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HEARINGS

Before The

Subcommittee on Inter-American Affairs

of the

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

FOREIGN ASSISTANCE LEGISLATION FOR FY-198

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1 FOREIGN ASSISTANCE LEGISLATION FOR FY-1981

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THURSDAY, FEBRUARY 7, 1980

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U.S. House of Representatives,

6

Committee on Foreign Affairs,

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Subcommittee on Inter-American

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Affairs,

9

Washington, D.C.

10 The subcommittee met at 2:05 p.m., pursuant to call, in
11 room 2255, Rayburn House Office Building, The Honorable Gus
12 Yatron, (chairman of the subcommittee) presiding.

13 Mr. Yatron: Good afternoon. The Subcommittee on
14 Inter-American Affairs will now come to order.

15 Today marks the first official meeting in the Second
16 Session of the 96th Congress, although a closed briefing on El
17 Salvador was held by the subcommittee last week.

18 We have many subjects that we intend to cover this year in
19 our hearings, including an update on Cuban-Soviet ties in the
20 hemisphere.

21 We also plan to conduct hearings on stolen motor vehicles
22 and parts crossing our borders, followed by sessions on illegal
23 arms, drug traffic and terrorists. Additional hearings will be
24 scheduled for topics requiring further information.

25 It is an ambitious schedule in which we continue to seek

1 many answers. How do we address the problems of the poor in
2 transitional countries? How can we best maintain communication
3 and influence with military establishments within the context
4 of our arms transfers and human rights policies? These are
5 several of our primary concerns for this session.

6 I want to welcome the Honorable John A. Bushnell, Deputy
7 Assistant Secretary for Inter-American Affairs of the
8 Department of State, and the Honorable Franklin D. Kramer,
9 Principal Deputy Assistant Secretary of Defense for
10 International Security Affairs.

11 Accompanying Secretary Bushnell, we have Mr. George Jones,
12 Director of the Office of Regional Policy Programs, and Miss
13 Carolyn Allen, financial economist, Office of Regional Economic
14 Policy, Bureau of Latin American Affairs, Department of State.

15 Accompanying Secretary Kramer, we have ^{Rear} Admiral Gordon J.
16 Schuller, the Director of ^{the} Inter-American Region, Office of the
17 Assistant of Secretary ^{of} Defense for International Security
18 Affairs, and Miss Elizabeth Freiburger, Director of Latin
19 American Programs, Defense Security Assistance Agency.

20 If you would like to begin, Secretary Bushnell, we will
21 follow, then, with Secretary Kramer, and then get into the
22 questions.

23 ---

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1 STATEMENT OF THE HONORABLE JOHN A. BUSHNELL
2 DEPUTY ASSISTANT SECRETARY
3 INTER-AMERICAN AFFAIRS
4 DEPARTMENT OF STATE

5 Mr. Bushnell: Thank you, Mr. Chairman.

6 I have tried to prepare a statement that would emphasize
7 some of the changes that we have seen in Latin America as a
8 basis for considering the various authorizations for this year.

9 The past year has been one of substantial change in Latin
10 America. We welcome most of the changes. We are challenged
11 ourselves to adjust our assistance programs, both economic and
12 security, to the changes in the area.

13 Some changes have been traumatic and caused great
14 suffering, as in Nicaragua, and the process even now going on
15 in El Salvador. Others have been less drastic although not
16 less passionate, as in the return to democracy of Ecuador, the
17 evolution of democracy in the Dominican Republic and St. Lucia
18 through peaceful change rather than revolution, and the steady
19 movement of Peru toward free and open elections.

20 The Andean Pact gained new momentum and moved toward
21 warmer relations with us. Significant improvements in human
22 rights were made in many countries. The island states in the
23 Caribbean continued to cut their colonial ties and are
24 beginning to stand on their own feet -- a few of them not too
25 steadily.

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1 The rise in oil prices has been beneficial to several
2 hemispheric countries. To most, particularly the smaller
3 countries of Central America and the Caribbean, it has been a
4 severe blow.

5 All of these changes require new perspectives and a U.S.
6 response suited to the new reality.

7 As you are aware, the absolute amount of military and
8 bilateral development assistance for Latin America as a whole
9 declined over the decade of the 1970s. The major thrust of our
10 economic assistance in Latin America and the Caribbean is now
11 multilateral. And we have moved away from close relationships
12 with countries where the military hold the reins of power and
13 have made little progress toward a return to democratic
14 government.

15 Some of the dimensions of our changed role are less
16 immediately evident. First, bilateral and multilateral
17 assistance are not perfect substitutes one for the other.
18 Secondly, the declines in our assistance have come about for
19 several reasons, among them budgetary constraints, competing
20 demands for limited resources, and a change in world-wide
21 assistance policy to concentrate on the poorest countries.

22 These changes do not, however, signal any diminution in
23 the importance of our relationship with Latin America. We have
24 over 330 million neighbors south of our border, many of whom
25 are desperately poor. The combined economies of the entire

1 region produced some \$460 billion in gross national product in
2 1978. In the same year, we produced over two trillion dollars
3 worth.

4 It is easy to see why the countries of Latin America
5 expect us to provide significant help in their development,
6 either through direct assistance or by special consideration in
7 trade matters. For them, the test of our interest is our
8 willingness to help with their most pressing problems --
9 economic development and security.

10 Our own interests in the countries of Latin America are
11 strong. They are our closest neighbors. They are also
12 important trading partners and friends who share many of our
13 views about peace and stability in the world. They voted
14 unanimously in the OAS to condemn the taking of hostages in
15 Iran, and twenty five countries in the region voted for the
16 resolution condemning Soviet forces in Afghanistan in the
17 United Nation.

18 Increasingly, we need the cooperation of our southern
19 neighbors to solve some of our own problems -- such as drugs,
20 illegal migration and access to energy and raw materials.

21 Finally, we have reason for concern because their
22 economies are not yet robust enough to provide a decent
23 livelihood -- and sometimes even sustenance -- to all their
24 people. A number of countries are in a crucial state of
25 political change. We have a large stake in this change

1 process.

2 If these transitions preserve democracy, national
3 independence, and pluralism -- principles we believe are
4 necessary for the development of a political system truly
5 responsive to the needs of the people -- then the outcome will
6 be governments that we can work with smoothly and effectively on
7 the whole range of mutual problems.

8 Given the magnitude and importance of our interests in the
9 region, the programs we are proposing are modest. Our total
10 request for development assistance, security assistance, and
11 P.L. 480 programs totals only \$450 million. This is but a
12 fraction of our world-wide total of nearly \$8 billion.

13 Our development assistance in 1981 would be equal to only
14 one half of one percent of the combined output of the receiving
15 countries. More than half of our proposed program for Latin
16 America and the Caribbean -- \$275 million, of which only \$111
17 million is in the form of grants -- is for development of
18 assistance through AID.

19 Security assistance totals \$91 million: \$63 million for
20 military sales credits and training -- less than two percent of
21 our world-wide military programs -- and \$28 million for
22 economic support, compared to \$2 billion for other areas.

23 Latin American is an area with countries at various levels
24 of development. Let me differentiate this economic geography.
25 The countries which receive our development assistance through

1 AID have less than 20 percent of the region's population. They
2 produce only 11 percent of its output. In South America, the
3 four countries with which we have developed assistance programs
4 make up only 14 percent of the population of the continent and
5 produce barely seven percent of continental gross national
6 product.

7 The point to underlie here is that the largest countries
8 with the largest populations and the largest economies --
9 Argentina, Brazil, Mexico, Venezuela, and to a lesser degree
10 Chile and Colombia -- look to the international financial
11 institutions for development assistance, and to the private
12 sector for the bulk of their financial needs. It is only
13 through the IFIs and our private sector that we help in their
14 special development needs.

15 There are still enormous undeveloped areas in these
16 countries with large number of very poor and even hungry
17 people. But the immense financing needs of these countries
18 must be satisfied in the private financial markets. A single
19 syndicated loan in Colombia for \$600 million, or Brazil for
20 \$1.5 billion, exceeds IFI lending in that country by many times
21 and dwards our entire assistance program for the hemisphere.

22 These relatively more developed countries play an ever
23 growing role in the affairs of the region and in world affairs.
24 Moreover, the AID reflows (principal and interest) from these
25 countries where we no longer have assistance programs will

1 amount to \$130 million in FY-81. This is more than enough to
2 pay for the \$111 million in grant assistance we intend to
3 provide to their smaller neighbors.

4 Furthermore, a large share of their imports come from the
5 U.S., and we are an immensely important market for them. They
6 look to us to be responsive to their needs in keeping our
7 markets accessible to their goods and thus permit a reasonable
8 rate of growth for their economies. For every dollar they earn
9 in our market, they spent a dollar here. Thus growing trade
10 increases efficiency and well-being in both of our countries.

11 Let me turn now to the areas and countries where we still
12 do have programs.

13 In South America, the economies of Bolivia, Ecuador and
14 Peru -- plus Paraguay and Colombia where our economic aid is
15 tiny -- are beginning to gain some economic strength, which
16 enables them to utilize to varying degrees the private
17 financial markets.

18 Their long-term outlook is generally positive. We expect
19 their economic policies will enhance their development and
20 strengthen their economies, while addressing the very real
21 problems they still face.

22 The development assistance programs we have worked out
23 with them are carefully crafted to reach and benefit the poor
24 and to assist in institution building. The security assistance
25 programs we are asking you to approve for these important South

1 American countries are largely symbolic, but they will
2 strengthen existing bonds of friendship.

3 I would be seriously misleading to suggest that such small
4 programs will enable us to exercise significant influence on
5 the direction or nature of Latin America military expenditures
6 or military planning.

7 Some disbursements continue from earlier programs in
8 countries where we have withdrawn our development and military
9 assistance --either by request or because of problems with the
10 current governments. There are, for example, still \$7.8
11 million in AID loans to be disbursed in Colombia and \$4.5
12 million for Chile, although no new loans have been signed since
13 1976. But these older programs are coming to an end. They do
14 not reflect our current priorities.

15 In sum, the focus of our commitment in South America
16 today is to reach the poor and build institutions through
17 training, planning assistance and expert advice and to remain
18 in touch with their military establishments. These purposes
19 are narrow, and the size of our programs small compared to each
20 country's output, as is appropriate under the changing
21 circumstances in South America.

22 In Central America and the Caribbean the situations we
23 face today are radically different. President Carter stated to
24 the Congress last November in his request for a major
25 supplemental appropriation that:

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1 "Many of our neighbors in Central America and the
2 Caribbean are in crises marked by economic problems, terrorism,
3 and popular frustration. The resolution of these problems in
4 ways that will preserve the independence and security of these
5 countries, while expanding democracy and supporting human
6 rights, is very much in the interest of the United States."

7 The perception of deepening crisis, and the assessment tht
8 we have a major interest in helping is, if anything, stronger
9 today than it was three months ago. The Administration is
10 giving urgent attention to Central America and the Caribbean
11 and is seeking to use all the resources at our disposal to the
12 maximum. But it is clear that the problems of the area are
13 long-term, and that resources that might have been adequate in
14 other circumstances are inadequate today.

15 In the Caribbean, the small twelve island states, of which
16 nine have become independent since 1960, face enormous problems
17 with very limited resources. Their economies cannot provide
18 adequate growth and improve the livelihoods of their people
19 under the impact of oil price rises and other external shocks.
20 Our development assistance, while only one percent of their
21 combined GNPs, can have a noticeable impact in a few important
22 sectors.

23 In addition, the rapid reduction in the British role in
24 the Caribbean requires us to open the door to cooperative
25 security relationships with them. Our security assistance

1 proposals, principally for military training, are modest. But
2 they can have a significant impact in providing security for
3 development. To do otherwise is to leave the field to Cuba,
4 which is aggressively expanding its influence with its smaller
5 Caribbean neighbors.

6 We place considerable emphasis on regional programs in the
7 Caribbean because we believe regional cooperation is the best
8 and quickest way to deal with their problems. We are concerned
9 that in the absence of efficient regional institutions, the
10 sense of futility of the poor and unemployed spawned by
11 economic stagnation could turn into a breeding ground for,
12 radicalism. We must be prompt to respond to their need to grow
13 and develop into healthy, independent and pluralistic
14 societies.

15 In Central America, even more fundamental changes are
16 taking place. Economic distortions -- the foremost of which
17 has been an exaggerated concentration of wealth and political
18 power in too few hands -- have bred inequities that have
19 festered over a long period.

20 Adverse international economic conditions now severely
21 aggravate these endemic tensions. We are concerned that
22 without resolution of the severest of the economic problems,
23 the processes of change could in some cases produce traumas and
24 slip into anarchy.

25 The assistance we plan to reprogram for Central America in

1 1980, the funds we seek in the supplemental, and the
2 appropriation we seek for 1981 are in part a response to a
3 lessening of repression. But increased assistance is also
4 needed to forestall the possibility that over the longer term
5 events will lead to governments unrepresentative of the broad
6 majority of the population and controlled by well-trained and
7 disciplined groups unashamedly hostile to the United States.
8 Whether in the end these groups are of the right or the left
9 will matter little to the peoples whose aspirations they would
10 frustrate.

11 With regard to security assistance, it is important that
12 we act now to improve the capability of moderate governments to
13 defend themselves and sustain evolutionary and peaceful
14 progress. Nicaragua, El Salvador and Honduras will receive the
15 largest increases in FMS credits and IMET -- albeit not large
16 in absolute terms.

17 Human Rights -- As you know, there are several important
18 countries where we have reduced or stopped completely our
19 support because of their performance in human rights. But the
20 tide has turned.

21 Last year was one of substantial progress on both personal
22 and political rights in Latin America. There was a marked
23 overall decline in cases of violations of the integrity of the
24 person, even in countries where abuses have been most serious.
25 Fewer disappearances occurred in Argentina. Cases of prolonged

1 arbitrary detention were down in Chile. The Uruguayan Armed
2 Forces adopted apparently effective internal measures to stop
3 the use of torture. Cuba released about 3,900 political
4 prisoners.

5 The institutionalization of human rights in the
6 Inter-American system continued apace with the establishment of
7 the Human Rights Court and a landmark visit to Argentina by the
8 Inter-American Commission on Human Rights.

9 These improvements were driven by a series of changes
10 within Latin America itself, although influenced by U.S.
11 policies.

12 The region-wide trend from military to civilian
13 governments enhanced respect for human rights. In 1979,
14 Ecuador and Bolivia installed civilian governments. Peru
15 elected an assembly which adopted a new Constitution. Brazil
16 maintained a steady course of liberalization. The
17 freely-elected government of the Dominican Republic
18 consolidated its position.

19 Indigenous human rights organizations grew in strength and
20 boldness, challenging government policies in Argentina, Chile,
21 El Salvador, Paraguay, Nicaragua, and elsewhere.

22 Acrimonious OAS debates on human rights gave way to
23 general agreement on principles and institutions. The Ninth
24 General Assembly of the OAS approved resolutions urging reforms
25 in Paraguay, Uruguay and Chile and emphasized the need to deal

1 with the problem of disappearances.

2 The Inter-American Human Rights Court came into being
3 under the San Jose Pact, and the Inter-American Human Rights
4 Commission enhanced its role.

5 Let me now address more specifically the proposed
6 Development Assistance Program for Latin America. The acting
7 AID Assistant Administrator will discuss the program with you
8 in detail in a few days.

9 The broad strategy is, of course, to maintain the momentum
10 for continued economic development. We seek to maintain
11 economic growth while spreading the benefits of growth more
12 equitably. U.S. bilateral economic and technical cooperation
13 in Latin America is not currently designed primarily as a
14 resource transfer program. Our primary roles are to transfer
15 ideas and technical knowledge to build indigenous capacity --
16 primarily through creating and strengthening institutions, and
17 to deal with newer global problems.

18 In accordance with Congressional directives, we
19 concentrate our program on addressing the basic human needs of
20 the poorest sectors in the recipient countries. Often this
21 means rural health and agricultural programs. But we also face
22 the growing global problems which increasingly impact on us all
23 -- environmental pollution, energy development and
24 conservation, and population growth. These are a necessary
25 complement to a basic human needs strategy.

1 Turning to our specific requests, the total development
2 and economic support assistance of \$303 million requested for
3 the region is modest. The poorest countries -- Haiti,
4 Honduras, Bolivia, Guyana and El Salvador with per capita
5 incomes of less than \$625 -- would receive \$80 million,
6 including \$32 million of our grant assistance.

7 Where we have programs in the so-called "middle-income"
8 Latin American countries, our focus is on the poorest people in
9 these countries. As you are well aware, the poor bear the
10 burden that lagging growth and economic stagnation produce.
11 Even in the best of times, the economies of these countries are
12 not yet robust enough to employ fully their human resources.

13 Assistance to Nicaragua will remain large in FY 1981, but
14 a significant shift is planned in the type of assistance. For
15 FY 1980 in our supplemental request we have asked for \$75
16 million of quick disbursing economic support funds. Fast
17 disbursing support funds are needed quickly to help overcome
18 the crises resulting from exhausted foreign exchange resources,
19 damaged or destroyed inventories, late or lost agricultural
20 plantings, and lack of credit.

21 Development assistance levels for FY 80' are minimal for
22 until the immediate problems are resolved, few new development
23 projects can be put in place. We are continuing with several
24 development projects for which funds were committed in FY '78
25 and earlier years. By FY '81, we expect the worst of the

1 economic crises will be over, and it will be time to begin new
2 development assistance projects. Thus Nicaragua again becomes
3 a major recipient of AID development assistance in FY '81.

4 However, there will still be short-term problems in the
5 balance of payments which will require help. Our economic
6 support fund request for \$25 million is intended to address
7 both the balance of payments problem and the needs of the
8 private sector for credit. By FY '82, we expect to be able to
9 return to a normal program of development assistance without
10 ESF funding.

11 To complement official aid efforts and help meet the
12 challenge we face in Latin America and the Caribbean, we are
13 working with a number of voluntary organizations, such as the
14 American Institute for Free Labor Development. This
15 organization can respond quickly and flexibly to new
16 situations.

17 The labor movements it reinforces are generally a key
18 element of pluralistic democracy and an important political as
19 well as economic force. We want to help and encourage them to
20 do more and have requested \$8 million for FY '81. Because of
21 constraints and inflexibility inherent in any
22 government-to-government program there is much that private
23 organizations can do that the U.S. cannot.

24 Respect for human rights is central to our policy in Latin
25 America. Our proposed increased assistance levels in Ecuador,

1 Bolivia and Peru are linked to their present progress on
2 human rights. A modest increase in our level of assistance
3 would acknowledge the demonstrated support and respect for
4 human rights in these countries where we have made clear our
5 strong support of the return to the democratic process.

6 Moreover, the fledgling democratic governments need our
7 support to help relieve the strong pressures for social
8 development which the return to democracy promises, but
9 which the economies of these countries are unable to support
10 adequately.

11 We have tried to maintain the momentum of assistance to
12 regional programs. We are convinced that regional and
13 sub-regional cooperation and interdependence can be the key
14 to accelerating development in Latin America and the
15 Caribbean. Regional cooperation not only can achieve
16 economies of scale but helps tear away the sometimes fierce
17 suspicions and fear which isolation can cultivate.

18 The Latins themselves are coming to realize the
19 benefits that can accrue from working in tandem rather than
20 competitively or defensively. We have urged the development
21 of institutions which foster these linkages, and we are
22 pleased to see the growing strength of the concept of
23 regional cooperation on a wide variety of issues. We hope
24 to have \$34 million for the Caribbean regional program.

25 Nowhere is the building of regional institutions and

1 cooperation more important than in the mini-states of the
2 Caribbean. Our program for Central America at \$3.7 million
3 and the Andean region only slightly less are very modest
4 indeed but nevertheless are important as an incentive to the
5 development of regional projects.

6 Let me conclude my comments on economic assistance by
7 noting how important it is for us to have a means to respond
8 quickly to unexpected political changes, such as in El
9 Salvador and Nicaragua.

10 The ESF contingency economic support fund which the
11 President has requested is just such an instrument which
12 embodies primarily through its disbursements characteristics
13 the flexibility we need to meet situations of rapid change.

14 The size of the worldwide fund is small considering
15 that it will probably have to be spread among several
16 countries. But such ESF funding can be made invaluable as
17 visible demonstration of our support in countries where the
18 changing situation is such that quick and effective economic
19 support from the United States is critical to achieving
20 outcomes in our national interest.

21 Let me turn to security assistance. Our request for
22 FMS and IMET of \$63,609,000 is the largest we have sought
23 for Latin American in three years. Although that represents
24 a 65 percent increase over the amount originally requested
25 for Latin America in the 1980 budget, it is close to the

1 average of the programs Congress approved for 1977 and 1978.

2 It is still substantially below the Latin American
3 programs of earlier years, even without allowing for changes
4 in the value of the dollar. Moreover, since most of the
5 program is for FMS credits, which require appropriations of
6 only 10 percent of the total amount, the actual request for
7 appropriations is small -- only \$14.6 million.

8 This increased request does not reflect a general
9 increase in assistance to the region. On the contrary, the
10 programs we are asking that you approve for important South
11 American countries are shrinking to levels that are largely
12 symbolic.

13 In 1979, 1980 and 1981, we will offer FMS loans of
14 between three and six million dollars to Bolivia, Ecuador
15 and Peru, and between ten and twelve million dollars to
16 Colombia. Such loans to Peru, for example, represent less
17 than one-half of one percent of its total military budget.

18 A squadron of 18F-5E fighters, the aircraft we have
19 made available to major Latin American countries in lieu of
20 our more advanced planes, costs approximately \$75 million,
21 exclusive of spare parts and training. A squadron of
22 Mirages or Soviet SU-22s costs substantially more, but
23 credit from the USSR or France is often available with
24 concessional interest rates and repayment periods.

25 Obviously, a U.S. loan of \$4 million, offered not on

1 concessional terms but at 11.4 percent interest, with five
2 to eight years to repay, neither provides major assistance
3 to friendly governments nor offers any alternative to major
4 purchases from suppliers who offer concessional credit.

5 Our FMS sales, both cash and credit, to all Latin
6 America have declined from a high of \$212 million in 1974 to
7 \$81 million in 1978 and \$33.2 million in 1979. FMS sales to
8 South America, excluding the two countries where FMS sales
9 are prohibited by law, dropped from \$120 million in 1974 to
10 \$30 million in 1979. That represents less than three
11 percent of total South American arms purchases from outside
12 the area.

13 There are, of course, a number of reasons for this
14 decline. In a few cases we have denied the sale of major
15 weapon systems in accordance with our policies on
16 conventional arms restraint. We have also deliberately
17 curtailed our sales to some countries where major human
18 rights violations have occurred.

19 In particular, we have avoided a close military
20 relationship with countries where the military have
21 overthrown civilian regimes and are making little or no
22 progress toward a return to democratic government. Pursuant
23 to that policy, we terminated all military and most economic
24 assistance to Bolivia last year when a military officer
25 overthrew the elected president of that country.

1 Fortunately, that intervention was quickly terminated by the
2 people and the armed forces of Bolivia themselves, and we
3 were able to resume assistance.

4 Where military governments have made firm plans for
5 elections and have prepared to return their countries to
6 civilian control, where human rights situations have shown
7 decided improvement, we have sought to respond by modest
8 increases in our security assistance.

9 I began by noting that the Administration is seeking
10 increased security assistance in FY 1981 in Latin America.
11 Given the essential stability of our South American
12 programs, it will be evident to you that most of the
13 increase is being sought for Central America and the
14 Caribbean.

15 In his message to Congress last November on the
16 supplemental request, President Carter said that we would be
17 reprogramming five to ten million dollars in Foreign
18 Military Sales credits and IMET funds for the Caribbean, and
19 similar amounts for such programs in Central America.

20 We are considering reallocating about \$14 million in
21 FMS credits and \$500,000 in IMET to Central American and
22 Caribbean countries, within the worldwide levels which we
23 hope will be approved by the conference committee on the
24 FY-1980 appropriations bill.

25 As you know, those levels are austere. FMS credits for

1 the rst of Latin America in 1980 are being cut by \$9.5
2 million below the President's request in order to fund in
3 part the necessary increases in the Caribbean and Central
4 America. IMET funds for the rest of Latin America are being
5 cut by more than 20 percent.

6 It is time now to establish these new programs in the
7 regular annual budget process, responding to the new and
8 critical circumstances in our southern neighbors. Permit me
9 to touch briefly on each of the countries where we are
10 proposing new or substantially increased security assistance
11 in 1980 and 1981.

12 The Caribbean -- Our largest program in the Caribbean
13 has traditionally been in the Dominican Republic. In the
14 past, however, it has averaged only half of one million
15 dollars a year in FMS credits and a similar amount in IMET.
16 Yet the Dominican Republic has the fifth largest population
17 and the fifth largest military force among all Latin
18 American FMS recipients.

19 Its population and armed forces are almost the same
20 size as those of Bolivia, which is receiving four to six
21 million dollars a year in FMS credits. Moreover, it now has
22 a lengthening record of free elections, civilian government,
23 and respect for human rights. Its military equipment
24 suffered extensive damage from hurricanes last year. We are
25 considering \$3.8 million in FMS credits in FY-80 and are

1 requesting \$3 million in 1981.

2 We began a small IMET program in Barbados in 1979,
3 continued it in 1980, and propose a modest \$84,000 for 1981.
4 Training has so far been limited to the members of the
5 Barbados coast guard, but the government is interested in
6 expanding training to the Barbados Regiment.

7 In response to a request from Barbados, President
8 Carter determined the country to be FMS eligible last June,
9 and we are preparing to offer a \$1 million credit in FY 1980
10 to purchase a small patrol plane and other equipment for the
11 coast guard.

12 We are requesting authority of \$5 million FMS program
13 in 1981 to finance the purchase of communications and
14 navigational equipment for the coast guard and perhaps
15 transport and other equipment for the Barbados Regiment.
16 These expenditures will strengthen the security not of
17 Barbados alone, but of the entire eastern Caribbean area.

18 We are initiating very small -- \$10,000 -- IMET
19 programs in FY-1980 with three other eastern Caribbean
20 states, St. Lucia, St. Vincent and Dominica, and we will
21 propose to continue these at approximately the same level in
22 1981. All three countries have discussed cooperation with
23 Barbados and each other in coastal and maritime patrols, and
24 our training would be in this area.

25 We also propose to offer IMET training of up to \$25,000

1 each to Guyana and Jamaica. Their defense relationship has
2 until recently been largely with the United Kingdom. We
3 believe it is important to open the door to a cooperative
4 relationship with the United States in military training.,
5 We do not want the primary alternative to the U. K. to be
6 Cuba.

7 Central America -- In part, the assistance we are
8 reprogramming for Central America in 1980 and the
9 appropriation we seek for 1981 reflect improvements in the
10 Central American human rights situation.

11 We suspended assistance to Nicaragua in 1978. The
12 bitter and bloody civil war in that country has since ended.
13 A government with evident wide popular support has been
14 established, and the human rights situation, although stil
15 mixed, has improved greatly. A small amount of IMET
16 funding, \$7,000, was used by the new government in FY-1979,
17 and small FMS cash purchases have been made. We are
18 considering \$3 million in FMS credits and about \$250,000 in
19 IMET for Nicaragua in 1980.

20 In El Salvador, assistance was terminated at the
21 request of the military government in 1977 because of its
22 concern over our human rights reports. The overthrow of
23 that government by a civilian-military junta which was
24 clearly more representative, committed to democratic
25 governmetn, and determined to improve respect for human

1 rights, was followed by urgent requests for non-lethal
2 equipment for the armed forces and training in its use.

3 The junta has now been reconstituted with the
4 participation of the Christian Democratic Party. That
5 government has not yet completed its evaluation of its
6 security assistance requirements. In order to be in a
7 position to respond rapidly to possible requests, we have
8 tentatively allocated \$4.5 million in FMS credits and
9 \$350,000 in IMET for El Salvador in 1980.

10 In Honduras, preparations continue for national
11 elections in April, and there is every indication that
12 three, as in Peru, the military junta will peacefully turn
13 over power to an elected civilian president.

14 In response to the Honduran government's growing
15 concerns over its ability to defend its territory against
16 covert penetration and agitation, we are considering \$3
17 million in FMS credits and about \$350,000 in IMET in 1980.

18 In FY 1981 we are seeking \$5 million in FMS credits,
19 and \$500,000 in IMET training for each of these three
20 countries, and a similar amount to assist Panama in
21 preparing itself to participate in the joint defense of the
22 Canal. The emphasis in all four countries will be on
23 non-lethal equipment. Transportation and communications are
24 the priority needs: jeeps, heavy-duty support vehicles,
25 radios, helicopters, aircraft engines and spare parts,

1 transport aircraft, and coastal patrol boats.

2 In discussing individual countries, I have referred
3 several times to the International Military Education and
4 Training Program. In dollars it appears to be a small
5 program. However, in my opinion, IMET is the most important
6 security assistance program in Latin America.

7 As our role as a supplier of military hardware has
8 declined, IMET has become our most significant channel of
9 contact with the military in many countries. For many Latin
10 American military, IMET courses provide the only exposure
11 they will ever receive to American strategic concepts and
12 American values.

13 It is our only instrument to encourage the development
14 of professional military officers, proud of their technical
15 military skills and conscious of their nation's external
16 security requirements. Without strong professional training
17 too many become politically oriented officers, seeing their
18 role as governing, instead of defending their countries.

19 It is sometimes implied that an end to U.S. training
20 and contact with Latin American military officers would
21 somehow reduce the number of military governments in Latin
22 America. That proposition seems to me highly questionable.
23 Latin American officers are going to be trained, and many of
24 them in other countries, whether we offer training or not.
25 Those officers trained by our military, in our schools, are

1 given a strong professional orientation and are exposed to
2 our concept of the proper role of the military. I hope that
3 as you examine the budget requests, you will give particular
4 consideration to the value of these inexpensive but
5 valuable training programs.

6 There is one issue related to IMET that I would like to
7 bring to the committee's attention. We are, of course,
8 always interested in encouraging aid recipients to move from
9 grant aid to self-financed purchases of needed training.
10 Several Latin American countries are now reaching a stage
11 where they can afford to purchase some or even all of their
12 military training. We would like them to continue to see
13 their external training requirements from the United States,
14 to maintain the close relationship among the hemisphere's
15 military forces which contributes to our mutual security.

16 But the Latin American countries are well aware of the
17 fact -- and have repeatedly drawn our attention to it -- that
18 training in U.S. military schools purchased through FMS cash
19 sales is extremely expensive. It is noticeably more
20 expensive than the same training provided through the grant
21 IMET Program.

22 For example, to put an army officer through the Command
23 and General Staff course at the School of the Americas in
24 Panama costs a country \$3,318, when that sum is charged
25 against his country's IMET allocation, which is a grant from

1 the U.S. If Venezuela or any of the other eligible Latin
2 American countries should seek to pay cash for that same
3 course, they would be charged \$38,598, or eleven times as
4 much.

5 The jet engine mechanic's course at the Panama schools
6 costs only \$199 charged to IMET. If purchased under FMS, it
7 would cost \$2,940.

8 Of course, one reason why the charge for IMET courses
9 conducted in Panama is less than that for the same courses
10 conducted in the United States under FMS, is that the fixed
11 costs of the Panama schools are a separate line item, not
12 charged to individual countries. But the schools are not
13 filled to capacity.

14 With no addition to fixed costs, additional personnel
15 could be trained under FMS cash if the charges were set at a
16 more reasonable level. I invite your attention to this
17 problem because it would be desirable to make U.S. military
18 training more competitive and more attractive to countries
19 that can pay for it with their own funds.

20 I might add that this comparison of costs which I have
21 just made also illustrates the immense importance and value
22 of our U.S. military schools in Panama. We would have to
23 appropriate substantially larger amounts of IMET if all of
24 our Latin American training programs had to be conducted in
25 the United States.

1 The Panama Canal Treaties provide for the continued
2 operation of the Schools of the Americas until 1984. We will
3 need to plan carefully and to consult closely with you about
4 their future after that time.

5 In sum, the programs we are proposing in both economic
6 and security assistance are modest. They are designed to
7 respond with limited resources to the changing situation in
8 Latin America. They will contribute significantly to
9 improving the lot of the poor. They are useful instruments
10 in support of U.S. policy objectives. In Central America
11 our programs are of potentially great importance given the
12 tremendous changes taking place there.

13 I hope you will be able to support these lean program
14 proposals fully.

15 Thank you, Mr. Chairman.

16 Mr. Yatron: Thank you for a very thorough and
17 comprehensive statement, Secretary Bushnell.

18 Secretary Kramer, if you would like to proceed with
19 your statement, sir.

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1 STATEMENT OF FRANKLIN D. KRAMER
2 PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE
3 INTERNATIONAL SECURITY AFFAIRS

4 Mr. Kramer: Thank you, Mr. Chairman.

5 Mr. Chairman, I am pleased to have the opportunity to
6 appear before this committee to provide an overview of the
7 United States policy on security assistance in Latin America
8 and the Caribbean, and to discuss our strategic interests in
9 the area.

10 Mr. Bushnell has described in some detail the
11 Administration's proposed FY-1981 Security Assistance
12 Programs for Latin America and the Caribbean. I propose,
13 therefore, to focus my remarks more on the defense and
14 security interests of the area, as specifically requested by
15 the committee.

16 Before turning to our defense and security interests,
17 however, I would like to note that the Administration's
18 proposed FY-1981 security assistance program represents an
19 increase over last year's program. After more than a decade
20 of decline in the levels of U.S. security assistance in the
21 region, the President has directed that increased amounts of
22 assistance be provided in FY-1981.

23 The major focus of our increased assistance is on new
24 programs for the Eastern Caribbean and Central America,
25 where our efforts could be especially important in view of

1 the economic problems and the existing and potential
2 instability in the area. This proposed increased in
3 security assistance will help these nations to meet their
4 security needs. It will also complement our other efforts
5 to reduce outside influence in the region.

6 I believe it is worth emphasizing that the fundamental
7 security problems of Latin America arise from deep economic
8 and social grievances. Those countries which successfully
9 have dealt or are dealing with these problems are vigorous
10 growing nations whose security is relatively assured.
11 Brazil and Mexico are good examples here.

12 By contrast, those countries which have not been able
13 to deal with such problems find themselves subject to
14 extreme instability. We have already seen the way in which
15 deep economic and social grievances contributed to the
16 overthrow of the Somoza regime in Nicaragua, and the Gairy
17 government in Grenada, and to the continued instability in
18 El Salvador.

19 When such situations occur, we then find ourselves
20 engaged in a security context because of the opportunities
21 such instability presents for the extension of Soviet and
22 Cuban influence.

23 It is specifically because internal tensions present
24 opportunities for outside interference that we are concerned
25 about Cuba and its close ties to the Soviet Union. The

1 Soviets support the Cuban economy at a rate of \$8 million a
2 day, or almost \$3 billion a year. Soviet efforts have made
3 the Cuban armed forces among the most sophisticated in Latin
4 America. These efforts have helped Cuba play a larger role
5 in the region than a small country with a failing economy
6 ~~would~~ ^{would} normally ^{be} able to play.

7 Obviously, the Soviets view Cuba and its Cuban policy
8 as the best way to extend their hand into this region. The
9 Cubans on their part have not been loathe to involve
10 themselves in hemispheric affairs, and we expect that
11 Castro, with support from the Soviet Union, may seek to
12 exploit further the instability of the Caribbean and Central
13 America. We have evidence from reporting by another agency
14 which tends to support this.

15 Fidel Castro has made personal contact with the
16 leadership of communist parties and guerrilla groups of
17 certain countries. Cuban influence with Central American
18 leftist organizations is continuing and we have evidence of
19 Cuban efforts to orchestrate communist movements in Central
20 America. There are also indications that the Cubans
21 currently appear to be involved in the situation in El
22 Salvador.

23 Likewise, the Soviets also have sought directly to
24 expand their influence in the region. They are steadily
25 increasing their initiatives in this area. Following the

1 Soviet arming of Peru, there has been a growing flirtation
2 between Latin American nations and the Soviet Union, and a
3 trend toward acceptance of Soviet military aid.

4 Colombia has purchased Soviet vehicles. Soviet
5 aircraft have been offered to Mexico, and Argentina has
6 shown interest in purchasing Soviet equipment. Other
7 nations may follow suit, if only because Soviet equipment is
8 readily offered and available -- and the payment terms are
9 extremely favorable, as seen in Peru. A commitment to
10 purchase Soviet equipment carries with it, of course, the
11 implicit consent for the presence of Soviet "advisors and
12 technicians."

13 Are the Soviet efforts significant? I think the answer
14 is, "Not yet, but they could be."

15 The South Atlantic lines of communication carried 60 to
16 65 percent of European oil imports and 30 to 35 percent of
17 U.S. oil. These lines are of great strategic importance to
18 the United States. Likewise, the lines of communication
19 from Gulf ports to Europe are critically important.

20 The Cuban build-up could be carried to a point where it
21 could require diversion of significant units in a NATO war
22 to neutralize the threat to the sea lines of communication.
23 The Soviet threat in the South Atlantic, however, would be
24 significantly decreased if we had the assistance of
25 cooperative and capable Latin American navies.

1 In the past, we have had support from our Latin
2 American neighbors. We would hope to ^{have} ~~have~~ it in the future.
3 But we should not take these countries for granted. Latin
4 American nations today are [#]making their own judgments about
5 where their interests lie. They generally are pleased to
6 cooperate with the United States as equal partners, but they
7 look to us to be sensitive to their desires, however.

8 Our Security Assistance Program -- FMS and IMET -- is a
9 most effective way to maintain vitally important bridges of
10 influence with all nations of Latin America and the Caribbean
11 by providing the materiel and training they seek.

12 The IMET program enables us to maintain contact and
13 influence with junior officers who will be the future
14 leaders of Latin America. The importance of the IMET
15 program has been amply and repeatedly reinforced and
16 documented by our ambassadors in Latin America as an
17 essential means of maintaining contact and influence with
18 the military.

19 For myself, Mr. Chairman, I would just like to say that
20 dollar for dollar, it is our most important security
21 assistance program without any question.

22 FMS credits, the other significant element of our
23 Security Assistance Program in Latin America, are equally
24 important in achieving our objectives, especially with the
25 important place the military holds in many Latin American

1 governments.

2 United States equipment and especially support are
3 universally valued commodities. Their provision is of
4 important diplomatic value. As the committee is well aware,
5 FMS credits are not a give-away. The entire amount is
6 repayable at current commercial interest rates plus
7 administrative charges.

8 In short, a policy of increased Security Assistance
9 Programs will have an important payoff. But, as I stated
10 earlier, and as I think Mr. Bushnell has said, unless these
11 initiatives are complemented by other actions, such as
12 expanded economic support funds, agricultural assistance,
13 and the like, our efforts are going to be unavailing.

14 Expanding Security Assistance Programs and
15 demonstrating U.S. concern by naval port visits are
16 historically very useful and effective tactics, but by
17 themselves they do not make a lasting impression likely to
18 be achieved by such undertakings as the provision of food or
19 production modernization.

20 Our interests in and awareness of the Caribbean, as
21 well as Latin America as a whole, should include programs
22 aimed at basic human needs and well being to complement the
23 increased military visibility.

24 This concludes my prepared remarks, Mr. Chairman. I
25 will be pleased to respond to any questions.

1 Mr. Yatron: Secretary Kramer, we thank you for your
2 very precise summation.

3 Gentlemen, I would invite answers from either one of
4 you, if you care to respond, although I will be addressing
5 questions to you individually.

6 Secretary Bushnell, Secretary Vance called the IMET
7 Program "of major importance," although his austerity budget
8 kept it down to \$32.5 million.

9 In your testimony you stated, as did Secretary Kramer,
10 that IMET is our most important Security Assistance
11 Program in Latin America. I want to say that I agree with
12 you. Would you comment on why we do not increase the amount
13 of IMET, and reduce a less significant budget item?

14 Mr. Bushnell: Mr. Chairman, it is always very hard to
15 make tradeoffs in the budget process among various items.
16 In the case of FMS credits, of course, because of the
17 differences in appropriations, one would have to reduce the
18 FMS credit program a good deal in order to apply more money
19 to the IMET program.

20 In the budgetary process, it is very difficult to trade
21 off between IMET, for example, and ESF, or economic
22 assistance, or military maneuvers, or whatever one might
23 come from.

24 I would not want to disguise the fact that as a person
25 who spends full time working on Latin America, I think that

1 there would be a very major pay-off from additional
2 expenditures from IMET. We do have a tightly restrained
3 budget, and it is hard to increase any program.

4 I would also call attention to what I said that the
5 main purpose of IMET, which is to train people
6 professionally and to have them in contact with our own
7 schools and our own forces, we could do more of at the
8 expense of the Latin American countries themselves, if we
9 could work out the problem of pricing our training such that
10 it was not prohibitively expensive.

11 So there are two ways, in fact, that we could expand
12 this training program. The first, which has by far the
13 least budgetary implications, is to work out programs for
14 revised pricing such that we can fill the schools in Panama,
15 and so that we can bring students from Latin America, who
16 are willing to pay their own way and pay a substantial
17 tuition, to the United States at less exorbitant rates.
18 That would give us opportunities to train substantial
19 additional numbers, without increasing the IMET Program.

20 Beyond that, there are certainly needs in a number of
21 countries, which are poor and could not pay for their
22 training even if more reasonably priced, that would benefit
23 from increased IMET.

24 I would say that we have already determined in the 1982
25 budgetary process, as we start looking at this within the

1 Executive Branch, to look very hard at some of these
2 trade-offs that you have mentioned.

3 Mr. Yatron: Would you care to comment, Secretary
4 Kramer?

5 Mr. Kramer: Yes, sir.

6 I would just say, in general, that these are really
7 insignificant items here. This is a very small fraction of
8 the total security assistance ^{program}. I believe that it is less
9 than two percent. ~~I don't have the exact figure in my head.~~
10 What John has said is right, just as you make a budget, you
11 have to make a trade-off somewhere.

12 On the pricing question, that is one that, as you are
13 probably quite aware, we have gone around the bush on for
14 several years, both internally and with the Congress. It is
15 something that we jointly might be able to do something
16 about. I don't think that unless we want to do it, and
17 unless you want to do it, that anything can be done about
18 it.

19 Mr. Yatron: I think that you will certainly have
20 cooperation in that area.

21 Secretary Bushnell, on page 6 you state, "other
22 countries will provide training." What other countries
23 offer training besides the United States?

24 Mr. Bushnell: I have to find precisely in what context
25 I was talking about training.

1 Mr. Yatron: It is armed forces training on page 6.

2 Mr. Bushnell: At the end of the testimony, I did say
3 that the military of Latin America will be trained, whether
4 we train them or not, and some of them abroad. There are
5 major programs. A large number of scholarships are given by
6 our European allies, the French, the Italians, the U.K.

7 One of the major training programs is within Latin
8 America itself. It is in Argentina, and it trains officers
9 from almost all other Latin American countries that go to
10 their schools. There are a good many other training
11 programs are set up.

12 You may recall one of the scandals that we had last
13 year under the government of Gairy and Grenada was the fact
14 that they sent their students to Chile for training. The
15 Argentine armed forces have provided major assistance in
16 training, for example, to El Salvador.

17 So there are a good many other programs. Most of these
18 programs are on a grant basis, although in some cases they
19 charge. But I think, as far as our information is
20 concerned, in no case do they charge at the same sorts of
21 rates that we charge for the training.

22 Mr. Yatron: Would you cite your findings in relation
23 to the validity of where two military groups were involved
24 in the attempted coup last November?

25 Mr. Bushnell: Mr. Chairman, we are doing a little bit

1 more analysis, but our preliminary conclusion is, as we
2 examined some of the leaders on each side and where they had
3 been trained, the top leadership which had taken over the
4 government and thrown out the civilians was trained largely
5 in Argentina. The group in military positions which
6 generally opposed this tended to be trained in the United
7 States with the IMET.

8 Mr. Yatron: Several times throughout your testimony
9 you note the lean content of the Latin American program.
10 Why are the overall levels so low, when this area is often
11 referred to as an area of vital interest?

12 Mr. Bushnell: I think, Mr. Chairman, as I have pointed
13 out, Latin America does not contain the poorest countries in
14 the world. The basic assistance program dictated by the
15 Congress in cooperation with this Administration has been to
16 increase and to concentrate our bilateral assistance very
17 heavily on the poorest countries in the world.

18 By definition, concentrating on the poorest countries
19 means we don't have this assistance in Latin America. As I
20 point out, for most of Latin America, measured by population
21 and size of economy, and so forth, we really have no
22 bilateral program. As middle income countries, they have
23 graduated, if one wants to use that term, from bilateral
24 aid. They receive large amounts of money through our
25 private banks, and so forth.

1 There is some resentment in Latin America that we are
2 not more helpful with the problems of these countries,
3 although most of them by the time they reach this level of
4 development and maturity do not want the traditional sort of
5 aid relationship.

6 The Colombians, for example, decided a few years ago
7 that they had reached the stage where they would just as
8 soon not have a bilateral aid program from the United
9 States, with people who, in their view, tended to tell them
10 how to run certain aspects of their internal affairs. So
11 they have been graduated. In the next several months, our
12 final disbursements will be made to the Colombian program,
13 and that Mission will be closed out.

14 I think what is lacking here is something that many of
15 us have wrestled with, and I know your own committee has had
16 hearings, and it is how do we develop a more mature, a new
17 relationship with middle income countries, such as the
18 Brazils and the Colombias, where there are important aspects
19 from our society, particularly in science and technology,
20 which we can contribute to their development with
21 considerable mutual benefit.

22 We have begun doing this with our science and
23 technology agreement that we are reaching with these
24 countries. These are mutual agreements. For example, with
25 Brazil, they are helping us on gasohol, an area where they

1 are advanced, and we are extending to them assistance, for
2 example, on coal, an area where we are, of course, far ahead
3 of them.

4 This sort of mutual arrangement, with each side paying
5 its own way, can be quite beneficial. We have these
6 agreements now with the majority of the larger Latin
7 American countries, and we expect to expand them.

8 We do find that there are awkward areas at the margin,
9 where it would be useful for there to be some funding for
10 these programs, which is not available.

11 I think this whole area of how we cooperate with these
12 countries which are not yet as rich as our European or
13 Japanese allies, are not in an OECD type of mode -- how we
14 develop the relationships with these countries needs a good
15 deal more work on all our parts. They clearly should not
16 just stand in limbo, too rich for aid, and not sufficiently
17 rich to enter into an OECD type of relationship.

18 Mr. Yatron: How do we answer our friends that we give
19 them less than countries such as Jamaica and Guyana who are
20 less friendly?

21 Mr. Bushnell: I don't know which friends you have in
22 mind, or exactly how one measures friendship these days, or
23 all these other complex issues.

24 There has been a feeling in some parts of the
25 Caribbean, and this came to the fore in the Caribbean

1 Development Group meeting a year ago, that those countries
2 which had not run their economies very well, and had not
3 maximized investment, and had squeezed out some of their
4 own private and forward investors, and therefore had
5 economic problems, tended to get more aid than those
6 countries which had run their economies well, and had
7 invited foreign investors, and had built up their
8 employment, and expanded their exports.

9 For example, the comparison was made by some between
10 Barbados -- a country which has managed its affairs very
11 well, has expanded its tourism and its industry. It has
12 developed manufactured exports. It has run a balanced
13 budget largely. It has raised money through taxation and
14 investment. It has expanded its social services. -- and
15 Jamaica, which through all of its efforts, has seen
16 confidence wane, and gross national product go down year by
17 year. We do tend to give more assistance to Jamaica than we
18 have given to Barbados.

19 We have moved to a considerable extent to remedy that.
20 We are providing, for example, this year, and planning next
21 year, through the Caribbean Development Facility, to provide
22 funding for Barbados. On a per capita basis, I suspect that
23 this would be not much different from what is provided to
24 Jamaica.

25 This is always a dilemma, and this is one that we have

1 in our own country in terms of assistance through welfare
2 for the poor people versus other people.

3 The need in a country like Jamaica is very great.
4 Their problems are very great. We tend to respond to that
5 need. In a country where everything is being run well, they
6 get the money from the private side, from private
7 investment, and the need for governmental assistance is
8 less.

9 So it is a hard issue to balance, and it is a hard
10 issue to explain in some cases. I always find that in
11 trying to explain this, the bottom line is, would the people
12 in whatever country is complaining really want to change
13 places in the country that is getting more aid, and the
14 answer has always been no.

15 Mr. Yatron: Secretary Kramer, on page 4 you state, and
16 I quote: "If we had the assistance of cooperative and
17 capable Latin American navies," the Soviet threat in the
18 South Atlantic would be significantly decreased.

19 How do we expect to get the cooperation of those
20 navies, if we continue our present course of arms restraint
21 and barebones, minimum programs?

22 Mr. Kramer: I think that it is a nice question.
23 (Laughter.)

24 Mr. Kramer: Let me put it this way. A good example of,
25 where we would like to improve cooperation, ~~for example,~~ is

1 Brazil. We have, indeed, come back from a rather difficult
2 situation of three years ago to a position where we have
3 much better relations.

4 We had planned in December to have a high level
5 military team go down there, headed by the Director of the
6 Joint Staff, and with a deputy assistant secretary from ISA.

7 That got held up because of the ^{Iranian and Afghenistanian} ~~intervention in~~ ^{situation,}
8 ~~Afghanistan~~, but it is indicative of the fact that relations
9 are back on a pretty good track with Brazil, although of
10 course there is a lot to do in the future with us, and on
11 their side, too. I think they are quite willing to improve
12 relations, if we are willing to meet them half-way.

13 I think that the Administration will be ^{able} and is willing,
14 to respond to reasonable requests for arms from countries
15 like Brazil. We had a particular problem, as you may
16 recall, over the human rights report. That has ^{apparently} been solved,
17 and we will be able, I think, to improve cooperation.

18 This is just an example, but I think that it can be
19 done throughout the South American continent.

20 Mr. Yatron: Also, on page 5 you refer to FMS credits.
21 What current commercial rate are we charging, plus
22 administrative costs, for FMS credits?

23 Mr. Kramer: I know that it is around 11 percent, but I
24 don't know the exact rate. We can get that for you. The
25 administrative charge is three percent.

1 Mr. Yatron: It is three percent for the administrative
2 charge?

3 Mr. Kramer: Yes.

4 Mr. Yatron: Would you provide the other information
5 for the record?

6 Mr. Kramer: Yes.

7 Mr. Yatron: Isn't it necessary to become more
8 competitive with other suppliers by reducing our rates, or
9 our terms?

10 Mr. Kramer: It is something that we have thought about
11 over the years as perhaps one way to make our program more
12 responsive to the needs of these countries, to reduce
13 interest rates.

14 In some areas of the world, as you know, we have
15 somewhat altered repayment terms and grace periods, which
16 are authorized under the statute. I believe it is the case
17 that the statute effectively ^{requires} this rate to be charged. So I
18 think that we would have to have a statutory change.

19 Mr. Yatron: But you are giving it consideration?

20 Mr. Kramer: Yes, we are still giving it consideration.

21 Mr. Bushnell: May I add one point to that, Mr.
22 Chairman?

23 Mr. Yatron: Sure.

24 Mr. Bushnell: I think that in addition to looking at
25 these rates, which are fairly high, although may be

1 manageable for some of the more developed countries, we
2 really do have a problem where there are security needs in
3 countries that are very poor, and that can really not afford
4 these terms. With the discontinuing and the phasing out of
5 our grant assistance, we are really in a position of finding
6 it almost impossible to respond to their needs.

7 This has been particularly frustrating to me in the
8 case of these small islands in the eastern Caribbean, where
9 we have islands where their total security may be a number
10 of policemen smaller than the number of people in this room.
11 That is their total security force for one of these small
12 islands.

13 Their budgets are very strained. Their per capita
14 income is very low. They are not even able to buy side-arms
15 or rifles for their small security force like those of us in
16 this room. The FMS credit terms that we have really are not
17 much of a response to that problem.

18 Fortunately, the British are responding to that
19 problem, and giving them police training and so forth. But,
20 as some people have pointed out to me, it is rather ironic
21 that these countries, which are after all in our backyard, we
22 are not able to respond to this problem.

23 It is sort of like the fellow who has a wolf in his
24 backyard, and cannot do anything about it, but calls on his
25 neighbor to come and do something about it. That is fine as

1 long as the neighbor does.

2 Mr. Yatron: In the eastern Caribbean, in your opinion,
3 with our assistance, and with their own efforts, can they
4 adequately meet their defense needs?

5 Mr. Bushnell: We do not have an adequate plan at this
6 time. The British are expanding their training for the
7 police forces. There are movements toward setting up a
8 regional coast guard. But, when you think about a regional
9 coast guard, it means that the island is going to have to
10 have some kind of boat, and they are expensive to buy and
11 expensive to run.

12 It would be useful to us. It would cut down on drug
13 trafficking. It would give them security against a small
14 force. These are democratic countries, and their
15 willingness to vote the money for major security expenses
16 under a democratic regime is rather limited. I don't think
17 that we have yet found an adequate solution for this
18 problem.

19 Mr. Yatron: On page 13, Secretary Bushnell, you state
20 that three Caribbean countries are discussing cooperation in
21 coastal maritime patrols.

22 Are you anticipated an integrated regional coast guard,
23 or separate forces with close cooperation between the
24 countries in the Caribbean?

25 Mr. Bushnell: The way that this evolved would, of

1 course, be up to the countries concerned. There have been
2 discussions among them of having a regional coast guard,
3 which I suppose would mean one facility with mixed crews on
4 the ship. That is one way to go.

5 There are other plans in which they would have a
6 regional coast guard in the sense of having very close
7 communication and joint exercises, and working together very
8 closely, joint training and perhaps joint maintenance, but
9 each maintaining title to their own ships.

10 Just how this works out, I think is an issue that we
11 don't have any particular interest in one way or the other.
12 Whichever way that they find it more convenient to work it
13 out, so that it works smoothly, seems fine. Our interest is
14 in seeing such an operation get underway, that the people
15 get trained and get in place, in order to improve the
16 security in that part of the world.

17 Mr. Yatron: Congressman Lagomarsino?

18 Mr. Lagomarsino: Thank you, Mr. Chairman.

19 I apologize for being late. I had another subcommittee
20 meeting to attend, so I did not hear the testimony, but I
21 have had a chance to look at some of it.

22 Mr. Bushnell, on page 2, you state that our friends in
23 Latin America look to the U.S. for help, "For them, the test
24 of our interest is our willingness to help with their most
25 pressing problems -- economic development and security."

1 I detect a slight change, at least in emphasis, from
2 prior years testimony. I don't recall that security was
3 considered such a real pressing problem as you say it is
4 now. First of all, is my recollection incorrect, correct,
5 or what?

6 Mr. Bushnell: I think that it is correct. We have
7 emphasized security more this year. One fact reflects that.
8 There is a 65 percent increase in request for appropriation
9 in the security field, and the introduction of more DSF than
10 in our regular budget last year.

11 As I have said before to this committee, for many years
12 Cuba directed its activities and its concern in far reaches,
13 to Africa, and so forth, and security was not much of a
14 concern in the Latin American area.

15 I think that the events of 1979 have profoundly shaken
16 a great many countries, and increased their worries about
17 their own security, and increased our worries about their
18 security by several fold, particularly in the Caribbean and
19 Central America.

20 The events in Grenada, the events in Nicaragua, in
21 Salvador have shown the security threat. We did face the
22 situation, after all, in 1979 where planes that took off
23 directly from Cuba, flew to Costa Rica, unloaded arms which
24 were immediately taken into Nicaragua for combat. We had
25 not seen that sort of situation before.

1 Mr. Lagomarsino: Which causes me to interrupt you
2 right now and say, what I would understand is that Cuba is
3 the problem, and Cuba is supplying arms to the guerrillas in
4 El Salvador, and the rumor that some of these arms have gone
5 through to Nicaragua.

6 Why are we proposing to assist Nicaragua to build up
7 its defenses and its arms, to make it easier for it to
8 encourage that kind of Cuban operation? I fail to see how
9 that helps the security of El Salvador, Guatemala and
10 Honduras?

11 Mr. Bushnell: Mr. Congressman, we don't have any
12 evidence that suggests that arms that are going from Cuba to
13 El Salvador are going through Nicaragua. We have very firm
14 assurances from the Nicaraguan government that they do not
15 wish, and will not intervene in the situation in El
16 Salvador. It does not mean that some individuals from
17 Nicaragua might not go there. That is happening in a number
18 of countries.

19 It seems to me that although we obviously we have come
20 to a more troubled period, because the government that has
21 taken over in Nicaragua did receive, and is receiving
22 assistance from Cuba. At the same time, it certainly is in
23 our interest not to try to defend the borders of Nicaragua
24 and wipe this off, and try to build up defenses against it,
25 which would require resources far above what we are

1 proposing in this budget. But, rather, to try to work with
2 the government of Nicaragua, which is a pluralistic
3 government, which although it has some dedicated Marxists on
4 it, it has a great many other people.

5 Mr. Lagomarsino: You are talking about the junta?

6 Mr. Bushnell: I am talking about the whole government
7 structure.

8 Mr. Lagomarsino: You are not talking about the
9 Santanista National Directors. Maybe you are, and if you
10 are, I think that you are mistaken.

11 Mr. Bushnell: The proportion of Marxists in the
12 Santanista Directorate is certainly greater than in the
13 junta, and that is greater than in the cabinet.

14 Mr. Lagomarsino: Santanista Directorate runs the whole
15 thing.

16 Mr. Bushnell: The directorate runs many things. On
17 the other hand, we have seen a good many signs from this
18 government of cooperation, of allowing the private sector,
19 the church, and other groups to operate.

20 So I don't think that the situation in Nicaragua is
21 hopeless, and certainly the best, and perhaps the only
22 chance for security in Central America is to have a
23 government in Nicaragua developed that is not set on
24 destabilizing its neighbors.

25 Mr. Lagomarsino: What are we doing to help Guatemala

1 with its security problems?

2 Mr. Bushnell: In Guatemala, we have a fundamental
3 problem. That is, the human rights situation in Guatemala
4 continues to be difficult. Although we have authorized some
5 munitions lists and other licenses for Guatemala, we have
6 basically found that the human rights situation is a block
7 to our providing security assistance to Guatemala, either
8 FMS or U.S. export.

9 It does not mean that they do not receive armament from
10 other sources. We would hope that there would be
11 substantial improvement in this human rights situation, in
12 order to permit us to have a closer relationship with them.

13 You will recall, however, Mr. Lagomarsino, that last
14 year, when I came up, I felt that because there had been
15 improvements in the Guatemalan situation in 1978 that we
16 should try to reinstate the IMET program, and that was
17 clearly not the impression of the Congress or of your
18 committee.

19 Mr. Lagomarsino: It was my impression, and apparently
20 it was yours also.

21 What was your impression as to the human rights
22 situation in Guatemala this year compared to last year?

23 Mr. Bushnell: I am sorry to say that I cannot really
24 find that 1979 was as good as I had said. 1978 was a year
25 of improvement over earlier years, but 1979 was not a year

1 of continued improvement on balance. There were very
2 disturbing factors. We have in our Human Rights Report,
3 which you can look at, that where 1979 continued to be a
4 much better year than the terribly violent situation in the
5 early '70s, and it did not slip back a great deal. There
6 was not really continued forward movement there.

7 There were at least two assassinations of high level
8 politicians of the opposition, well respected figures, one a
9 labor leader. The attacks on the labor sector were
10 particularly vigorous. Quite a number of labor activists
11 were killed, or driven into exile. So I think, if anything,
12 there was some, I would not say major, but some
13 deterioration of the situation in 1979, at least in the
14 first half of the year.

15 The second half of the year began to look better. It
16 is hard to tell over what time period one should look at
17 these things. In fact, I was reasonably encouraged over the
18 last few months, particularly as we heard that the
19 Guatemalans were inviting the Inter-American Human Rights
20 Commission to go to Guatemala on a formal visit. But the
21 events surrounding the situation of the Spanish Embassy in
22 the last week were again dramatic.

23 Mr. Lagomarsino: That was long after you prepared your
24 recommendations.

25 Mr. Bushnell: Yes. Of course, our budget was put

1 together at the middle of the year, and tended to reflect the
2 deterioration of the first half of 1979.

3 Mr. Lagomarsino: You state that 25 of the countries of
4 the region voted for the resolution condemning the Soviet
5 forces in Afghanistan. Can you tell us which countries did not
6 vote for this resolution?

7 Mr. Bushnell: Yes, sir. Cuba voted against, and
8 Nicaragua abstained. There may have been some country that was
9 not present. Grenada also voted against.

10 Mr. Lagomarsino: My question was, are any of these
11 countries receiving U.S. aid, and the answer is yes. Is
12 Grenada receiving U.S. aid?

13 Mr. Bushnell: Grenada does not get any bilateral aid from
14 us. However, in some of the programs that we contribute to
15 through the Caribbean Development Bank there may be some
16 assistance extended or, of course, through the other
17 multilateral institutions, such as the World Bank or the IDB.
18 As far as direct bilateral aid, there is, at least, no new
19 commitment.

20 Mr. Lagomarsino: I guess the same answer would be true
21 for Cuba. They receive some assistance through multilateral
22 institutions?

23 Mr. Bushnell: I believe through the World Food Program,
24 and certain programs like that. They, of course, are not
25 members of the major institutions, such as the Inter-American

1 Development Bank, or the World Bank. So they do not receive
2 assistance through them. It would be through the U.N.
3 associated institutions.

4 Mr. Lagomarsino: You state on page 3 that given the
5 magnitude and importance of our interests in the region -- I
6 would certainly agree with that -- the programs that are being
7 proposed are modest. Every year, at least since I have been
8 serving on the subcommittee, that has been exactly what whoever
9 comes here says.

10 The obvious question is, if they are so important, why are
11 we not doing more?

12 Mr. Bushnell: We are doing a little more this year than
13 last year. I guess the issue is, at a time of budget
14 austerity, our economic program is increasing by about 17
15 percent, and our military program by 65 percent. Given the
16 budget austerity, those are substantial increases.

17 Mr. Lagomarsino: The thing that concerns me about it is
18 that we are spending a lot of money, hundreds of millions of
19 dollars in security assistance half-way around the world to
20 fight communist expansion. Yet, it seems that we are not doing
21 very much to stop Cuban Russian supported expansion right in
22 our backyard.

23 Maybe we ought to take another look at it, even as we go
24 through this. I realize, as you said a moment, that those
25 programs were prepared half-way through last year, and the

1 situation, if it has not changed, and I don't think that it has
2 changed very much, there is a new emphasis and a new awareness
3 of the Cuban activities in the region.

4 Mr. Kramer: If I may say something, Mr. Lagomarsino.

5 I emphasized the Cuban involvement in my own statement. I
6 think we agree on the problem we face.

7 I also think that it is important to tailor your programs
8 to the problem. Sometimes, if you will, throwing more FMS at
9 it is not going to get you anywhere. We will be perfectly
10 happy to work with you in examining it, but I think that is an
11 important thing to keep in mind.

12 There are countries around the world that face a larger
13 outside threat than the countries in this region. The threat
14 here is largely internal. It is sometimes subversion and
15 sometimes closer to civil war. In that case, certainly,
16 assistance in the traditional sense is not a particularly good
17 technique. It might need other kinds of techniques, such as
18 police training and things like that, which we do not do too
19 much of, and the committee might want to look at that.

20 Mr. Lagomarsino: I think that is something, Mr. Chairman,
21 that we might well look at. As our understand it, our law
22 prohibits police training, and police training may be exactly
23 what is needed in some of these countries, more than military
24 training.

25 Mr. Kramer: I think that it is very important to look at

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"our" read "I"

1 that.

2 Mr. Lagomarsino: Most people seem to agree that the
3 problems in Guatemala was a lack of police training.

4 Mr. Kramer: Also, we should look at who provides the aid.
5 The Defense Department is very good at providing military aid,
6 but is not particularly in the business of training police.
7 But I think the overall problem needs to be looked at.

8 Mr. Bushnell: Let me second that because I think that
9 there tends to be a misconception that on the one hand we see
10 Cuba being armed with MIG-23s, with submarines, and the
11 wherewithal of modern warfare, to some extent, as the Russians
12 upgrade their armed forces. But thus far, at least, nor do we
13 have any reason to think that the Cubans are going to take
14 division or regimental size strength and insert these people
15 into other countries. That is not the nature of the primary
16 threat. Against that threat, the President has made very clear
17 that there would be a U.S. response, and we have a great many
18 resources.

19 The problem is that the Cubans are particularly well adept
20 at helping those frustrated groups in a country which are
21 dedicated to overthrowing the establishment. They have the
22 training schools in Cuba. They have the dedicated cadre that
23 go in and help. They are good at providing the small arms and
24 the rockets, but not the expensive military things that are
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22 training schools in Cuba. They have the dedicated cadre that
23 go in and help. They are good at providing the small arms and
24 the rockets, but not the expensive military things that are
25 needed.

1 These terrorist and leftist groups do not have arsenals of
2 military equipment. They use things that are largely bought
3 from hunting shops.

4 Mr. Lagomarsino: Many of which, as a matter of fact, in
5 Nicaragua.

6 Mr. Bushnell: That is right, and they came from the
7 United States.

8 Against this sort of a threat, the normal sort of military
9 operation is really appropriate and, in fact, has I think led
10 to human rights violations in a number of cases, where the
11 military, not having been training in how to be selective, how
12 to capture, or how to defuse crowds, have been thrown as the
13 counterfoil against this sort of extremist/terrorist sort of
14 violence.

15 So the response does not seem to me to be principally
16 through FMS and the sort of military training that one is
17 thinking about. That raises the question, which I think is a
18 very fundamental one, which I spend a lot of time thinking
19 about, and I think that we all have to spend a lot of time
20 thinking about it because it is a very hard question -- We
21 would prefer not to play by the Cuban rules. After all, the
22 Cuban rules are that you engage in terrorist acts; you promote
23 matters; you execute government and military officials.

24 These are the sorts of things that the U.S. government
25 does not wish to get into the business. But in this sort of a

1 dirty war, how do we help our friends, and those who want to
2 counter it, while maintaining human rights, when the rules of
3 the game, at least the rules the other side is playing by do
4 not respect human rights. This gets us into some very real
5 tumbles.

6 I think that this is the problem we have in terms of
7 assistance to the police force. The main reason the Congress
8 limited this sort of program, at least in Latin America, was
9 that these forces we had participated in training for many
10 years are engaged in serious human rights violations.

11 I don't suppose that there is any way that you can train
12 people who are going to go into that sort of a dirty war, and
13 never have there be a human rights violation. So there are
14 some real dilemmas and some real basic problems for us, as we
15 face this sort of threat, and our friends in Latin America face
16 the sort of threat they now face. It is one for which we have
17 not come up with a fully adequate answer.

18 Mr. Lagomarsino: The other day, Secretary Vance
19 indicated, at least I think I am paraphrasing him correctly,
20 that he thought that there should be, perhaps, more IMET
21 training in South and Central America, including some of the
22 countries that now help provide training, too. Do you have an
23 opinion on that?

24 I realize that the Congress has passed legislation
25 prohibiting this kind of training. Do you think that we ought

1 to take a look at altering that, and giving more discretion to
2 the President?

3 Mr. Bushnell: In some way, yes, I think that it would be
4 useful to give the President more discretion. One of the
5 problems is that the legislative lag-times are very long. We
6 only come up before you once a year. We prepare budgets well
7 in advance. Therefore, we have seen some rather quick turns in
8 human rights situations in Latin American, and I would
9 certainly favor more flexibility to the President so that he
10 could respond to those changes where it was necessary.

11 There is a dilemma, given the budgetary stingency, where
12 we have been very quick to cut out programs such as IMET in
13 quite a number of countries on human rights grounds. When
14 those countries then improve, we find that given the
15 constraints of the budget, it is rather hard to go back with an
16 IMET program because of the budgetary considerations.

17 As someone put it to me, we have a human rights street
18 that is only one way. I think that it is certainly not our
19 intention to have that sort of a street. When countries
20 improve their human rights, it is our policy to restore
21 programs and contact with them, and to rebuild the relationship
22 once there has been human rights improvement.

23 The result of this tends to be that as there is
24 improvement generally in Latin America, this puts considerable
25 pressure on the budget which is very strained by a whole number

1 of factors.

2 It is particularly, I think, the case in South America.
3 The general thrust, given the problems in the Caribbean and
4 Central America, as you can see from my statement, has been to
5 move our programs, whether they be military or economic
6 assistance, or information agency, or our Peace Corps, almost
7 any program that we have. In order to do more in Central
8 America and the Caribbean, we have reduced programs in South
9 America.

10 In the short run, that is a good thing to do because we
11 need to put our resources where the greatest problems are. But
12 certainly we have a long-run interest in South America. It is
13 not a continent that we can afford to walk away from, and where
14 we are going to have needs for programs in the future.

15 Mr. Lagomarsino: Last year you proposed, and I supported
16 the idea of a special training program for peace-keeping and
17 arms restraint. I understand that it is not in your proposal
18 this year. What happened to that program?

19 Mr. Bushnell: Since I sort of consider myself the father
20 of that program, I am a bit chagrined at what happened last
21 year. I think that there was misunderstanding of that program.
22 The concept was that our IMET Programs, our training programs
23 for Latin America provide training in the normal military
24 function, but that there are other military related interests
25 which we have. Arms restraint and participation in peace

1 keeping forces being two of the principal ones which are
2 important in Latin America.

3 It was my thought that by earmarking a part of our IMET
4 programs that could only be used for these things, and by
5 offering courses in these fields, we would be able to attract
6 Latin American officers to these courses. Although I did not
7 think that they would choose them in preference to other
8 courses, given the budgetary constraints, if this were the only
9 course going, people would tend to take it.

10 This would bring them together. It would help to build
11 the spirit in these things in Latin America, and interest them
12 and equip them better in these fields which are important
13 worldwide.

14 However, I think that there was a misunderstanding in some
15 parts of the Congress on this program, where they felt that
16 this was some sort of a slush fund, that this was some way to
17 sneak in human rights bad guys, or something.

18 I must say personally that it was never so clear to me
19 that even a person from a country where there might be human
20 rights violations that was training in arms restraint and peace
21 keeping was necessarily all that bad. But that was not really
22 the intention. The intention was to use it primarily, if not
23 entirely, in countries which were otherwise eligible and
24 participating in the programs.

25 There was an amendment included which provided that the

1 country concerned would have to pay half the cost of the
2 program. This put us in the very awkward position that in the
3 program which would be at the bottom level of the priority for
4 Latin America was the only program that they would have to pay
5 half of. We felt that that was really not a sustainable way to
6 proceed with the program. We would not have the interest. So
7 we are reallocating that money in FY-80, and we have not
8 requested the program in FY-81, given the other priorities, and
9 so forth.

10 I personally think that it is a good idea. I still have
11 the considerable work that people have done on the curriculum
12 and so forth that we have available. Perhaps, in the
13 Congress's own deliberations on this issue this year, you may
14 be able to give us some guidance for the future.

15 Mr. Lagomarsino: What you are really saying is that it
16 never really got off the ground.

17 Mr. Bushnell: Yes.

18 Mr. Yatron: Was there a misunderstanding in the State
19 Department also because there was not support there?

20 Mr. Bushnell: I think that we had adequate support in the
21 State Department, in DOD, for that matter, and ACDA which was
22 also involved in the program. But the amendments that were put
23 on the program simply made it impossible to operate.

24 Mr. Yatron: I was referring to humanitarian affairs.

25 Mr. Bushnell: As far as I know, there is no opposition to

1 peace keeping and arms restraint in any part of the State
2 Department.

3 Mr. Lagomarsino: Oh yes there is, or at least the
4 training for it, because you might recall that the chairman and
5 I offered an amendment that would have allowed, on a completely
6 reimbursable basis, training for all the countries in South
7 America, including the ones where there is a real problem --
8 Chile, Argentina, Peru, and so on, where a real problem exists.
9 I think that your bureau supported that idea.

10 It gave the President full discretion in all the countries
11 that would otherwise have to pay for the entire cost of it.
12 But the Human Rights Division of the State Department came and
13 voted that it was illegal.

14 Mr. Bushnell: That, I think, is not a disagreement on
15 peace keeping and arms restraint. It is a disagreement on the
16 participation of personnel from certain countries.

17 Mr. Lagomarsino: Yes, that is what I was trying to say.

18 Mr. Yatron: When considering equipment for a regional
19 coast guard, is it possible to supply obsolete or mothballed
20 vessels on a loan basis or, let us say, at a minimum cost?

21 Mr. Bushnell: Theoretically that is possible. I think we
22 have checked, however, and we don't seem to have any such
23 vessels. So that makes it impossible for us to do it. We have
24 been somewhat frustrated this year in providing some obsolete
25 vessels, larger vessels where it would be appropriate.

1 Mr. Yatron: But you have given it consideration, you
2 said?

3 Mr. Bushnell: We have given consideration, and the
4 problem is that this sort of vessel just does not exist in
5 either our active or mothballed fleet which would be
6 appropriate for these small countries in the eastern Caribbean.
7 We just don't have them.

8 Mr. Yatron: Are most of the Caribbean regional programs
9 designed for an increased inter-dependence for small island
10 economies?

11 Mr. Bushnell: Yes. The concept with the small islands is
12 to build regional institutions that will provide services for
13 them. In fact, I think that there is often not a very complete
14 knowledge of how much these countries are doing. I have been
15 impressed myself.

16 We tend to think of the European Common Market as being
17 the great example of a common market of cooperation, but when
18 we look at the eastern Caribbean we find, for example, that
19 they have a common monetary authority, with one central bank
20 for the whole group. They have been talking about setting up a
21 common diplomatic service. For many years they have had a
22 common judiciary. There is one Supreme Court, which is where
23 cases, except for Grenada that has now withdrawn, all go.

24 They already have a substantial structure of institutions
25 of cooperation. They have set up a regional curriculum

1 concept, for example, to work out year by year, subject by
2 subject, the curriculum for their schools for the entire group
3 of countries in the eastern Caribbean together. We have an AID
4 program to work with them, and give them technical assistance.

5 So it is our strategy to work in a way in which for these
6 very small countries that cannot support a full range of
7 government services for each country individual, but they can
8 build up with help from outside regional institutions to
9 provide these services and this expertise. They even have a
10 group, the ECCM, which in fact maintains experts so that they
11 can work out problems.

12 I was fascinated myself when I was in Barbados a couple of
13 months ago, the Premier of Dominica came over and said that
14 they had a heck of a problem. He was late getting his flight
15 because the sewerage plant in his capital was not working, and
16 he did not know what he was going to do. He asked whether they
17 could get an expert from the U.S. I said, maybe we can find
18 somebody, but it will take a few days to get them down here.

19 Standing with me was the head of the ECCM, and he said:
20 "You know, we have a man who is on our staff who is expert in
21 this. I will get it over to your island this afternoon," and
22 he did.

23 It is that sort of institution building that I think is
24 very important. We are going to increase our own support, in
25 fact, and we hope that other donors will, too, to this pool of

1 experts that can serve the whole area in a majority of fields,
2 and to the building of these institutions.

3 Mr. Yatron: Are the majority of our Caribbean
4 multilateral programs capital intensive, or labor intensive?

5 Mr. Bushnell: The majority are labor intensive. They use
6 light technology. We have an initial fundamental problem, and
7 that is that these are separated islands, and the transport and
8 communication in most of them tends to be more effective, for
9 example, if you do it with airplanes than if you do it with
10 sailboats, although, in fact, they are looking at using sail
11 vessels for certain movements of goods between themselves.

12 In terms of the productive activities in agriculture and
13 such fields, these are light capital technology. We have major
14 programs that we have gone into in the energy field, for
15 example, in order to promote the use of renewable sources of
16 energy, and so forth.

17 Mr. Yatron: On page 1 you state that the thrust of U.S.
18 assistance is multilateral. We have heard from several sources
19 the concern of U.S. visibility with regard to multilateral
20 programs.

21 Is the Department considering any actions to improve our
22 visibility in these programs?

23 Mr. Bushnell: Yes, we have done a number of things. For
24 one thing, we have assigned a very visible ambassador in
25 Barbados who has become much more active in cutting the ribbons

1 on these projects where it was financed perhaps through the
2 Caribbean Development Bank, but with funds from U.S. loans. We
3 have increased our own information program through ICA in order
4 to, with our own press releases, point out what we are doing,
5 and calling attention to this.

6 I think we are trying to increase this. There is a
7 balance that we want to maintain that we are trying to build up
8 the Caribbean Development Bank as one of these institutions I
9 was just talking about, that can promote the development of the
10 area. We don't want to take that away from them. We do want
11 to make clear to the people in the islands that U.S. assistance
12 is reaching them.

13 The Basic Human Needs Grant program which we introduced
14 last year for about \$7.5 million, which consists of small high
15 impact projects, is very much associated with us. Our people
16 have been out to these projects in most islands, I think. They
17 understand that although this money comes to them through the
18 CDB, it originated in the United States. As we are getting
19 that story across, I think that situation is getting corrected.

20 Mr. Yatron: In the past the subcommittee has expressed
21 concern over the Cuban ability to respond quickly to the needs
22 of Latin countries, and our apparent lack thereof. Is the ESF
23 contingency fund being proposed to give us the ability for fast
24 action in a time of need?

25 Mr. Bushnell: Yes, that is the purpose of the contingency

1 fund. When a situation changes dramatically, and when there is
2 a great need, with the proper consultation with Congress, we
3 could move without having to wait through a budget cycle, or
4 engage in very agonizing and very time consuming reprogramming,
5 but could move quickly in that sort of a situation.

6 I might, if I could take a minute, Mr. Chairman, tell you
7 one story that I think you will appreciate, which is the
8 situation in Dominica, one of the small islands in the eastern
9 Caribbean, which was virtually wiped out by a hurricane this
10 year. Virtually every building had its roof blown off. You
11 may have been there and seen it. It was a very devastating
12 situation.

13 We do have a fund, of course, in AID, the Disaster Relief
14 Fund, where we can respond quickly, and we do respond quickly.
15 We did that in the case of Dominica. We sent in, with the help
16 of DOD, which provided transport, people, food, and we
17 responded literally within hours of the hurricane's ending.
18 This was very well received, both our response and that of the
19 British, the French, and others.

20 A couple of days later, our fast responding Cuban friends
21 finally got themselves over there with an airplane in order to
22 bring in some milk and other foods to share in this relief
23 effort.

24 As it happened, in Dominica there was what we call an
25 off-shore industry, one of these textile industries that saws

1 things. They had a whole bunch of American flags that they had
2 which they were going to ^{sew}~~sew~~ into shirts, or something, and
3 send that to the U.S. They happened to be there because the
4 work was in progress.

5 It was not the ICA, or the State Department, or anybody,
6 but the Dominicans themselves who got these, and when the
7 Cubans got off the plane they found that there were hundreds of
8 dominicans around waving American flags. So that was not
9 exactly what the Cubans were expecting. They said that they
10 did not even want the Cuban milk. After a while, they got back
11 on their Cuban plane, and went back to Cuba.

12 In fact, a couple of Dominicans had been at a conference
13 in Cuba, and had announced that there was going to be a lot of
14 assistance coming from Cuba, and so forth. All of them have
15 been fired from the cabinet. So, I think it is the sort of
16 quick response in the right situation that can be very helpful
17 to our long-term security interests, and this is the purpose of
18 our ESF contingency fund.

19 It is only \$50 million. It is not a big fund. But used
20 quickly and at the right time, it can have a greater impact
21 several times that amount of money which arrives too late,
22 which arrives after the damage has been done, and after their
23 problem. This is not for natural disaster relief, but for all
24 sorts of situations.

25 There is one other issue of this nature that I might

1 comment on, because your committee might want to think about it
2 as we are. We have in the Caribbean CBs who were active last
3 year, largely paid for by the Jamaicans and the IDB. They did
4 a lot of reconstruction work in Jamaica. They were very active
5 in Dominica and in the Dominican Republic in the hurricane
6 crises.

7 Some of us have thought that it is really too bad that we
8 can only use this resource to do things when there is a natural
9 disaster, and when we have these flexible AID funds. It might
10 be nice to have some facility to be able, when there is a
11 situation that needs help -- where there is an epidemic
12 spreading because the water is not pure, to put in some pipes
13 or some walls, or something, or a key road to open up an area;
14 to be able to use this very visible American resource. But, of
15 course, we have no funding for that sort of thing. There is
16 only funding available in AID when there is a disaster relief
17 situation.

18 I think that we could all think about that situation a
19 little bit. We have not come down in our own minds as to what
20 would be the most appropriate way to handle that.

21 Mr. Kramer: If I could follow up on that, perhaps?

22 Mr. Yatron: Sure.

23 Mr. Kramer: ~~The funding problem~~ is the problem, ~~because~~

24 We are extremely happy with this idea. I have spoken to Mr.
25 Bushnell, and ^{to} ~~the~~ Ambassador ^{Bowdley}, about this, and we would like to

1 go forward with this type of program, even on a regular basis.
2 It does not have to be in response to disasters of some sort or
3 another. It could be just a civic action type of program, if
4 we could arrange for the money.

5 Mr. Yatron: Secretary Bushnell, are you familiar with
6 Sections 9, 11 and 13 of the IRS code requiring income tax on
7 salaries of over \$15,000 of Americans living abroad?

8 Mr. Bushnell: I am familiar with them. I will not say
9 that I am an expert in the tax aspects of it. That would be
10 people from the Treasury Department. I do know the provisions,
11 and I have heard a good deal about them from American
12 businessmen overseas.

13 Mr. Yatron: The reason that I bring this up is that our
14 subcommittee was just recently in Brazil, and also in
15 Venezuela, and we met with the chamber of commerce in both of
16 those countries, and in both instances they brought this up,
17 and are concerned about it.

18 Do you ever figure into your development strategy any
19 types of incentives for increasing American business activity
20 in the region?

21 Mr. Bushnell: We try to do that, yes. We have tried to
22 invigorate in a number of ways the whole U.S. private sector,
23 not just the business community. But the business community is
24 a very important part of it.

25 I have mentioned the labor unions and other private

1 voluntary agencies, and our American churches play a very great
2 role in Latin America. In almost every country, the American
3 churches are fielding considerably greater numbers of Americans
4 than our official programs, for example. We try to work with
5 these people, not to get in their way. They have their own
6 purposes and their own interprises.

7 Our business people, we work with very closely, and we
8 have encouraged them to do a number of things. In many cases,
9 our business firms overseas have been marvellously responsive.
10 In the first week after the crisis in the Dominican Republic,
11 when the floods and the hurricane hit, the American business
12 community in the Dominican Republic had raised more than \$5
13 million, which is a marvellous response in a relatively small
14 country. With their partners in Latin America, they were able
15 to find anything from hospitals to generators in the United
16 States to take down and help with this problem, and this was
17 done by the private sector.

18 We are in very close partnership with the U.S. private
19 sector in almost all countries. They are playing a major role.
20 I am sure that you have heard their complaints. I am not an
21 expert in this, but they say that because of certain tax
22 provisions, and so forth, it is more advantageous for them to
23 hire non-Americans than it is to hire Americans.

24 I must say, given my responsibilities for relationships
25 with Latin America, it is rather frustrating that we are

1 encouraging, indirectly, American firms to employ non-Americans
2 to run because of these sorts of incentives. I am sure there
3 are other reasons in the tax field for doing this, but it does
4 have a rather invidious effect, because in most cases I would
5 prefer American firms that are represented in foreign countries
6 by Americans.

7 Mr. Yatron: Thank you, Mr. Secretary.

8 Congressman Gilman?

9 Mr. Gilman: Thank you, Mr. Chairman.

10 Mr. Secretary, the other day when Secretary Vance was here
11 before our committee, I made known the fact that in Nicaragua
12 we are earmarking over \$130 million dollars of assistance,
13 including the emergency assistance, and in the other troubled
14 Central American nations of Salvador, Guatemala, and Honduras,
15 we have giving them mere pittance.

16 It almost seems to me that we are giving too much
17 attention to an area where the horse has left the barn, so to
18 speak, in Nicaragua, and too little attention in areas where we
19 may be able to do a lot more good, such as Salvador, Guatemala
20 and Honduras.

21 What are you thoughts in regard to the comparative amount
22 of assistance that we are giving in those regions?

23 Mr. Bushnell: Let us first of all look at the figures,
24 and then the situation. I think that we may have as much as
25 \$130 million, which sounds right, that we are providing to

1 Nicaragua over two ¹years -- last year and this year -- assuming
2 that the full supplemental is passed, as we are all hoping that
3 it will.

4 In Salvador this year, although the budget that you looked
5 at last year only had \$8 million, we are reprogramming to
6 increase that to about \$50 million. In addition, we will have
7 some P.L. 480. So counting the same sorts of things that would
8 go into your \$130 million in Nicaragua, we are providing about
9 half the amount, say, \$65 million to Salvador, and an amount
10 only slightly less, with the P.L. 480 program, between \$50 and
11 \$55 million for Honduras, if we are able to continue with all
12 the projects we now plan for Honduras.

13 So, basically, what we are saying is, we are giving twice
14 as much, roughly, to Nicaragua in this period as to Honduras or
15 Salvador.

16 Mr. Gilman: It is really almost three times as much when
17 you put the whole program together, I think.

18 Mr. Bushnell: The population is somewhat greater in
19 Salvador, but if you take this fiscal year, FY-80, if we
20 provide something on the order of \$65 million to Salvador and
21 \$55 million to Honduras. We are asking for a supplemental of
22 \$75 million for Nicaragua. To that you would add about \$20
23 million of P.L. 480. So, we are talking about \$95 or \$100
24 million for Nicaragua this year. Additional assistance was
25 provided last year, but for that matter substantial assistance

1 was provided to Honduras last year and to Salvador through our
2 programs, too.

3 Nonetheless, it is clear that we have something twice as
4 much, and maybe allowing for the population a little bit more
5 than that, in Nicaragua as compared with Honduras and Salvador.
6 The reason for that, of course, is that there was immense
7 destruction, immense damage to the economy in Nicaragua last
8 year through the civil war. Thirty-five thousand people were
9 killed. Immense amounts of damage was done. The gross
10 national product was reduced by 25 to 40 percent. Whole crops
11 were not harvested.

12 This was not a natural disaster, but a disaster which is
13 comparable to a major earthquake, or floods, or whatever, a
14 disaster of a very major nature. That is what we are
15 responding to in terms of the amount in Nicaragua to, in the
16 short-term, get the economy functioning again.

17 Whereas, in Salvador and Honduras, we are responding
18 through development assistance, largely, although there will be
19 a little ESF, to their basic development concerns in order to
20 get people to work, and to get the economy to run. It is a
21 different sort of program than it is in Nicaragua.

22 However, I think there is a misconception that we are not
23 greatly reprogramming to provide assistance to Honduras and
24 Salvador. We are doing that in very substantial amounts,
25 responsive to the needs of those countries to settle their

1 situation.

2 We are very conscious of the point that you make that in
3 both places, while the political situation is much more
4 centrix, we should fully be showing our support, and I think we
5 are.

6 Mr. Gilman: Guatemala as well?

7 Mr. Bushnell: Guatemala, because of our concern with the
8 human rights situation, we have not provided assistance at this
9 level. The Guatemalans, of course, have quite a healthy
10 economy. They have by far the most healthy economy in Central
11 America. They also have the prospect, or the hope at least, of
12 finding oil.

13 So they are doing a number of things themselves. They
14 do not have have as great a need in that sense as the other
15 countries. At any rate, we have kept our economic program
16 quite small, and we have no security assistance because of our
17 human rights concerns.

18 Mr. ^{Gilman}~~Gilmore~~: There has been some expression of opinion
19 that the Administrative that the changing government in
20 Guatemala is similar to the pattern in Nicaragua, and now
21 Salvador is inevitable. What would be your response to that
22 statement?

23 Mr. Bushnell: I think that I have been misquoted in some
24 places as saying that, and I assure you that it was a
25 misquotation.

1 It is our feeling, and certainly it is my feeling that
2 there is a great need for change in Central America. I said in
3 my testimony that the concentration of power, both economic and
4 political power, has been very excessive in all the Central
5 American countries, except Costa Rica. This process needs to
6 change. That is quite different from saying that there needs
7 to be a change in government, or certainly a change in the
8 pattern, whatever the pattern may be called, in Nicaragua and
9 El Salvador.

10 Certainly, we would hope that in Guatemala, measures would
11 be taken to have a more effective police to bring terrorists to
12 justice in a normal way, to reduce the number of human rights
13 violations, so that we could work more closely with that
14 government, which is after all the government where the
15 concerns with Cuba are the greatest, and a government that we
16 would like to work with if there can be improvement in the
17 human rights field.

18 Mr. Gilman: We are not cooling our relationship, are we,
19 with Guatemala, Salvador and Honduras just because we feel that
20 the changes are inevitable?

21 Mr. Bushnell: Certainly we have very warm relationships
22 and are working very closely with the governments of Honduras
23 and Salvador, as closely as we work with any governments
24 anywhere.

25 In the case of Guatemala, for sometime, our relationships

1 have been cool. They chose not to receive military assistance,
2 and we have human rights problems, and this has made it a freer
3 relationship than in the other countries. We do have a very
4 vigorous mission there. We do work closely with them in a
5 number of fields, but not as a supplier of military goods and
6 training, and our AID program has been relatively modest in
7 comparison with the other countries.

8 Mr. Gilman: Mr. Chairman, I guess that we will have to
9 answer the roll call. I would like to have the opportunity to
10 submit some additional questions, with your permission, Mr.
11 Chairman.

12 Mr. Yatron: Without objection.

13 Secretary Bushnell, and Secretary Kramer, we want to thank
14 you very much for appearing today. We would like to submit
15 questions, and you may respond in writing.

16 We have a reported quorum call now, following by a vote
17 five minutes after that on the Weaver Amendment, which deals
18 with increasing the appropriation ceiling for the Colorado
19 River Basin Salinity Control Act.

20 With that, we want to thank you, and that the subcommittee
21 stands adjourned.

22 (Whereupon, at 4:05 p.m., the subcommittee adjourned, to
23 reconvene at the call of the Chair.)

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