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STATEMENT BY
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ASSISTANT SECRETARY OF STATE

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FOR
INTER-AMERICAN AFFAIRS

BEFORE THE
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS
HOUSE INTERNATIONAL RELATIONS COMMITTEE

MARCH 1, 1978

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM PLEASED TO HAVE THE OPPORTUNITY TO REVIEW WITH YOU OUR RELATIONS WITH LATIN AMERICA. IN RESPONSE TO YOUR EXPRESSED INTEREST, I WILL GIVE PARTICULAR EMPHASIS TO HOW FOREIGN AID, PARTICULARLY ECONOMIC ASSISTANCE, ADVANCES U.S. INTERESTS IN THIS PART OF THE WORLD.

LATIN AMERICA'S IMPORTANCE TO US

DURING THIS CENTURY, AS WE HAVE FACED MAJOR INTERNATIONAL CONFLICTS, IT HAS MEANT A GREAT DEAL TO US. PSYCHOLOGICALLY, FINANCIALLY AND IN HUMAN TERMS TO HAVE BEEN ABLE TO COUNT ON THE FRIENDSHIP AND COOPERATION OF THE COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN, OUR NEAREST NEIGHBORS. OUR FIRST LINE OF DEFENSE TO THE SOUTH HAS NOT BEEN MILITARY, BUT RATHER NORMAL DIPLOMACY AND TRADE, SUPPLEMENTED BY RELATIVELY MODEST ASSISTANCE PROGRAMS.

THE WESTERN HEMISPHERE, IN FACT, IS UNIQUE IN THAT THE DRAMA OF ITS RECENT HISTORY HAS BEEN PLAYED OUT

MOSTLY IN THE MASS MOVEMENTS OF ORDINARY PEOPLE. IN 1976 ALONE, 5.6 MILLION AMERICANS VISITED LATIN AMERICA AND THE CARIBBEAN, AND 3 MILLION LATIN AMERICANS CAME TO THE UNITED STATES AS VISITORS OR WORKERS. CROSS-CULTURAL INTERCHANGE ON THIS SCALE IS LIVING PROOF OF OUR GROWING INTERDEPENDENCE WITH OUR NEIGHBORS.

THE MOVEMENT OF GOODS BETWEEN US HAS INCREASED APACE. IN THE LAST TEN YEARS, OUR EXPORTS TO LATIN AMERICA HAVE MORE THAN TRIPLED, FROM \$5 BILLION TO ALMOST \$18 BILLION ANNUALLY. WE NOW SELL MORE MACHINERY, CONSUMER GOODS AND CHEMICAL PRODUCTS TO LATIN AMERICA THAN TO THE REST OF THE THIRD WORLD COMBINED ALMOST AS MUCH, IN FACT, AS TO THE ENTIRE EUROPEAN COMMON MARKET, AND MORE THAN TO JAPAN.

THREE NATIONS -- MEXICO, BRAZIL AND VENEZUELA -- ARE AMONG OUR TOP DOZEN TRADING PARTNERS IN THE WORLD. LATIN AMERICA SUPPLIES US WITH ONE BARREL OF OIL OUT OF EVERY SIX THAT WE IMPORT, AND IS A MAJOR SOURCE OF KEY MINERALS LIKE COPPER AND BAUXITE, AS WELL AS FOODSTUFFS AND MANUFACTURED GOODS. UNFORTUNATELY IT IS ALSO A MAJOR SOURCE OF NARCOTICS, WITH AN ESTIMATED STREET VALUE OF OVER \$4 BILLION A YEAR.

LATIN AMERICA'S ECONOMIC IMPORTANCE TO US GOES BEYOND TRADE. U.S. INVESTMENT IN THE REGION TOTALS

MORE THAN \$20 BILLION. IN 1976, THESE INVESTMENTS PRODUCED EARNINGS OF ABOUT \$3 BILLION.

THE NATIONS OF THE REGION NOW EXERT GROWING INFLUENCE ON THE INTERNATIONAL SCENE. FOR THE MOST PART, THEIR SPOKESMEN SUPPORT MODERATE POSITIONS AND PLAY SIGNIFICANT ROLES IN THE MULTILATERAL TRADE NEGOTIATIONS AND ON LAW OF THE SEA DISCUSSIONS IN THE UNITED NATIONS. ITS LEADERS HAVE ACHIEVED INTERNATIONAL STATUS AS WORLD STATESMEN. THIS YEAR, ONE OF THE CARIBBEAN STATES, JAMAICA, IS SERVING AS PRESIDENT OF THE GROUP OF 77, AN ORGANIZATION OF DEVELOPING COUNTRIES WHICH OFTEN SPEAKS FOR THE THIRD WORLD ON INTERNATIONAL ECONOMIC ISSUES.

THE COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN INCLUDE OIL PRODUCERS AND OIL IMPORTERS, SEMI-INDUSTRIALIZED NATIONS AND COUNTRIES FIGHTING AGAINST TRADITIONAL POVERTY AND ISOLATION. YET AS A GROUP, THE LATIN AMERICAN COUNTRIES ARE ALSO FURTHER ALONG THE ROAD TO DEVELOPMENT THAN MOST IN THE THIRD WORLD. THEIR SKILLS, OUR HISTORY OF COOPERATION, AND THE ROLES WE SHARE IN THE ORGANIZATION OF AMERICAN STATES GIVE US

BOTH A BASIS FOR DEVELOPING APPROACHES IN THIS HEMI-
SPHERE THAT WILL BENEFIT THE ENTIRE DEVELOPING WORLD.

IMPLICATIONS FOR US INTERESTS

THESE MANY GROWING AND CHANGING RELATIONSHIPS
MEAN THAT THE COOPERATION OF THE COUNTRIES OF LATIN
AMERICA AND THE CARIBBEAN HAS BECOME INCREASINGLY
IMPORTANT.

IT IS, IN THE FIRST INSTANCE, IMPORTANT TO
RESOLVING OUR OWN PROBLEMS HERE AT HOME IN THE
UNITED STATES.

- EMPLOYMENT PATTERNS IN THE UNITED STATES WILL
BE AFFECTED BY THE AMOUNT AND NATURE OF THE
TRADE AND POPULATION MOVEMENTS AMONG OUR
COUNTRIES.
- THE OVERALL GROWTH OF THE US ECONOMY IS,
AND WILL INCREASINGLY BE, AFFECTED
BY ECONOMIC CONDITIONS IN LATIN AMERICA.
- MILLIONS OF AMERICAN LIVES AND THE PEACE OF
THOUSANDS OF AMERICAN COMMUNITIES WILL BE
AFFECTED BY THE SUCCESS OF OUR MUTUAL EFFORTS
TO CONTROL DRUG TRAFFIC AT ITS SOURCE.

SECONDLY, THE COOPERATION OF LATIN AMERICAN COUNTRIES IS ESSENTIAL TO RESOLVING PRESSING GLOBAL PROBLEMS THAT AFFECT ALL NATIONS.

-- THE ADVANCES OF MODERN TECHNOLOGY AND COMMUNICATION HAVE PUT LATIN AMERICA ON THE FRONT LINES OF SUCH GLOBAL ISSUES AS THE NATURE OF THE INTERNATIONAL ECONOMIC ORDER, THE CONTROL OF NUCLEAR PROLIFERATION AND TERRORISM, AND THE FUTURE USES OF THE SEABEDS.

-- IN ADDITION, LATIN AMERICA'S IMMENSE POTENTIAL FOR THE PRODUCTION OF FOOD AND OF ALL FORMS OF ENERGY COULD BE A CRITICAL FACTOR IN MEETING OUR OWN RESOURCE NEEDS IN THE 21ST CENTURY. TO ENSURE THAT IT IS AVAILABLE, WE MUST BEGIN NOW TO INTENSIFY COOPERATION IN AGRICULTURE AND HYDROELECTRIC AND SOLAR ENERGY.

FINALLY, THE OVERALL EVOLUTION OF LATIN AMERICAN SOCIETIES WILL HAVE A PROFOUND AND CONTINUING IMPACT ON WHO WE ARE AND HOW WE SEE OURSELVES AS AMERICANS. MEXICO'S VIBRANT CULTURE AND PEOPLE ARE MAKING A MAJOR CONTRIBUTION TO OUR OWN SOCIETY. THE ACHIEVEMENTS OF THE BLACK CARIBBEAN HELPED SUSTAIN THE SPIRIT OF OUR CIVIL RIGHTS MOVEMENT. THE STRUGGLE FOR DEMOCRACY AND DEVELOPMENT THROUGHOUT THE HEMISPHERE INSPIRED THE ALLIANCE FOR PROGRESS. IT IS ALSO AT THE HEART OF OUR

OVER-ARCHING FOREIGN POLICY CONCERN FOR THE PROTECTION OF HUMAN RIGHTS, WITH ITS OBJECTIVES OF REDUCING GOVERNMENTAL VIOLATIONS OF THE INTEGRITY OF THE PERSON, ENHANCING CIVIL AND POLITICAL LIBERTIES, AND SATISFYING BASIC ECONOMIC AND SOCIAL NEEDS.

US POLICY TOWARD LATIN AMERICA

FOR ALL OF THESE REASONS, IT IS INCUMBENT ON US TO GIVE A HIGH PRIORITY TO OUR RELATIONSHIPS WITH THE GOVERNMENTS AND PEOPLES OF THE REGION. WE CANNOT ASSUME THAT THE COOPERATION OUR INTERESTS AND PROBLEMS REQUIRE WILL BE AUTOMATIC AND WITHOUT EFFORT ON OUR PART.

DURING ITS FIRST YEAR IN OFFICE THIS ADMINISTRATION HAS BROUGHT A NEW AND DYNAMIC SPIRIT TO OUR RELATIONS WITH LATIN AMERICA AND THE CARIBBEAN.

WE HAVE CONCLUDED NEW PANAMA CANAL TREATIES WHICH SECURE THE FUTURE OF THE CANAL AND ESTABLISH A NEW BASIS FOR COOPERATION AND PARTNERSHIP THROUGHOUT THE REGION.

HIGH LEVEL CONTACTS BETWEEN THE US AND OTHER HEMISPHERIC COUNTRIES HAVE BEEN INTENSIFIED. PRESIDENT CARTE MET PRIVATELY WITH EACH OF THE HEADS OF STATE WHO CAME TO WASHINGTON TO ATTEND THE SIGNING OF THE PANAMA CANAL TREATIES. HE WILL CONTINUE THESE FRANK

AND EXTENSIVE DISCUSSIONS OF THE ISSUES NEXT MONTH IN VENEZUELA AND BRAZIL. MRS. CARTER, SECRETARY VANCE, AMBASSADOR YOUNG AND MANY OTHER HIGH RANKING UNITED STATES GOVERNMENT OFFICIALS HAVE TRAVELED EXTENSIVELY IN THE AREA TO GET A FIRST-HAND ACQUAINTANCE WITH THE COUNTRIES AND THEIR LEADERS, AND TO EXCHANGE VIEWS ON A WIDE RANGE OF MATTERS.

WE HAVE MOVED DECISIVELY TO MAKE THE U.S. A LEADER ALONGSIDE SEVERAL CARIBBEAN AND LATIN AMERICAN COUNTRIES IN THE STRUGGLE TO PROMOTE HUMAN RIGHTS AND ASSURE RESPECT FOR THE RIGHTS OF THE INDIVIDUAL. WE HAVE MADE CLEAR TO ALL COUNTRIES THAT THE NATURE OF OUR RELATIONS WITH THEM WILL DEPEND ON THEIR PRACTICES IN THE HUMAN RIGHTS AREA. IN DOING SO, WE ARE NOT INTERFERING IN THEIR INTERNAL AFFAIRS, BUT CONDITIONING OUR OWN BEHAVIOR IN RESPONSE TO WHAT WE SEE.

TO MAINTAIN THE HEMISPHERE'S RECORD OF PEACE, WE ARE ENCOURAGING MUTUAL RESTRAINT ON CONVENTIONAL ARMS TRANSFERS, AND HAVE ENERGETICALLY SUPPORTED EFFORTS TO MAKE THE AREA A NUCLEAR FREE ZONE BY SIGNING PROTOCOL I OF THE TREATY OF TLATELOLCO.

AS I NOTED EARLIER, ECONOMIC ISSUES, PARTICULARLY TRADE AND DEVELOPMENT, LOOM LARGE IN OUR HEMISPHERIC RELATIONS. WE ARE CONTINUALLY EXCHANGING VIEWS WITH GOVERNMENTS OF THE REGION ON TRADE AND ON THE ENTIRE RANGE OF NORTH-SOUTH ISSUES. IN THE PAST SEVERAL MONTHS, WE HAVE WORKED PARTICULARLY CLOSELY WITH THE WORLD BANK, THE INTER-AMERICAN DEVELOPMENT BANK, AND OTHER GOVERNMENTS AND INSTITUTIONS TO DEVELOP STRATEGIES TO OVERCOME THE CHALLENGING ECONOMIC DILEMMAS POSED BY THE CARIBBEAN SUB-REGION.

THE ESSENTIAL POINT IS THAT WE NEED LATIN AMERICAN COOPERATION TO DEAL WITH PROBLEMS DIRECTLY AFFECTING INDIVIDUAL AMERICAN CITIZENS, AND WE ARE GETTING IT. WE HAVE ENLISTED THE LAW ENFORCEMENT COOPERATION OF MANY LATIN AMERICAN GOVERNMENTS AGAINST NARCOTICS AND TERRORISM, AND TO PROTECT TOURISTS. WE HAVE IMPLEMENTED A PRISONER EXCHANGE PROGRAM WITH MEXICO, SIGNED ONE WITH BOLIVIA, AND ARE EXPLORING SIMILAR PROGRAMS ELSEWHERE. WE ARE WORKING WITH MEXICO TO RESOLVE DIFFERENCES OVER MIGRATION. WITH ALL COUNTRIES, WE ARE WORKING TO STIMULATE MUTUALLY BENEFICIAL TRADING PATTERNS, CONTROLS ON ILLEGAL PAYMENTS, AND EFFECTIVE TAX CONVENTIONS, CAPABLE OF PRODUCING MAJOR BENEFITS TO THE UNITED STATES.

FOREIGN ASSISTANCE

FOREIGN ASSISTANCE IS ONE OF OUR MOST VALUABLE TOOLS IN PROMOTING THESE MANY US INTERESTS. IT IS AN ESSENTIAL PART OF OUR EFFORTS TO PROMOTE HUMAN RIGHTS. IT IS AN INTEGRAL PART OF OUR INTERNATIONAL ECONOMIC POLICY, PROVIDING DIRECT AND INDIRECT BENEFITS FOR THE US ECONOMY AND FOR US TRADE AND INVESTMENT OPPORTUNITIES ABROAD. AND IT HELPS TO PROMOTE THE COOPERATIVE ENVIRONMENT WHICH ENABLES US TO PURSUE A WIDE RANGE OF OTHER US INTERESTS, FROM STABLE DEVELOPMENT TO NARCOTICS CONTROL.

FROM A US PERSPECTIVE, DEVELOPMENT ACTIVITIES IN THIS HEMISPHERE COMBINE ALTRUISM WITH SELF-INTEREST. STRENGTHENING THE ECONOMIES OF OUR NEIGHBORS WILL ENABLE THEM TO BUY MORE FROM US. IMPROVING THE LOT OF THE POOR WILL GIVE THEIR SOCIETIES GREATER COHESION, PREVENTING UPHEAVALS THAT CAN SPILL OVER INTO THE UNITED STATES. DEVELOPING THEIR INSTITUTIONAL STRUCTURES AND HUMAN RESOURCES WILL INCREASE THEIR ABILITY TO COOPERATE WITH US, AND IMPROVE THEIR PROSPECTS FOR EVOLVING AS NEIGHBORS WITH WHOM WE FEEL COMFORTABLE.

IN HIS STATEMENT TO THE FULL HOUSE INTERNATIONAL RELATIONS COMMITTEE TEN DAYS AGO, SECRETARY VANCE NOTED THAT THE ADMINISTRATION'S FY 79 FOREIGN ASSISTANCE PROPOSALS FALL INTO ESSENTIAL FOUR CATEGORIES.

-- BILATERAL PROGRAMS AIMED AT ENSURING THAT THE BENEFITS OF DEVELOPMENT REACH THE POOR AND SERVE THEIR BASIC HUMAN NEEDS;

-- CONTRIBUTIONS TO INTERNATIONAL FINANCIAL INSTITUTIONS WHICH PROVIDE LOANS FOR LARGE SCALE INFRASTRUCTURE PROJECTS CRUCIAL TO DEVELOPMENT, AS WELL AS SUPPORTING PROJECTS SPECIFICALLY DESIGNED TO BENEFIT THE POOR;

-- CONTRIBUTIONS TO UN AND OAS PROGRAMS FOR TECHNICAL AND HUMANITARIAN ASSISTANCE;

-- FINALLY, SECURITY ASSISTANCE PROGRAMS TO SERVE THE CAUSE OF PEACE AND STRENGTHEN THE MILITARY CAPABILITIES OF FRIENDLY NATIONS.

I WOULD LIKE TO USE THE REMAINDER OF MY STATEMENT TO EXPLORE EACH OF THESE CATEGORIES WITH YOU AS THEY APPLY TO LATIN AMERICA AND THE CARIBBEAN. BECAUSE YOU WILL BE HEARING TOMORROW FROM AID ASSISTANT ADMINISTRATOR VALDEZ, I WILL NOT CONCENTRATE ON PROGRAM DETAILS, BUT WILL FOCUS INSTEAD ON GENERAL TRENDS AND GUIDELINES.

BILATERAL ASSISTANCE

AID ASSISTANCE TO LATIN AMERICA, WHICH IN THE 1960'S ACCOUNTED FOR MOST US ASSISTANCE TO THE REGION, IS NOW LESS THAN ONE-THIRD OF EARLIER LEVELS.

THE MOST SIGNIFICANT NEW DIMENSION OF THE FY 1979 DEVELOPMENT ASSISTANCE REQUEST OF \$245.0 MILLION IS THE INCREASE FROM \$50 TO \$82 MILLION PROPOSED FOR CARIBBEAN REGIONAL AND BILATERAL AID PROGRAMS. THE INCREASE WILL BE DIRECTED PRIMARILY TO EMPLOYMENT-GENERATING INITIATIVES AND REGIONAL COOPERATION AS PART OF THE NEW CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT.

THE BILATERAL ASSISTANCE PROGRAM AS A WHOLE IS DIRECTED PRIMARILY TO MEETING BASIC HUMAN NEEDS IN AGRICULTURE, HEALTH, EDUCATION AND POPULATION PLANNING. NEARLY 60 PER CENT OF THIS DEVELOPMENT ASSISTANCE IS FOR FOOD AND NUTRITIONAL PROGRAMS, INCLUDING PROJECTS TO INCREASE AGRICULTURAL PRODUCTIVITY. POPULATION PLANNING PROGRAMS, WHICH HAVE IN THE PAST CONTRIBUTED TO DRAMATIC DECREASES IN THE RATE OF POPULATION GROWTH IN SOME COUNTRIES SUCH AS COLOMBIA AND JAMAICA, ARE ANOTHER SIGNIFICANT CATEGORY. IN ADDITION, A SEPARATE HOUSING INVESTMENT GUARANTEE PROGRAM HELPS DEVELOPING COUNTRIES PROVIDE LOW-INCOME HOUSING FOR THEIR POOR PEOPLE WHO LACK SHELTER.

AS YOU CONSIDER THE ADMINISTRATION'S REQUEST, I HOPE YOU WILL KEEP IN MIND THAT BILATERAL ASSISTANCE FOR LATIN AMERICA REPRESENTS A MINIMAL RESPONSE TO THE MOST PRESSING HUMAN PROBLEMS IN THE POOREST COUNTRIES. MAJOR AID COUNTRY PROGRAMS HAVE ENDED OR ARE PHASING

OUT IN ARGENTINA, BRAZIL, CHILE, COLOMBIA, MEXICO, URUGUAY AND VENEZUELA. THOUGH BETTER OFF THAN SOME OF THEIR NEIGHBORS, THESE COUNTRIES CONTAIN NEARLY THREE QUARTERS OF THE 150 MILLION LATIN AMERICANS WHO THE UN ECONOMIC COMMISSION FOR LATIN AMERICA REPORTS MUST SUBSIST ON LESS THAN \$125 PER YEAR OR LESS. ON FEBRUARY 21, SECRETARY VANCE EXPRESSED TO THE WHOLE COMMITTEE OUR BELIEF THAT IT IS APPROPRIATE TO FUND PROJECTS WHICH BENEFIT POOR PEOPLE IN MIDDLE INCOME COUNTRIES. THE FY 79 FUNDING REQUEST FOR AID DOES NOT, HOWEVER, CONTEMPATE DOING SO ON A MAJOR SCALE.

ALTHOUGH WE ARE CONSIDERING NEW WAYS TO ASSIST MIDDLE-INCOME COUNTRIES, THE FACT IS THAT DEVELOPMENT IS BASICALLY A TASK FOR EACH COUNTRY TO UNDERTAKE ACCORDING TO ITS OWN NEEDS. OUR NEIGHBORS NOT ONLY ACCEPT THIS REALITY BUT ARE INCREASINGLY DEALING WELL WITH IT. OUR AID PROGRAMS ENABLE US TO HELP IN A SMALL WAY WHERE OUR SKILLS ARE GREATEST.

LIKE OUR AID PROGRAMS, OUR PL-480 PROGRAMS IN LATIN AMERICA HAVE DECLINED IN RECENT YEARS, BOTH IN NUMBERS AND IN DOLLAR TERMS. AN INCREASING NUMBER OF COUNTRIES IN THE REGION HAVE DEVELOPED TO A POINT THAT THEY ARE ABLE TO AFFORD FOOD IMPORTS ON LESS CONCESSIONAL TERMS.

PL-480 PROGRAMS REMAIN, HOWEVER, A VALUABLE TOOL IN OUR ARSENAL OF POTENTIAL RESPONSES TO THE PROBLEMS OF INDIVIDUAL COUNTRIES. PRECISELY BECAUSE SOME COUNTRIES HAVE OVERCOME THE FIRST HURDLES TO INCREASED AGRICULTURAL PRODUCTION, THEY HAVE THE INSTITUTIONAL CAPACITY TO MAKE GOOD USE OF THE LOCAL CURRENCIES GENERATED THROUGH TITLE I SALES PROGRAMS, AND TO UTILIZE THE MANY VOLUNTARY ORGANIZATION PROGRAMS FINANCED THROUGH THE TITLE II PROVISION. IN ADDITION, ALTHOUGH THE ELIGIBILITY OF LATIN AMERICAN COUNTRIES FOR THE NEW TITLE III PROVISIONS IS UNFORTUNATELY LIMITED BECAUSE OF PER CAPITA GNP REQUIREMENTS, WE WILL BE EXPLORING A VARIETY OF CREATIVE AND VERY VALUABLE PROGRAMMING OPPORTUNITIES IN THE COMING MONTHS.

IN CONSIDERING THE FUTURE OF BILATERAL ASSISTANCE PROGRAMS, I BELIEVE WE SHOULD GIVE INCREASING ATTENTION TO ACTIVITIES THAT FACILITATE THE DEVELOPMENT OF HUMAN RESOURCES AND THE TRANSFER OF TECHNICAL KNOW-HOW. A NUMBER OF SPECIAL AID LOAN AND REIMBURSABLE ASSISTANCE PROGRAMS ARE ALREADY DIRECTED AT "SECOND GENERATION" DEVELOPMENT PROBLEMS, SUCH AS ENVIRONMENTAL POLLUTION, URBAN SPRAWL, ENERGY, NATURAL RESOURCE CONSERVATION, SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT, AND MANPOWER TRAINING.

I BELIEVE WE NEED MORE PROGRAMS TO FACILITATE THE EXCHANGE OF EXPERIENCE AND SKILLS AVAILABLE WITHIN THE DOMESTIC AGENCIES HERE IN THE UNITED STATES. TWO ASPECTS STRIKE ME AS CRITICAL: SUPPORT FOR SCHOLARSHIP AND INTERNSHIP PROGRAMS FOR YOUNG LATIN AMERICAN PROFESSIONALS IN THE UNITED STATES, AND PROGRAMS THAT WILL FACILITATE JOINT PROBLEM-SOLVING AMONG US AND LATIN AMERICAN PUBLIC AND PRIVATE INSTITUTIONS.

MULTILATERAL ASSISTANCE

INTERNATIONAL ORGANIZATION ASSISTANCE TO LATIN AMERICA, LARGELY WORLD BANK AND INTER-AMERICAN DEVELOPMENT BANK LENDING IN APPROXIMATELY EQUAL SHARES, HAS TOTALLED OVER \$2 BILLION A YEAR IN RECENT YEARS. IN ADDITION, THE OAS AND THE UN SPECIALIZED AGENCIES PROVIDE IMPORTANT TECHNICAL ASSISTANCE. OVER THE PAST YEAR, THE OAS HAS EFFECTIVELY UPGRADED ITS EFFORTS TO PROMOTE TAX REFORMS, TOURISM AND CULTURAL EXCHANGE.

THE OLDEST AND LARGEST OF THE REGIONAL DEVELOPMENT BANKS, THE INTER-AMERICAN DEVELOPMENT BANK (IDB) HAS A DYNAMIC AND INNOVATIVE RECORD AND HAS BECOME THE MOST IMPORTANT SOURCE OF FINANCING FOR SOCIAL AND ECONOMIC DEVELOPMENT IN LATIN AMERICA, AND THE MAJOR CHANNEL FOR US SUPPORT OF THOSE ENDS. THE IDB PROVIDES ABOUT 75% OF ALL CONCESSIONAL ASSISTANCE TO ATTACK POVERTY IN THE POOREST AREAS OF THE REGION. LIKE THE WORLD BANK,

THE IDB ALSO FINANCES MANY INDUSTRIAL AND INFRASTRUCTURE PROJECTS, SUCH AS ROADS, DAMS AND IRRIGATION FACILITIES. THE IDB HAS BEEN VERY SUCCESSFUL IN ATTRACTING PRIVATE CAPITAL FOR CO-FINANCING OF DEVELOPMENT PROJECTS.

THE IDB THUS REPRESENTS A COOPERATIVE DEVELOPMENT EFFORT THAT INVOLVES THE LATIN AMERICAN COUNTRIES DIRECTLY IN THE DETERMINATION OF THEIR OWN FUTURE. IT IS A KEY PART OF THE MULTILATERAL ECONOMIC COOPERATION THAT STIMULATES GROWTH IN ALL OUR COUNTRIES.

ALTHOUGH WE REMAIN THE LARGEST SINGLE CONTRIBUTOR TO THE IDB, OUR PROPORTION OF TOTAL CONTRIBUTIONS HAS BEEN FALLING (FROM 52% IN 1970-75 TO 37% IN 1976-79). I URGE YOU TO SUPPORT THE ADMINISTRATION'S REQUESTS FOR FUNDING TO FULFILL PAST PLEDGES AS WELL AS THE APPROPRIATIONS WE ARE SEEKING FOR THE FIRST TIME THIS YEAR.

OTHER ASSISTANCE PROGRAMS

A MAJOR EMPHASIS OF OUR LATIN AMERICAN POLICY IS TO STEM THE FLOW OF NARCOTICS TO THE UNITED STATES BY HELPING OTHER NATIONS SUPPRESS ILLICIT DRUGS AT THE SOURCE. THESE FOREIGN ACTIVITIES ARE OFTEN MORE EFFECTIVE IN PREVENTING NARCOTICS FLOWS THAN WOULD BE AN EQUAL EFFORT DEPLOYED IN OUR OWN COUNTRY. THE STATE DEPARTMENT OPERATES, WITH INTERNATIONAL NARCOTICS CONTROL FUNDS, ASSISTANCE PROGRAMS DESIGNED TO

STRENGTHEN THE CAPACITY OF COUNTRIES LIKE MEXICO, BOLIVIA AND COLOMBIA, WHICH SHARE OUR OBJECTIVES, TO CURB NARCOTICS TRAFFIC AND TO COOPERATE WITH THE UNITED NATIONS' DRUG ABUSE PROGRAMS.

THE PEACE CORPS IS ANOTHER IMPORTANT ASPECT OF US GOVERNMENT ASSISTANCE TO LATIN AMERICA. THIS YEAR, ALMOST 2,000 VOLUNTEERS ARE WORKING IN 13 COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN. ASIDE FROM HOST COUNTRY OFFSET CONTRIBUTIONS, THE PEACE CORPS BUDGET FOR LATIN AMERICA IS \$17.6 MILLION.

ORIGINALLY, MOST OF THE VOLUNTEERS IN LATIN AMERICA WORKED ON COMMUNITY DEVELOPMENT. TODAY APPROXIMATELY 30% OF THE VOLUNTEERS WORK IN AGRICULTURAL FIELDS, 30% IN HEALTH RELATED AREAS, AND APPROXIMATELY 25% IN EDUCATION. HALF THE VOLUNTEERS SERVING IN LATIN AMERICA ARE IN CENTRAL AMERICA. IN SOME OF THE SMALLER COUNTRIES OF THE CARIBBEAN, THEY ARE ONE OF THE LARGEST OFFICIAL US ACTIVITIES.

FINALLY, THE PRESIDENT'S FY 1979 SECURITY ASSISTANCE BUDGET REQUESTS \$54 MILLION FOR ALL PROGRAMS FOR LATIN AMERICA. THIS IS JUST OVER ONE PER CENT OF THE WORLD-WIDE SECURITY ASSISTANCE PROGRAM OF \$4 BILLION. THE REDUCTION OF THE MONEY AND MEN ASSIGNED TO SUPPORT MILITARY RELATIONSHIPS IN LATIN AMERICA PARALLELS OUR REDUCED ROLE IN SELLING ARMS. LAST YEAR, WE SUPPLIED 13% OF LATIN AMERICA'S ARMS PURCHASES AND OF THAT PORTION

75% WAS SPARES, SUPPORT AND NON-LETHAL ITEMS. THE UK, USSR, ITALY AND THE FRG ARE NOW THE CHIEF SUPPLIERS TO OUR NEIGHBORS, WITH ISRAEL COMING UP FAST.

MAINTAINING WORKING RELATIONSHIP WITH THE REGION'S SIGNIFICANT MILITARY INSTITUTIONS IS THUS MORE CHALLENGING TODAY THAN BEFORE. THE ADMINISTRATION'S FY 79 SECURITY ASSISTANCE REQUEST PROVIDES FOR SOME CREDIT SALES, PLUS LIMITED TRAINING, PERSONNEL EXCHANGES, ATTENDANCE AT HIGH US MILITARY INSTITUTIONS AND OTHER ACTIVITIES DESIGNED TO EXPOSE FOREIGN MILITARY PARTICIPANTS TO OUR SOCIETY AND TRADITIONS.

WE HAVE A CONTINUING INTEREST IN MAINTAINING ACCESS TO PORTS AND AVIATION FACILITIES AND AN EVEN GREATER INTEREST IN DENYING ACCESS TO THEM TO POTENTIAL ADVERSARIES. THE SOVIET UNION'S INVOLVEMENT WITH CUBA REMAINS A SOURCE OF POTENTIAL CONCERN. THE ADMINISTRATION HAS BEGUN A PROCESS OF ENGAGING CUBA IN WAYS THAT MAY IN THE LONG RUN MODERATE ITS BEHAVIOR. BUT CUBA'S MILITARY INVOLVEMENT IN AFRICA IMPLICITLY UNDERSCORES THE IMPORTANCE OF OUR COLLECTIVE SECURITY ARRANGEMENTS IN THE HEMISPHERE AS WELL.

CONSISTENT WITH THE PRESIDENT'S GLOBAL INITIATIVES ON ARMS RESTRAINT, NON-PROLIFERATION AND HUMAN RIGHTS, WE WILL CONTINUE TO SUPPORT THE RIO TREATY AND MEET OUR SECURITY NEEDS.

CONCLUSION

TO CONCLUDE, MR. CHAIRMAN, A STRONG AND EFFECTIVE FOREIGN ASSISTANCE PROGRAM ADVANCES OUR NATION'S FOREIGN POLICY OBJECTIVES IN SEVERAL IMPORTANT RESPECTS.

FIRST, IT IS OUR BEST INSTRUMENT BOTH FOR DEMONSTRATING AND FOR ACTING UPON OUR CONCERN FOR THE HUMAN RIGHTS AND WELLBEING OF INDIVIDUALS LIVING OUTSIDE OUR BORDERS. IT ENABLES US TO CHANNEL SUPPORT TO PROJECTS THAT MEET SPECIFIC BASIC NEEDS OF POOR PEOPLE, SUCH AS FOR FOOD, POTABLE WATER, BASIC HEALTH CARE, AND BETTER FARMING METHODS, AND TO INSURE THAT PROGRAMS ARE EFFECTIVELY ADMINISTERED TO ACCOMPLISH THE INTENDED GOALS. THE UNITED STATES CAN THEREBY HAVE A DIRECT IMPACT IN ELIMINATING THE KIND OF CONDITIONS THAT ARE THE WORLD'S MOST WIDESPREAD SOURCE OF DEPRIVATION TO BASIC HUMAN RIGHTS. AN EFFECTIVE FOREIGN AID PROGRAM ALSO INCREASES OUR ABILITY TO HAVE AN INDIRECT IMPACT IN ELIMINATING HUMAN RIGHTS ABUSES THAT LIE WITHIN THE CONTROL OF FOREIGN GOVERNMENTS. IT DOES SO THROUGH OUR ABILITY TO MAKE HUMAN RIGHTS BEHAVIOR A CRITERION FOR PARTICIPATION, AND TO A MUCH GREATER EXTENT THROUGH THE INCREASED CREDIBILITY IT PROVIDES TO OUR PROFESSIONS OF CONCERN FOR THE RIGHTS ACCORDED TO THEIR CITIZENS. WITHOUT THAT CREDIBILITY, OUR MOST HIGH-MINDED DEFENSE OF INDIVIDUAL RIGHTS WILL BE INTERPRETED AS GRATUITOUS INTERFERENCE.

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FINALLY, AN EFFECTIVE FOREIGN AID PROGRAM SUPPORTS
OUR INTEREST IN OUR OWN SECURITY IN THE INTERNATIONAL
ARENA. A WORLD IN WHICH THE ECONOMIES OF DEVELOPED AND
DEVELOPING NATIONS GROW STRONGER TOGETHER, IN WHICH
THE BASIC NEEDS OF POOR AND SUFFERING INDIVIDUALS
ARE INCREASINGLY MET, AND WHERE THE UNITED STATES
IS SEEN AS MAKING A REAL CONTRIBUTION TO THESE ENDS,
WILL BE A WORLD IN WHICH OUR LEADERSHIP WILL ENJOY IN-
CREASING RESPECT AND CREDIBILITY. IT WILL BE A WORLD
IN WHICH THE FRIENDSHIP AND SUPPORT WE ENJOY FROM
THE NATIONS OF THIS HEMISPHERE WILL BE BASED ON MUTUAL
ADVANTAGE, INCREASING INTERACTIONS IN THE PRIVATE SEC-
TOR, AND A CLIMATE IN WHICH VALUES AND INSTITUTIONS COM-
PATIBLE WITH OUR OWN WILL HAVE A GREATER CHANCE TO
DEVELOP. THIS TYPE OF ENVIRONMENT WILL PROVIDE US A
SECURITY THAT NO ATTEMPT TO BUY FRIENDSHIP AND NO
AMOUNT OF MILITARY HARDWARE COULD EQUAL OR REPLACE.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I WELCOME
YOUR VIEWS AND WOULD BE PLEASED TO RESPOND TO ANY QUES-
TIONS YOU MAY HAVE.

THANK YOU VERY MUCH.

Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 23 Oct 2018 Authority: EO 13526
Declassify: X Deny in Full: _____
Declassify in Part: _____
Reason: _____
MDR: 17 -M- 2264