergency famine aid to the people of Ethiopia, regardless of their internationally-ostracized government. Similarly, while there is opposition to aid to governments not cracking down on drug production, 60% of the public supports giving other countries aid to enable farmers to grow crops other than illegal drugs. (247)

\* \* \*



## Chapter VIII

RECOMMENDATIONS FOR THE 1990'S AND BEYOND

U.S. foreign policy is in the midst of a double transition. First, traditional attitudes of animosity toward the Soviet Union are evolving, providing the opportunity to replace a preoccupation with "East-West" issues with a focus on the equally great long-term challenge to U.S. security interests posed by crises in the developing world.

Second, a transition appears to be beginning in how we define and address the challenges we face in the developing world. An increasing number of U.S. policy-makers are starting to recognize the importance of the type of threats identified in this report, and are starting to explore multilateral initiatives to address them that eschew the "us versus them" approach of past eras.

New positive U.S. initiatives toward the developing world include the Brady Proposal on international debt, support for lending policies that protect the environment, the trend toward conditioning military aid on elections, a new willingness to explore negotiated settlements to wars in Central America and Africa, and agreements to restrict exports of missiles and chemical weapons.

This chapter makes recommendations on how to sustain today's momentum by shedding those concepts and programs that are outdated, while retaining and strengthening those that can lead to a future that is more secure for both the developed and the developing nations.

(1) Adopt a Multilateral Approach.

- Design regional and multilateral solutions as a first resort to the regional and multilateral challenges in the developing world, since U.S. bilateral policies and programs lack the funding and scope needed to solve problems that cross national boundaries. Strengthen the international institutions and agreements that can best address these problems, and pursue U.S. policy positions and security interests in them, in collaboration with other members.

- Redirect funding for most U.S. bilateral programs on debt, country-wide development, the environment, food aid, drugs, and balance of payments (except for a Middle East Peace Fund) to more effective multilateral programs and regional organizations. Certainly, the transition should be a careful one in each case, to ensure that important U.S. initiatives -- such as family planning, basic health care, and women in development -- are absorbed by multilateral agencies, rather than abandoned.

- Establish a clear division of labor in economic development, with the International Monetary Fund handling

macroeconomic reforms, multilateral banks and international agencies focusing on country-wide development plans and research, and non-governmental organizations supporting local development projects. Bilateral donors such as the U.S. should fund and support these other actors, and should conduct their own projects only in those limited areas -- for example, in disaster relief -- where they have unique expertise.

The U.S. should pursue its goals of economic reform, protection of the poor during adjustment, progress toward democracy, respect for human rights, and environmental protection by building coalitions in the multilateral agencies to encourage them to link funding of governments and ministries to their performance on these issues.

(2) Confront the Threat to Democracy.

- Heighten the importance in U.S. relations with developing countries of the transition to democracy and the rule of law, and confront the problem of the military's political power. As was done for human rights policy, the U.S. should make the transition to democracy a centerpiece of U.S. foreign policy.

- Use military programs as leverage not just to encourage elections, but to support the consolidation of democracy. As a general "point of departure," military aid, military sales and military-to-military programs should be provided only to freely-elected governments; in the case of elected governments still consolidating democracy, eligibility for these programs should be conditioned on improved civilian control of the military, and on movement toward a rule of law and an apolitical military. Military aid packages should be negotiated with recipients' civilian officials and be approved by their national legislatures.

- Revamp military training programs to promote civilian control and an apolitical military. IMET and military-to-military programs that also provide training must adhere to the same standards as military aid and sales: training should be denied to countries without elected governments, and eligibility for countries with elected government must be conditioned on progress toward civilian control of the military. A substantial share of IMET funding should be used to teach civilian officials of foreign governments how to manage their military, and how to improve military judicial systems.

The U.S. Development Representative and the Institute for Development and Democracy (see below, under recommendation 8, for a description of these new offices) must take an active role in overseeing the training programs, and must ensure that they teach clearly as a key tenet that military officers have a professional responsibility to accept civilian control and the rule of law, to report and punish abuses of human rights, and to stay out of

politics. Officers' attitudes on these issues should be measured before and after training, to guide changes in the curriculum.

### (3) Dramatically Reduce the Debt Burden.

- Implement the Brady Proposal to reduce developing nations' debt repayments through multilateral agreements. Without a substantial reduction in debt, problems of growth, population, the environment, and political instability are unsolvable. Tax and regulatory incentives should be devised in concert with other developed countries to encourage U.S. and other commercial banks to take part in Brady Proposal. A one-time approval of guarantee authority may be necessary to implement the plan, but funding for multilateral institutions to carry it out should be possible within the current levels of foreign aid, because of the transfer of bilateral balance of payments aid for most countries to the multilateral lenders (see recommendation 1, above), and the reduction of military aid (see recommendation 7, below).

- Encourage bilateral and multilateral donors to ease the burden of debts owed them, in concert with negotiations under the Brady Proposal. The U.S. should follow the lead of Canada and France and reduce repayments from poorer countries that are taking steps to improve their prospects for development. In addition to participating in the Brady Proposal, multilaterals should ease the pressure of their own loans on poorer countries by expanding concessional facilities such as the World Bank's International Development Association, and the IMF's Extended Structural Adjustment Facility and Interest Subsidy Account.

- Stress sustainable growth in negotiations on debt reduction. The reforms required of developing countries participating in the Brady Proposal and other debt reduction plans should be designed to promote long-term growth, not short-term bursts in repayments. Development projects, environmental conservation and protecting citizens from the harsh effects of adjustment should be priorities for reform plans.

### (4) Intensify Environmental Efforts.

- Promote a multilateral approach that relies on agreements by all governments to share the political and economic costs. Developed and developing countries must move together to safeguard the environment through a convention on global warming, a strengthened Montreal Protocol on ozone-depletion, and other agreements; the short-term political and economic costs are easier to accept if they are shared by all countries. International environmental protection must be a top priority for U.S. foreign policy, but U.S. leadership will be weakened if we fail to improve our own practices.

- Push for changes in lending rules in the multilateral banks that favor protection of the environment. Multilateral projects must show a positive "rate of return," and it is often

difficult to take into account in this calculation the long-term economic value of preserving the environment. Accordingly, interest rates for environmentally-sound projects should be lowered to account for the short-term costs countries pay for carrying them out. The reduced rates should be funded through a special assessment by the multilaterals of all countries. U.S. representatives at the multilaterals should continue working for a consensus that opposes environmentally risky projects.

- Negotiate a political agreement among all factions of the U.S. domestic debate over abortion and abortion rights, to increase funding for international family planning. The reduction in funding for key family planning groups documented in this report should be seen as unacceptable by Members of Congress on all sides of the domestic debate, because of the importance of family planning to long-term international security. A top priority for the Bush Administration and Congress must be to negotiate a creative compromise on U.S. funding rules that will increase the availability of family planning overseas. The bipartisan agreements on Nicaragua and the Budget in the first few months of 1989 offer hopeful precedents for such an agreement.

(5) Replace Low-Intensity Conflict (LIC) with a policy of attacking the Roots of Intense Conflict (RIC).

- Encourage governments engaged in civil wars to negotiate settlements and to attack the economic and political causes of war with dramatic and sustained changes in policy. The LIC strategy usually results only in continued combat, because it does not demand significant reforms that could defuse the conflict, such as a shift in resources to benefit politically-weak groups, fundamental land reform, or the establishment of a rule of law for politically-powerful groups and the military. RIC would pursue dramatic reforms, particularly in countries such as Peru where negotiations have been ruled out by the rebels.

- As a general rule, oppose bilateral and multilateral balance of payments aid for countries not trying to negotiate settlements to civil wars. The past 20 years have shown repeatedly that countries at war can not sustain economic development. U.S. policy in international organizations should be to spur vigorous attempts to promote negotiations in civil wars, not to provide sustained funding for wars that disrupt society so badly that nobody can really "win."

This recommendation is intended as an important "point of departure" for policy-makers, rather than as an iron-clad rule to preclude Congress and the Administration from making exceptions required by special circumstances. In the rare cases where a negotiated settlement is not a viable option, governments should not be penalized, so long as they are making vigorous efforts to address underlying social and economic causes of the conflict.

(6) Attack the Drug Problem Multilaterally.

- Break the "us versus them" attitude that limits current policy by making anti-drug efforts completely multilateral. Current policy of providing funds and imposing sanctions bilaterally forces the U.S. to bear all the diplomatic costs for what is truly an international problem, and fosters opposition in countries that are sensitive about being directed by the U.S.

- Recognize that U.S. forces operating in eradication and interdiction efforts overseas are of minimal effectiveness in reducing the availability of drugs in the U.S., but are in maximum personal danger and, furthermore, could lead to U.S. military involvement in civil conflicts. Withdraw U.S. military, intelligence, DEA, and contract personnel from overseas operations, except for gathering and sharing intelligence.

- Support multilateral initiatives to improve rural economic opportunity throughout entire drug-producing regions -- as opposed to "crop substitution" that helps only a small number of farmers grow alternative crops -- and to carry out educational campaigns in both developed and developing countries. Developed and developing countries that are being hurt by drug abuse should downplay eradication and interdiction, and use the resulting savings to fund the initiatives, since regional development and education are the only way to reduce supply in the long-term. Demand control is obviously needed in the U.S. and other top consuming countries, but even significant success will not help the producing countries escape their siege by traffickers, who will promote new markets if demand falls in their current ones.

(7) Cut Military Spending and Arms Exports.

- Challenge all countries, developed and developing, to join in a mutual 50 percent reduction in troops and spending by the year 2000, to free up resources to meet the challenges described above, while maintaining mutual security. The time appears to be ripe for issuing such a challenge, as new thinking about security interests and military doctrine has led to similar proposals being given serious consideration: Soviet and U.S. negotiators have agreed in principle to a U.S. proposal for a mutual 50 percent reduction in strategic nuclear weapons, and the U.S. has responded to the Soviet Union's proposed mutual 40 percent reduction in Warsaw Pact and NATO conventional forces in Europe with its own proposal for substantial cuts.

Pursuing the proposal for 50 percent mutual reductions must be a top U.S. priority, because of the size of the resources that could be redirected to economic growth to the benefit of both the developed and developing countries. Congress should affirm the goal as national policy, and the Administration should explore using the UN Conference on Disarmament and Development as the locale of negotiations on the mutual reductions.

- Expand and enforce international agreements that limit the proliferation of weapons. Current agreements to ban the spread of ballistic missiles and of chemical, biological and nuclear weapons must be expanded into treaties that cover as many advanced weapons and as many potential suppliers and recipients as possible. The U.S. should take the lead in tightening enforcement provisions by pushing for on-site international inspection, and by establishing severe U.S. sanctions for companies and countries found in violation. To encourage developing countries to join in treaties limiting proliferation, the U.S. and other developed countries must announce their willingness to negotiate reductions in their own arsenals.

- Reduce military aid and sales. U.S. foreign aid and developing countries' budgets are limited, and there are much higher priorities for both than modernizing military forces. To ensure that other suppliers do not simply step in to fill the void left by U.S. policy changes, the U.S. should open negotiations with the Soviet Union and other arms exporters to reduce the volume and sophistication of their transfers as well.

Developing countries other than the Camp David countries should pay the full cost of military equipment and training without the benefit of aid grants or loans, to encourage them to purchase only those military goods and services that are essential. The equipment itself would be largely spare parts for existing stocks, rather than materiel that would expand capabilities and forces. Military aid provided to NATO countries in return for base agreements should be phased out as part of agreements on burden-sharing, since these bases are designed to protect all NATO members, not just the U.S.

#### (8) Establish a Framework to Address the Challenge.

- Establish a single governmental unit, the U.S. Development Representative, modeled after the Cabinet-level U.S. Trade Representative, to coordinate U.S. policy toward the developing world. As is the case with the USTR, the USDR would be a member of the Cabinet and would have roughly 100 professional staff. USDR would be charged with promoting economic growth, environmental protection, democratic institutions, human rights, military respect for civilian rule, reduced military spending and proliferation, and less production and use of drugs overseas.

The five threats identified in this report are inextricably linked, and the USDR needs to be the primary adviser to the President on all of them if they are to be attacked successfully. As is also the case for the USTR, however, departments such as State, Treasury or Defense disagreeing with certain USDR decisions could appeal to the President, but the burden of proof would be on them to demonstrate why USDR's decision was damaging to U.S. security.

USDR would be structured so as not to duplicate the functions of the State Department, the Foreign Service, or development experts at the new Institute for Development and Democracy (see below). It would, however, be granted specific powers: for instance, USDR rather than Treasury or State would represent the U.S. in international agencies such as the IMF, the World Bank, and the U.N. development agencies; and USDR would be the unit given review authority over the budget for bilateral aid and sales, to ensure that specific aid proposals are consistent with the principles of the new policy.

- Initiate a coordinated program of development education in the U.S. and "people-to-people" aid overseas to create a long-term political base for bold policies. The program would be directed by a streamlined AID, renamed the Institute for Development and Democracy to stress the link between these concepts, and would establish long-term links for U.S. municipalities, universities and citizens' groups with specific partners in developing countries. The President would highlight this effort, which would put public and private funds to work at a local level that is difficult for the World Bank and other large development agencies to reach.

The new Institute would also provide operating grants to regional development organizations such as the Inter-American Foundation, private voluntary organizations and non-governmental agencies that manage local-level programs that are too small to receive effective support from the development banks. Nearly all U.S. food aid should be provided through these non-governmental channels. The new Institute should also advance democracy as a component of development by funding human rights monitors and lawyers groups, and by supporting governments' efforts to strengthen judicial and other democratic institutions.

In addition to its primary roles of funding other actors and managing "people-to-people" programs, the Institute would continue direct U.S. programming in areas where the U.S. has a comparative advantage over other actors. Wherever possible, however, even these programs should be transferred to multilateral actors as they develop similar expertise.

- Convene a Summit to elevate the importance of the five challenges to U.S. and world security, with leaders of developing countries, developed countries, international organizations and key private development, environmental, and human rights groups. The Summit, which would include representatives of international organizations like the EEC, the OAU, the World Bank and the UN, as well as the Soviet Union (which did not attend the 1981 meeting in Cancun, Mexico, of developed and developing countries), would be held in an established democracy in the developing world.

The Summit would be charged with preparing a 10-year agreement to promote global security by the year 2000 by

attacking economic stagnation, environmental damage, the political power of the military and unelected governments, civil wars, weapons proliferation, military spending, and drug-trafficking.

(9) Strengthen Congress' Expertise.

- Appoint a House-Senate Task Force on Democracy and Development to attend key international meetings with the Administration and report back to Congress, based on the successful precedents of the Arms Control Observer Group and the Congressional Delegation to the UN.

- Educate Members and staff about the developing world by establishing, with private funds rather than taxpayer monies, a foundation to sponsor in-depth field visits. Pooling donations from foundations, corporations, and foreign groups would reduce the conflicts-of-interest inherent in the existing system of direct sponsorship of travel by these organizations. Overseas study missions should be focused on specific policy choices facing countries and donors. Delegations should meet with and be accompanied into the field by NGOs, human rights groups and government critics as well as government and U.S. personnel.

- Augment the current system of hearings on Administration proposals with informal planning meetings during the proposals' preparation. For the foreign aid budget in particular, "after-the-fact" hearings on the Administration's request and the reams of documents used to support it provide little real opportunity for Congress and the Administration to develop a consensus. Members of Congress should meet informally with top Administration officials, foreign experts and representatives of foreign citizens and governments in the formative stages of the foreign aid budget and other foreign policy decisions.

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### Methodological Notes

This report defines the "developing countries" as all countries in the Middle East (from Turkey to the south and east), Asia (except Australia, Japan, New Zealand and the Soviet Union), Africa and Latin America; "developed countries" are therefore those in Europe and North America, and Australia, Japan, New Zealand and the Soviet Union. However, aggregate economic data provided by such organizations as the World Bank, the U.S. Department of Commerce and the Overseas Development Council are often based on slightly different definitions.

The World Bank uses per-capita income as a criterion, and so includes some lower-income countries of Southern and Eastern Europe in data for developing countries, and excludes some oil-rich countries in the Middle East. Commerce defines South Africa as developed, and excludes communist countries in Europe and Asia from both developed and developing countries. ODC uses a combination of income and quality of life to define its 144 developing countries, and so defines Israel as developed and Greece, Portugal and Yugoslavia as developing. Other variations from this report's definitions are noted in footnotes, wherever possible.

Also unless otherwise noted, all dollar figures in this report have been adjusted to "real" 1989 dollars (calendar or fiscal year, as appropriate) to permit comparison across time.

### Footnotes

1 Per-capita real growth rates for a sample of 90 developing countries, as defined by the World Bank, averaged 3.9 percent from 1965 to 1973 and 3.2 percent from 1973 to 1980, for an overall average of 3.6 percent, and 1.8 from 1980 to 1987. Per-capita growth in this latter period for the 17 countries the World Bank considers "debt-burdened" fell from 3.6 percent to negative 1.3 percent; it fell from 2.2 percent to negative 2.9 percent in Sub-Saharan Africa. See World Bank, World Development Report, 1988, p. 2.

2 For a sample of 111 developing countries, as defined by the World Bank. World Bank, World Debt Tables, vol. 1, 1988-89 Edition, p. 2; net transfers figure from "Total Long-Term Debt Flows"; total debt from "Public and Publicly Guaranteed Long-Term Debt, By Source (Including Undisbursed)."

3 See Inter-American Development Bank, "The Casualty of the 1980's," IDB monthly publication, vol. 14, no. 10, October, 1988, p. 5.

4 World Bank, World Development Report 1988, p. 27.

5 ODC definition of developing countries. This is a conservative figure, even excluding the drop in oil prices. Overseas Development Council, U.S. Policy and the Developing Countries, Agenda 1988, p. 38.

6 Robin Broad and John Cavanagh, "No More NICs," in Foreign Policy, No. 72, Fall, 1988, p. 90.

7 World Bank definition of developing countries. World Bank, World Development Report 1988, p. 31. The ratio of total debt service to exports of goods and services climbed from 12 percent in 1980 to 20 percent in 1986. World Bank, World Debt Tables, vol. 1, 1988-89 Edition, p. 5.

8 Between 1980 and 1986, 16 Latin American countries rescheduled debt on 16 occasions with public creditors and on 38 occasions with commercial banks. See Congressional Research Service, Glennon J. Harrison, Debt Rescheduling Agreements in Latin America, 1980-86, Report #87-360 E, p. 3; the Wall Street Journal, March 10, 1986, p. C-6; and Walter S. Mossberg and Peter Travell, Congressional Quarterly, March 11, 1989, pp. 512-513.

9 World Bank, World Development Report 1988, p. 278.

10 See U.N. Development Program, Executive Summary, Bases for a Strategy and Regional Program of Action, Latin America and the Caribbean, July 1988, Bogota, Colombia, annex.

11 Ruth Leger Sivard, World Military and Social Expenditures, 1987-1988, World Priorities, Washington, DC, 1988, p. 47. Sivard's definitions vary from this report's by defining Israel as developed, and some Southern and Eastern European countries as developing.

12 See World Resources Institute, World Resources 1988-89, p. 26.

13 Overall growth of real per capita GDP fell from 3.2 percent in the period from 1973 to 1980 to 1.8 percent in the period from 1980 to 1987, or 44 percent. For debt-burdened countries and Sub-Saharan Africa, negative growth was recorded. See the World Bank, World Development Report, 1988, p. 2.

14 ODC definition of developing countries. Trade figure through 1987, provided by Overseas Development Council's Stuart Tucker, from U.S. Department of Commerce data. Net jobs figure through 1987 from Table 2 of attachments to Stuart Tucker, Overseas Development Council, The Debt-Trade Linkage in U.S.-Latin American Trade, statement before the Subcommittee on International Economic Policy and Trade, House Committee on Foreign Affairs, U.S. Congress, Sept. 29, 1988.

15 See Joint Economic Committee, Democratic Staff Report, Trade Deficits, Foreign Debt, and Stagnant Growth, 1986, pp. 35-36.

16 Commerce definition of developing countries. 1970 figure from U.S. Department of Commerce, Statistical Abstracts of the United States, 1984, p. 834; 1981 and 1987 figures from U.S. Department of Commerce, 1987 U.S. Foreign Trade Highlights, p. A-002.

17 Commerce definition of developing countries. U.S. Department of Commerce, 1987 U.S. Foreign Trade Highlights, p. A-002. According to the Commerce Department, U.S. exports accounted for 5.6 million jobs in 1987, with each \$1 billion in exports creating 22,800 jobs. Developing nations accounted for a third of those jobs. Telephone interview, Office of Economic Affairs, May, 1989.

18 ODC definition of developing countries. 1987 trade losses calculated by ODC's Stuart Tucker, from U.S. Department of Commerce data. Total U.S. trade figures from U.S. Department of Commerce, 1987 U.S. Foreign Trade Highlights, pp. A-001, A-002.

19 U.S. Department of Commerce, 1987 U.S. Foreign Trade Highlights, pp. A-042 and A-122, and telephone interviews, USDA, December, 1988.

20 U.S. Department of Commerce, 1987 U.S. Foreign Trade Highlights, p. A-003.

21 U.S. International Trade Commission, The Effect of Developing Country Debt-Servicing Problems on U.S. Trade, Publication # 1950, March, 1987, p. viii.

22 Federal Financial Institutions Exam Council, Statistical Release, Oct 12, 1988, Table I, pp. 1-3. Lower-income countries in Southern and Eastern Europe are included as developing, but all off-shore banking centers are excluded, regardless of their location, because the direction of their follow-on lending is untraceable.

23 "Latin America: Debt Conversion Proliferates," by International Trade Administration analysts Brian Hannon and Marie Haugen in Business America, June 22, 1987, p. 8 and the World Bank, World Debt Tables, Vol. 1, 1988-89 Edition, pp. xxiv-xxiv.

24 See "John Reed's Bold Stroke," in Fortune, June 22, 1987, pp. 26-27. Figures in current dollars.

25 Developed world: \$11,723; developing world: \$874. See United States Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1987, p. 43. South Africa is defined as developed; Greece is defined as developing.

26 U.S. International Development Cooperation Agency, Congressional Presentation, FY 1989, p. 9. Israel and South Africa defined as developed; some lower-income Southern and Eastern European countries classified as developing.

27 1986 figures taken from the Overseas Development Council, U.S. Policy and the Developing Countries, Agenda 1988, p. 211.

28 On Japan, see Financial Times, March 11/12, 1989, pp. 1, 22; on the World Bank and the IMF, see The New York Times, April 6, 1989, p. D6; and on the banking industry, see Horst Schulman, Institute of International Finance, testimony before the House Banking Subcommittee on International Development, April 5, 1989.

29 See Congressional Quarterly, April 18, 1989, p. 741, and The Washington Post, March 29, 1989, p. D-3.

30 The fifteen Baker Plan countries, none of which had access to voluntary loans at that time, are: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia. The Baker Plan called for projected lending to be increased \$29 billion in current dollars: \$7 billion of the additional funds were to come from U.S. commercial banks, \$13 billion from non-U.S. commercial banks and \$9 billion from the World Bank and other development banks. See Patricia Wertsman, The Baker Plan: A Remedy for the International Crisis?, Congressional Research Service, CRS #IB86106, August, 1988, pp. 3-4.

31 William R. Cline, The Baker Plan: Progress, Shortcomings, and Future Evolution, Institute for International Economics, Washington, D.C., January, 1989, p. 17. Private banks provided \$14 billion of the \$20 billion target for new lending; the multilateral banks provided \$900 million of \$9 billion. These figures are in current dollars.

32 William R. Cline, The Baker Plan: Progress, Shortcomings, and Future Evolution, Institute for International Economics, Washington, DC, January, 1989, p. 30. These figures are in current dollars. See also slightly different aggregates for the 15 Baker Plan countries and two others defined as "highly-indebted" in World Bank, World Debt Tables, 1988-89, Vol. 1, p. 30.

33 World Bank, World Debt Tables, 1985-86, Vol. 1, p. xxv and 1988-89, Vol. 1, p. xviii. These figures are for the 15 Baker Plan countries only and are expressed in real, 1989 dollars.

34 World Bank, World Debt Tables, 1988-89, Vol. 1, p. 30. These figures include the 15 Baker Plan countries and two others defined as "highly-indebted" by the World Bank.

35 There is no precise definition of foreign aid. In this report, it refers to programs funded by the annual foreign operations appropriation (except for commercial programs such as the Export-Import Bank) and the Food for Peace program. Two data

bases were used in this analysis: a record of all appropriations, maintained by the office of Rep. McHugh, and a record of all obligations, maintained by the Congressional Research Service. Analyses based on both exclude special supplemental assistance to support the peace process in the Middle East in 1979 and 1985 and funding for the Guarantee Reserve Fund that assists in repaying military aid loans already registered on the data bases.

36 Africa is to receive 32 percent of world-wide functional development assistance in FY 1989. Figures are obligations, taken from AID's Congressional Presentation for FY 1990. Even within Sub-Saharan Africa, ESF assistance tends to be focused on a limited number of countries considered strategically important because they provide facilities to the United States (Kenya, Liberia, the Seychelles and Somalia) or are encouraged to contain Libyan expansionism (Chad and Sudan). These six countries have only 12 percent of Africa's population, but are to receive 72 percent of Africa's ESF in 1989.

37 Figures are obligations, taken from AID's Congressional Presentation for FY 1990.

38 Figures provided by the Congressional Research Service.

39 The Philadelphia Inquirer, Jan., 16, 1989, p. 3-A.

40 Figures provided by the Congressional Research Service.

41 The miscellaneous programs include peace-keeping operations, anti-drug programs and anti-terrorism training.

42 As noted, these figures exclude special, one-time supplements for the Middle East peace process in 1979 and 1985 and reserve funds for military loans.

43 Figures provided by the Congressional Research Service.

44 Ruth Leger Sivard, World Military and Social Expenditures, 1987-1988, World Priorities, Washington, DC, 1988, p. 43-47, sets these countries' population at 56 percent of all developing countries. Aid figures are obligations for FY 1987, from AID, U.S. Overseas Loans and Grants, annual.

45 Aid figures are obligations for FY 1987, from U.S. Overseas Loans and Grants.

46 AID, U.S. Overseas Loans and Grants, for both bilateral and multilateral totals for 1980 and 1987; AID, U.S. Overseas Loans and Grants, and AID, Congressional Presentation, fiscal years 1988-90, for total aid flows.

47 1988, the highest year, taken from AID, Congressional Presentation for FY 1990; 1980 taken from U.S. Overseas Loans and Grants, annual.

48 Using 1987, the most recent year available in AID, U.S. Overseas Loans and Grants, for both bilateral and multilateral totals.

49 The Inter-American Development Bank also cut its lending back, from a \$112 billion annual average from 1976 to 1980 to a \$46 billion annual average from 1981 to 1985. Average annual U.S. economic aid, in contrast, increased from \$46 million to \$131 million. Aid figures are obligations, as compiled by the Congressional Research Service from AID, U.S. Overseas Loans and Grants, annual.

50 For example, ESF was continued in 1988 despite AID's report that "net credit expansion exceeded targets by more than double" in 1987. AID, Action Plan, FY 1990, Honduras, p. 3.

51 Aid figures are obligations, from AID, U.S. Overseas Loans and Grants, annual.

52 Until the late 1980's, the United States was the largest bilateral donor of economic aid (although it ranked last in the North in terms of aid as a share of GNP). Japan now provides some \$12 billion in economic aid annually. The "grant element" of its aid is 62 percent compared to the U.S. grant element of 87, because Japan provides most of its bilateral aid as low-interest loans, while U.S. bilateral aid is mostly grants. In one measure of the value of economic aid, found by multiplying gross aid times grant element, U.S. aid is roughly \$9 billion and Japan's is \$7.5 billion. However, Japan is likely to forgive many of its loans, thereby raising its grant element. Telephone interview with World Bank official, Feb. 8, 1988.

53 For an excellent review of individual programs that went awry, see Robin Broad and John Cavanagh, "No More NICs," in Foreign Policy, No. 72, Fall, 1988, pp. 81-103.

54 The U.S. agreed to give \$2.5 and \$2.9 billion for two IDA replenishments during the Reagan Administration, a one-third reduction in total commitments compared to pledges of \$3.9 billion and \$4.2 billion for two IDA replenishments during the Carter Administration. Percentage cuts in total IDA size taken from World Bank, International Development Association, IDA Eligibility, IDA9 Discussion Paper No. 3, March 1989, p. 5. Some additional funds were provided by donors outside the regular IDA contributions, but not enough to offset these cuts.

55 See statement on the Senate floor, Senator Harry Reid, January 25, 1989, Congressional Record, p. S130, citing data collected by the Smithsonian.

56 World Resources Institute, World Resources 1988-1989, Basic Books, New York, 1988, p. 71.

57 World Resources Institute, World Resources 1986, Basic Books, New York, 1986, p. 3.

58 The Washington Post, September 10, 1988, p. A-12.

59 Norman Myers, Not Far Afield: U.S. Interests and the Global Environment, World Resources Institute, 1987, pp. 17, 18.

60 World Resources Institute, World Resources 1986, Basic Books, New York, 1988, p. 6, and World Watch Institute, State of the World 1988, W.W. Norton, New York, 1988, p. 10.

61 Janet Welsh Brown, World Resources Institute, speech given to the International Development Conference, entitled "Beyond Ideology: Security and the Environment," March 1987, p. 9.

62 Andrew Maguire and Janet Welsh Brown, Bordering on Trouble: Resources and Politics in Latin America, World Resources Institute, 1986, p. 82. For a discussion of the state of the fishing industry in general, see World Resources Institute, World Resources 1988-1989, Basic Books, New York, 1988, pp. 145-148 and 326-329.

63 World Resources Institute, World Resources 1988-1989, Basic Books, New York, 1988, p. 16.

64 World Resources Institute, World Resources 1988-1989, Basic Books, New York, 1988, p. 51. See also World Watch Institute, State of the World 1988, W.W. Norton, New York, 1988, p. 9.

65 Norman Myers, Not Far Afield: U.S. Interests and the Global Environment, World Resources Institute, 1987, pp. 21-22; and World Watch Institute, World Watch, March/April 1989, p. 10.

66 Norman Myers, Not Far Afield: U.S. Interests and the Global Environment, World Resources Institute, 1987, pp. 23, 34, 44-45, 50.

67 Inter-American Dialogue, The Americas in 1989: Consensus for Action, p. 42; World Resources Institute, World Resources 1988-1989, pp. 28-31, 271; Wall Street Journal, "Poison Produce," March 26, 1987, p. 1.

68 Norman Myers, Not Far Afield: U.S. Interests and the Global Environment, World Resources Institute, 1987, p. 23.

69 World Resources Institute, World Resources 1984, Basic Books, New York, 1988, p. 54.

70 Panama Canal Commission, A Report on the Panama Canal Fair Forest, January, 1985, pp. iii-iv.

71 Sandra Postel, A Green Fix to the Global Warm-Up, World Watch Institute, September/October, 1988, pp. 32.

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77 Samantha Sparks and Ellen Mosser, "A Tragic Legacy: The World Bank's Environmental Record," Multinational Monitor, June, 1987, p. 10; and Pat Aufderheide and Bruce Rich, "Environmental Reform and the Multilateral Banks," World Policy Journal, Spring, 1988, p. 302.

78 Figure for 1989 from Agency for International Development, Congressional Presentation, FY 1990, main volume, p. 166.

79 World Resources Institute, World Resources 1988-89, Basic Books, New York, 1988, pp. 178; and World Commission on Environment and Development, Our Common Future, Oxford University Press, New York, 1987, pp. 268-269.

80 World Commission on Environment and Development, Our Common Future, Oxford University Press, New York, 1987, pp. 272-274; and World Resources Institute, World Resources 1988-1989, Basic Books, New York, 1988, pp. 96-97, 177-178 and 348-349.

81 Antonio Rubens Britto de Castro, "Brazil's Nuclear Shakeup: Military Still in Control," Bulletin of the Atomic Scientists, May, 1989, pp. 22-25.

82 Interviews with U.S. personnel and Honduran analysts, August, 1988.

83 Martin Edwin Andersen, "The Military Obstacle to Latin Democracy," Foreign Policy, No. 73, Winter, 1988-89, p. 96.

84 Number: countries and territories out of 133; percent: population out of 3.8 billion. Of the 47 Sub-Saharan African countries, 41 have governments that are unelected; of the 21

countries in Latin America, 14 are still consolidating democracy; of the 15 Middle Eastern countries (from Egypt east to Iran), 12 have governments that are unelected.

85 Department of State, Country Reports on Human Rights Practices for 1988, U.S. Senate, Joint Committee Print, Senate Print 101-3, February, 1989, pp. 1321-1322.

86 Washington Post, Dec. 24, 1988, p. A-10; Congressional Record, S129, Jan. 25, 1989.

87 Costa Rica had established its lead in these measures even before its neighbors suffered from the civil wars of the late 1970's. Included in the region with Costa Rica are El Salvador, Guatemala, Honduras, Nicaragua and Panama. Export figures converted from U.S. Department of Commerce, International Trade Administration, 1987 U.S. Foreign Trade Highlights, p. A-002; other figures from Ruth Leger Sivard, World Military and Social Expenditures, 1987-1988, World Priorities, Washington, DC, 1988, Tables II and III.

88 In the region along with Botswana are Angola, Lesotho, Malawi, Mozambique, Zambia and Zimbabwe, three of whom, like Botswana, have not suffered a civil war. Export figures converted from U.S. Department of Commerce, International Trade Administration, 1987 U.S. Foreign Trade Highlights, pp. A-003-004; other figures from Ruth Leger Sivard, World Military and Social Expenditures, 1987-1988, World Priorities, Washington, DC, 1988, Tables II and III.

89 Countries placed in categories as described above. Figures are for estimated obligations of FY 1989 aid to specific governments, from AID, Congressional Presentation for FY 1990, pp. 286-288.

90 At the time of the publication of this report, Honduras' cooperation with the contra policy appeared to be waning, although this could be a sign of Honduras hoping to receive additional U.S. economic and military aid, as part of the pattern revealed by documents released in 1989 at the trial of Oliver North. An unprecedented level of public protest erupted in Honduras in 1988 when drafts of agreements on access rights for U.S. forces were leaked to the press. In addition, U.S.-aided police were aware that a mob was burning the U.S. Embassy Annex in 1988 after an accused Honduran drug-trafficker was abducted to the United States for trial, but failed to respond because of domestic political considerations.

91 Interviews with Honduran analysts and former U.S. diplomatic personnel, August and September, 1988.

92 When Congress withheld \$20 million in the cases of U.S. churchwomen and Marines killed in El Salvador, however, the judicial system brought the killers to justice. The Reagan Administration suspended technical assistance to the Salvadoran Supreme Court as an expression of U.S. disapproval of rulings that block specific prosecutions, but did not condition economic and military aid on progress on those prosecutions.

93 Somalia, a military dictatorship under the Revolutionary Socialist Party with a record of flagrant abuses of the human rights of an ethnic minority, would appear to be a likely candidate for the "Reagan Doctrine" of aid to rebel forces, but it provides military facilities to the U.S. rapid deployment force.

94 State Department, Congressional Presentation for Security Assistance, FY90, p. 296.

95 Total tabulated from annuals of State Department, Congressional Presentation for Security Assistance. Quote from the FY1989 edition, p. 50.

96 State Department, Congressional Presentation for Security Assistance, FY90, p. 189.

97 \$690 million, or about 15 percent of U.S. military aid to identifiable countries and regions in 1989.

98 The State Department's Administration of Justice (AOJ) program, funded at \$20 million annually, has trained judicial personnel in Central America since 1985, but U.S. officials see the lack of progress toward functioning judicial systems in the region as a major disappointment for U.S. policy. The National Endowment for Democracy, funded at \$16 million annually, provides technical assistance to elections, political parties and trade unions in other countries. AID's Democratic Initiatives, funded at \$8 million annually, supports legal aid and training, media groups and advocates of democracy.

99 At the request of Senator Hatfield, IMET estimated its "full-pricing" requirement for its program for the most recently completed fiscal year, FY1988. The estimate provided by IMET is \$163.6 million for all training, travel and living expenses for its trainees, or \$116.2 million more than the \$47.4 million appropriated as foreign aid for IMET. The \$116.2 million consists of military trainers' salaries and support costs, sunk costs and maintenance for training facilities, and other overhead expenses. The \$116.2 million is absorbed by the Defense Department in its budget. Briefing paper prepared for Senator Hatfield by the IMET program, May, 1989.

100 General Research Corporation, U.S. Training of Foreign Military Personnel, Defense Security Assistance Agency, 1979, vol. II, pp. 15-16.

101 General Research Corporation, U.S. Training of Foreign Military Personnel, Defense Security Assistance Agency, 1979, vol. II, Appendix F.

102 Inter-American Dialogue, The Americas in 1988: Time for Choices, University Press of America, Lanham, Maryland, 1988, p. 86. See also Sam Fitch, Memorandum to Inter-American Dialogue Working Group on Armed Forces and Democracy, Inter-American Dialogue, Sept. 10, 1987.

103 Martin Edwin Andersen, "The Military Obstacle to Latin Democracy," Foreign Policy, Winter, 1988-89, p. 97.

104 Interviews with U.S. and foreign military personnel, August, 1988.

105 The presence of the Chilean instructors appears to violate the spirit of a law banning foreign aid to Chile. Technically, foreign instructors are paid from U.S. military funds, outside the foreign aid law.

106 DOD argues in a letter to Sen. Hatfield from the Office of the Assistant Secretary of Defense for Force Management and Personnel, July 5, 1989, that these programs do not constitute "assistance" to foreign militaries, which they acknowledge by law should be provided only under the foreign aid program.

107 In response to a letter from Sen. Hatfield of March 13, 1989, requesting a summary of all military-to-military programs in developing nations outside the foreign aid budget, the Defense Department was able to provide, in July, 1989, the number of U.S. personnel participating in each services' PEP program and the Army's FAO program, but not, from its regular records, figures for the other services' FAOs, or SMEs and other TDY personnel.

108 Interview by Caucus staff, August, 1988.

109 See the so-called "Colonels' report": Lt. Col. A.J. Beceovich, Lt. Col. James D. Hallums, Lt. Col. Richard H. White and Lt. Col. Thomas F. Young, American Military Policy in Small Wars: The Case of El Salvador, John F. Kennedy School of Government, Harvard University, Cambridge, Mass., March 23, 1988, p. 7.

110 Foreign Broadcast Information Service, Latin America, Sept. 27, 1988, LAT-p. 1, and Sept. 29, 1988, LAT-p. 1.

111 Unclassified documents relating to the Conference include Department of the Army, Information Paper, provided to Rep. John Spratt, Nov. 8, 1988.

112 AID, Summary of Human Rights and Democratic Initiatives, FY1988, p. 1.

113 Ruth Leger Sivard, World Military and Social Expenditures, 1987-88, World Priorities, Washington, DC, 1988, p. 28, lists 22 wars (conflicts with an annual death toll of over 1,000) taking place in 1987. Vietnam was dropped from the Sivard list in preparing this table, because the casualties were taken in Cambodia, which is already listed. Additional conflicts that have met the criterion of 1,000 annual casualties since the publication of the Sivard list took place in Burundi and Somalia. Afghanistan, Cambodia and Iran/Iraq were the three wars caused primarily by invasion. While South Africa's combat with Cuban troops in Angola in 1988 could be considered an invasion, the primary cause of death in conflict in Angola was combat between the Angolan Government and UNITA rebels. Foreign troops are deeply involved in the war in Lebanon, but it was still primarily caused by internal strife.

114 Arms Control and Foreign Policy Caucus, South Africa's Wars, Sept. 11, 1986, p. 2.

115 The toll of dead from war and political violence in Central America includes: over 50,000 in El Salvador since 1979 (according to Americas Watch); between 50,000 and 100,000 in Guatemala since 1978 (according to the Washington Office on Latin America); 35,000 to 50,000 in Nicaragua from 1975 to 1979 (according to the Worldmark Encyclopedia of the Nations, Volume on the Americas, Binghamton, N.Y., 1984); and 30,000 in Nicaragua from 1981 to 1987 (according to Ruth Leger Sivard, World Military and Social Expenditures, 1987-88, World Priorities, Washington, DC, 1988, p. 29).

116 Spending: \$197 billion, as of 1985, converted from U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1987, p.43. ACDA defines Greece and Bulgaria as developing, and South Africa as developed. Debt payments: World Bank, World Debt Tables, 1988-89, Vol. 1, p. 2. World Bank definition of developing.

117 From 1980 to 1985, from U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1987, p.43. See ACDA definition of developing, *ibid*.

118 World Bank definition of developing. World Bank, World Development Report, 1988, p. 267. For slightly less comprehensive data, see UNICEF, The State of the World's Children, 1989, p. 104-5, also based on World Bank data.

119 Ruth Leger Sivard, World Military and Social Expenditures, 1987-88, World Priorities, Washington, DC, 1987, p. 43. Sivard's definitions vary from this report's by defining Israel as developed, and some Southern and Eastern European countries as developing.

120 For a review of the available analyses, see Steve Chan, "The Impact of Defense Spending on Economic Performance: A Survey of

Evidence and Problems." *Orbis*, vol. 29, no. 2, Summer, 1985, and "Defense Burden and Economic Growth: Unraveling the Taiwanese Enigma," *American Political Science Review*, vol. 82, no. 3, September, 1988.

121 Data compiled from: Adm. Thomas A. Brooks, Director of Naval Intelligence, Statement before the Seapower Subcommittee of the House Armed Services Committee, Feb. 22, 1989, pp. 38-39; Congressional Research Service, Robert D. Shuey et. al., Missile Proliferation: Survey of Emerging Missile Forces, October 3, 1988, p. 35-42 (and interviews with the author); Elise D. Harris, "Chemical Weapons Proliferation in the Developing World," in Defense Yearbook 1989, London, pp. 74-75 (and interviews with the author); and Leonard S. Spector, "Nonproliferation--After the Bomb Has Spread," Arms Control Today, Dec., 1988, pp. 8-12.

122 Data compiled from: Adm. Thomas A. Brooks, Director of Naval Intelligence, Statement before the Seapower Subcommittee of the House Armed Services Committee, Feb. 22, 1989, pp. 38-39; Congressional Research Service, Robert D. Shuey et. al., Missile Proliferation: Survey of Emerging Missile Forces, October 3, 1988, p. 35; and Elise D. Harris, "Chemical Weapons Proliferation in the Developing World," in Defense Yearbook 1989, London, pp. 74-75. For trends, telephone interview, Congressional Research Service, Foreign Affairs and National Defense Division, April, 1989.

123 Including Iraq and other, unidentified developing countries. See Adm. Thomas A. Brooks, Director of Naval Intelligence, Statement before the Seapower Subcommittee of the House Armed Services Committee, Feb. 22, 1989, p. 39; and The New York Times, May 4, 1988, p. A-9, and February 10, 1989, p. A-3.

124 Of the 13 countries that are reported to have such missiles in 1989, five (Afghanistan, Iran, North Korea, Saudi Arabia and Yemen-AR) did not appear to have them in 1979. Telephone interview, Congressional Research Service, Foreign Affairs and National Defense Division, April, 1989. Data compiled from: William H. Webster, Director of Central Intelligence, Remarks before the Town Hall of California, March 30, 1989, p. 3; and Congressional Research Service, Robert D. Shuey et. al., Missile Proliferation: Survey of Emerging Missile Forces, October 3, 1988, pp. 38-42 (and interviews with the author). See also The New York Times, February 10, 1989, p. A-3.

125 Burma, Ethiopia and Vietnam are not developing missiles, but of these, only Burma lacks supersonic aircraft. Telephone interview with Defense Intelligence Agency, March, 1989.

126 The Pentagon estimated in 1985 that 50 percent of DOD funding went to conventional forces in or devoted to Europe. See Congressional Research Service, Alice C. Maroni and John J. Ilich, The U.S. Commitment to Europe's Defense, November 7, 1985, p. 11. In addition, the U.S. strategic nuclear deterrent, primarily focused on the Soviet Union, accounted for another 15 percent of the military budget in 1985; Committee for National Security, Mission Impossible?, January, 1989, p. 24.

127 1977 export figures from U.S. Department of Commerce, Statistical Abstracts, 1984, p. 834; 1987 figures from U.S. Department of Commerce, International Trade Administration, 1987 U.S. Foreign Trade Highlights, p. A-002. Roughly a quarter of 1987's exports were actually paid for by U.S. aid.

128 Data for emergency assistance to Africa, 1979 to 1988, provided by AID to the Caucus, and converted to \$1.64 billion.

129 Export figures from U.S. Department of Commerce, International Trade Administration, 1987 U.S. Foreign Trade Highlights, A-002.

130 Total economic aid flow from developed nations for 1986 of \$1 billion, based on OECD reports, taken from Ruth Lager Sivard, World Military and Social Expenditures, 1987-88, World Priorities, Washington, DC, 1987, p. 41. Sivard's definitions vary from this report's by defining Israel as developed, and some northern and Eastern European countries as developing.

131 Total new disbursements to developing nations (including the Southern and East European nations) of \$93 billion in 1987 taken from World Bank, World Debt Tables, 1988-82, Vol. 1, p. 2. World Bank definition of developing.

132 Telephone interview, Department of Defense, March, 1989.

133 Telephone interview, Congressional Research Service, Foreign Affairs and National Defense Division, March, 1989.

134 Congressional Research Service, Robert D. Shuey et. al., Missile Proliferation: Survey of Emerging Missile Forces, October 1988, pp. 41, 73-74, puts the range of the Agni missile being developed by India at 1,500 miles, slightly less than the roughly 650 miles between India and the Philippines, and notes that the sea-oriented missile it is developing could be converted to a land-based missile with a significantly longer range. The Agni had its first successful test firing in May, 1989.

135 Telephone interview, Congressional Research Service, Foreign Affairs and National Defense Division, March, 1989.

136 See Department of Defense, Commission of Integrated Long-Range Strategy, Discriminate Deterrence, 1988, pp. 20-21. See also the accompanying working paper, Commitment to Freedom: Security Assistance as a U.S. Policy Instrument in the Third World, pp. 8, 9-11, 24.

137 For details, see Sen. Matfield, Rep. Leach and Rep. Miller, Rolling Failure: U.S. Policy in El Salvador and the Urgent

Need for Reform, A Report to the Congressional Arms Control and Foreign Policy Caucus, November, 1987.

138 Telephone interview with Elise Harris, Brookings Institution, March, 1989. See also the remarks of a "U.S. official" in Newsweek, January 16, 1989, p. 17.

139 Congressional Research Service, Robert D. Shuey et. al., Missile Proliferation: Survey of Emerging Missile Forces, October 3, 1988, pp. 75, 86.

140 Telephone interview, Congressional Research Service, Foreign Affairs and National Defense Division, April, 1989. The sale to Iran may have been an indirect one, through North Korea.

141 The average total for Foreign Military Sales Agreements, U.S. military training grants and commercial arms deliveries to developing countries for the five years from FY 1985 through FY 1989 was \$8.97 billion in real terms, and the average total military aid for the same period was \$4.88 billion. Figures taken from U.S. Department of State, Congressional Presentation for Security Assistance Programs, FY 1987 through FY 1990. These numbers are not directly comparable, but rather provide a good, rough indication of the share of military exports that are the result of U.S. aid rather than commercial transactions. The Soviet figure is the annual average for agreements in the most recent five years available (1983 to 1987) in Congressional Research Service, Richard F. Grimsitt, Trends in Conventional Arms Transfers to the Third World by Major Supplier, 1980-1987, 88-352 F, May 9, 1988, p. 46. Proponents of military aid argue that aid-funded exports can have a "multiplier effect" on U.S. jobs and income. However, they fail to acknowledge that the effect would be greater if these government funds were spent in the U.S. productive economy, or were used to reduce the deficit. See U.S. Department of State, Congressional Presentation for Security Assistance Programs, FY 1987, v. 1, p. 79.

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143 See the Administration's letter explaining its rationale and Sen. Mark O. Hatfield's response in the Congressional Record, Sept. 15, 1987, p. S12052.

144 New York Times, Feb. 1, 1988, p. A1.

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