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2000 FOREIGN POLICY OVERVIEW AND THE PRESIDENT'S FISCAL YEAR 2001 FOREIGN AFFAIRS BUDGET REQUEST

HEARINGS

BEFORE THE

SUBCOMMITTEE ON AFRICAN AFFAIRS

AND

SUBCOMMITTEE ON WESTERN HEMISPHERE, PEACE CORPS, NARCOTICS AND TERRORISM

AND THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

FEBRUARY 8, 9, 10, 24, 25, 29, MARCH 8 and 23, 2000

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2000 FOREIGN POLICY OVERVIEW AND THE PRESIDENT'S FISCAL YEAR 2001 FOREIGN AFFAIRS BUDGET REQUEST

TUESDAY, FEBRUARY 8, 2000

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:40 a.m. in room SD–419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Hagel, Grams, Brownback, Thomas, Ashcroft, Chafee, Biden, Sarbanes, Dodd, Kerry, Feingold, and Wellstone.

The CHAIRMAN. The committee will come to order. Well, it is a privilege again to welcome a great lady who is very special to all of us, the distinguished Secretary of State, Hon. Madeleine Albright, who is the first woman to hold that job, and how well she has done.

The official purpose of this hearing, Madam Secretary, as you know, is to review the President's foreign affairs budget for fiscal year 2001, which was submitted to the Congress yesterday. However, this hearing has over the years become much more than that. This is our annual "around-the-world" hearing during which, at the beginning of each year, the Secretary of State comes to report to the Senate the state of our Nation's foreign affairs, and in the process always engages the committee in a wide-ranging discussion of U.S. foreign policy.

Let me say parenthetically that we welcome a distinguished new member of the committee. He has a good name. Well, he has two good names. The first one is Lincoln, and the last one is Chafee. I am delighted that Senator Chafee, who happens to be my seat mate in the U.S. Senate, I am glad you are with us, Lincoln, and I enjoyed working with your father so many years and look forward to working closely with you in the years to come.

Now, I note with some regret that while we do anticipate, Madam Secretary, that you may appear before the committee before the end of the year is through, this will be sort of your final annual "around-the-world" hearing as Secretary of State. Madam Secretary, by my count this is your 16th appearance before the Senate Foreign Relations Committee. It has always been a pleasure to have you with us, and always will be, and while we have not always agreed on the multitude of matters confronting the Nation during your tenure, I think we have accomplished a very great deal

together, ranging from the expansion of NATO to State Department reorganization, to passage of landmark U.N. reform legislation. I must say, with all genuine appreciation, it has been a pleasure and a privilege to work with you, and the committee is honored to welcome you here this morning.

And to avoid the possible confusion at the United Nations, the distinguished Secretary may appreciate my clarifying that despite our personal friendship I do not speak for her, and in her testimony this morning she will speak for herself and for the President of the United States and not for the Congress.

I said that because I knew that those folks over there and those folks over there were waiting for me to say something.

Tomorrow the committee will hear from a distinguished panel of former administration officials regarding foreign policy, and on Thursday we will be visited by Mr. Brady Anderson, a very gracious gentleman and a good administrator. He heads the Agency for International Development.

Now, this is your first appearance also before this committee since the enactment of the James W. Nance and Meg Donovan Foreign Relations Authorization Act, which was enacted this past November. Now, we all hurrahed that, and I know that somewhere up on cloud nine Bud Nance is applauding, too. That law, named for two fine Americans, who advised us both, authorizes State Department activities for fiscal years 2000 and 2001.

It mandates sweeping reforms of the United Nations in exchange for payment of arrears, and it authorizes an embassy security construction account that will serve as a blueprint for increasing the security of the United States Embassies and bringing U.S. diplomacy into the 21st century.

Now, that law, in conjunction with the Foreign Reform and Restructuring Act, enacted in 1998, which abolished two Federal agencies and integrated their functions in the Department of State, will have major impacts on U.S. diplomacy for years to come, and I thank you, Madam Secretary, for the considerable role you have played in working with this committee in enacting those two landmark bills. Without you, it could not have been done.

But, of course, the work of both of these laws has only just begun. Now that the U.S. Information Agency and the Arms Control Disarmament Agency have been abolished and their functions consolidated with the State Department, the reorganization is in a crucial phase, and I intend to work with you—we all do—to determine where overlap and duplication are occurring. I very much appreciate your assurances that savings will be found in the fiscal year 2001 budget.

I know we agreed that ensuring a strong State Department will enhance implementation of U.S. foreign policy promises and priorities. We are obliged to continue to work together to ensure that the U.N. reforms are carried out. Just last month, this committee took a visit to the United Nations and held the first field hearing of the Foreign Relations Committee in New York City.

And last, I call your attention to the 5-year authorization of funds for embassy construction in the authorization bill. Senator Grams was instrumental in conceiving this plan, and I congratulate him for his good work. The plan provides for a clear guidepost

to the essential upgrading of U.S. Embassies and ensuring the security of U.S. personnel overseas.

Now, this year, Madam Secretary, the committee hopes to consider legislation authorizing U.S. technical assistance, trade promotion policy and anti-corruption programs. The legislation will address key priorities, including combatting narcotrafficking in Colombia through alliances in the Andean region and supporting democracy in the Balkans with the passage of the Serbian Democracy Act, and policies to strengthen U.S. exports, particularly in the agricultural sector.

And I am going to condense my statement from here on and ask that all of it be printed in the record at the conclusion of my remarks. We look forward to your testimony on these and all of the issues you feel are important, so again I extend a sincere welcome to you and look forward to a productive and cooperative legislative year by working together.

[The prepared statement of Senator Helms follows:]

PREPARED STATEMENT OF SENATOR JESSE HELMS

It is my privilege, again, to welcome a great lady who is very special to all of us, the distinguished Secretary of State, the Honorable Madeleine Albright. The official purpose of this hearing, Madam Secretary, is to review the President's foreign affairs budget for fiscal year 2001, which was submitted to the Congress yesterday morning.

However, this hearing has, over the years, become much more than that. This is our annual "around the world hearing" during which, near the beginning of each year, the Secretary of State comes to report to the Senate on the state of our Nation's foreign affairs—and, in the process, always engages the Committee in a wide ranging discussion of U.S. foreign policy.

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And while we have not always agreed on the multitude of matters confronting the nation during your tenure, we have accomplished a great deal together, ranging from the expansion of NATO, to State Department reorganization, to passage of landmark U.N. reform legislation. It has been a pleasure and a privilege to work with you, and the Committee is honored to welcome you here this morning.

And, to avoid possible confusion at the U.N., the distinguished Secretary may appreciate my clarifying that, despite our personal friendship, I do not speak for her, and in her testimony this morning she will speak for herself and for the President and *not* for Congress!

Tomorrow, the Committee will hear from a distinguished panel of former Administration officials regarding U.S. foreign policy, and on Thursday we will be visited by Mr. Brady Anderson, the Administrator for the Agency for International Development (USAID).

Madam Secretary, this is also your first appearance before the Committee since enactment of the *James W. Nance and Meg Donovan Foreign Relations Authorization Act* this past November. The law, named for two fine Americans who advised us both, authorizes State Department activities for fiscal years 2000 and 2001; it mandates sweeping reforms of the United Nations in exchange for payment of arrears; and it authorizes an embassy security construction account that will serve as a blueprint for increasing the security of U.S. Embassies and bringing U.S. diplomacy into the 21st century.

That law, in conjunction with the Foreign Affairs Reform and Restructuring Act, enacted in 1998, which abolished two federal agencies and integrated their functicrns into the Department of State, will have major impacts on U.S. diplomacy in the years to come. I thank you, Madam Secretary, for the considerable role you played by working with the Committee in enacting these two landmark bills.

But, of course, the work of both of these laws has only just begun. Now that the U.S. Information Agency and the Arms Control and Disarmament Agency have been abolished and their functions consolidated in the State Department, the reorganiza-

tion is in a critical phase. I intend to work with you to determine where overlap and duplication are occurring and I very much appreciate your assurances that savings will be found in the fiscal year 2001 budget.

I know we agree that ensuring a strong State Department will enhance implementation of U.S. foreign policy priorities.

We also must continue to work together to ensure the U.N. reforms are carried out. As you know, just last month this Committee took an historic visit to the United Nations and held the first field hearing of the Foreign Relations Committee in New York City. My impression is that members of the Committee and Ambassador Holbrooke found the visit useful and an important step toward ensuring implementation of the reforms called for in the bill.

And lastly, I call to your attention the five year authorization of funds for embassy construction in the authorization bill. Senator Grams was instrumental in conceiving this plan and I congratulate him for his good work. The plan provides a clear guidepost to the essential upgrading of U.S. Embassies and ensuring the security of U.S. personnel overseas.

The President's budget does not include the full funding for this embassy upgrade program, but I am hopeful that you will make it a priority to ensure funding for this embassy construction plan.

This year, Madam Secretary, the Committee hopes to consider legislation authorizing U.S. technical assistance, trade promotion policy, and anti-corruption programs. The legislation will address key priorities, including combating narco-trafficking in Colombia through alliances in the Andean Region, supporting democracy in the Balkans with passage of the Serbia Democracy Act, and policies to strengthen U.S. exports, particularly in the agricultural sector.

There are, as you are well aware, a number of important policy issues before you. Your having just returned from Russia (as have some members of this Committee), we expect considerable discussion and debate in the coming months on the future of U.S. policy regarding Russia.

You are in the midst of serious and delicate negotiations for peace in the Middle East. A number of treaties are under negotiation by the State Department that could have major impact on U.S. security policy, including economic security and U.S. exports. The Congress will be debating the future of U.S. trade policy with China, et cetera, et cetera, et cetera,

We look forward to hearing your testimony on these and any other issues you feel are important. So again I extend a sincere welcome to you and look forward to a productive and cooperative legislative year by working together.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Thank you very much, Mr. Chairman. Let me begin by also on behalf of the Democrats welcoming Lincoln Chafee to the committee. I am sure he has heard it at every turn. Your father, Lincoln, was a man of incredible integrity and great wisdom, and significant experience, and I do not think—well, I know, in my experience, being here 28 years, I have never served with a finer man than your father, and I welcome you on the committee.

Senator CHAFEE. Thank you, Senator.

Senator BIDEN. Mr. Chairman, thank you for your opening statement, and Secretary Albright for coming before the committee. To state the obvious, this is an election year, and while Congress may find itself in some difficulty deciding on some of the controversial issues that we have to decide upon in this year, the world's problems are not going to sort of halt and be suspended during this election year until we see who the next President of the United States is going to be, and so your job goes on right up to Inauguration Day of the next President of the United States of America, and there is still much to be done.

First, if I could be presumptuous enough to lay out for you what I think, and I do not speak for all Democrats by any stretch of the imagination, nor do I presume to speak for the Republicans, but I think all of us would acknowledge there are four or five things we have to deal with. How we come out will depend upon the debate

and discussion and the votes here in the Congress, but it seems to me we have to reinvigorate our arms control discussion with the Russians, help keep the Russians on the democratic path, and the jury is still out on Mr. Putin.

The election, which seems to be a foregone conclusion at this point and has not been held yet, will be held in the month of March, and it remains in our interest to stay closely engaged with Moscow, but if Putin's Government strays too far from the democratic road or purposefully helps other countries develop weapons of mass destruction, we have to be prepared to reevaluate our relationship with him, as I know you have already communicated, as I understand it.

At the same time, literally, it is of vital importance that we succeed in our current talks with Moscow regarding strategic arms and ballistic missiles. Senator Hagel just led a delegation to Moscow and brought the delegation to the conference in Munich which has been going on for decades, where the defense chiefs of all the NATO countries assemble and those on their Armed Services Committee and Foreign Relations Committee assemble, and the think tank people of all the countries who focus most on defense, and one of the subjects was obviously theater nuclear defense, national missile defense and its relationship to the ABM treaty, and could it be amended.

I need not tell you, much hangs in the balance in terms of relations with other countries beyond Moscow, depending on whether we can work out a framework whereby we have defense as well as deterrence as part of the arrangement with ABM intact.

We will have a disagreement on that in this body, but I think those negotiations are the single most important thing that are going on right now, and I realize they are not even negotiations yet. We are in the midst of discussions.

Second, it seems to me we have to maintain our efforts to engage China, an emerging great power in Asia. Engagement is neither a slogan nor a strategy. It is a hard-headed means of advancing our national interest in the region. We can hardly ignore China, and it is folly to think we can isolate it.

I think we have to be very careful, and the chairman and I may end up, although we have not—everybody is beginning to doubt both of our credibility because we are agreeing so much on so many things of late, and I mean that sincerely. I might add, by the way, I think the most significant thing we can do, and it is the chairman's doing, with your cooperation, is the reorganization of the State Department so it comports with the 21st century, and that was his objective. I played a small part, but he did it.

So we have been agreeing on a lot, but we may not agree on the Taiwan Security Enhancement Act which passed the House last week. I am concerned that if it is enacted it could yield a result not intended by its authors, and that is undermining, not enhancing Taiwan's security by upending a careful balance struck two decades ago in the Taiwan Relations Act, but I have an open mind, but I just hope we really work through it very, very closely.

Further, it seems to me we have to encourage China to cooperate with us in seeking regional stability in South Asia. I quite frankly do not know how we reach a reasonable resolution for the world

on the subcontinent of India, between India and Pakistan, without China playing a constructive role. I do not know how we get there without a constructive role being played by China, nor do I think we are likely to peacefully resolve without significant dislocation what is going on in North Korea without China's constructive participation. I do not count on it, but I think we should seek it.

Third, I think we have to quickly authorize assistance to our democratic allies in Colombia who are fighting the narcotraffickers, and fourth it seems to me we have to continue our efforts to bring peace to the Middle East and Northern Ireland. Hard-won achievements of this administration and its predecessors remain hanging in the balance, and I know that the President and you, Madam Secretary, are going to continue to work vigorously for peace until next January. Congress has to support the administration, as it has been, in these regions, but we are going to have to do a lot of talking back and forth as we go forward, especially if that peace requires appropriations.

Fifth, it seems to me we have to consolidate our achievements in the Balkans, and your budget proposal to meet our commitment is essential. As my friend Senator Hagel will attest, I pointed out to my colleagues in Europe that they were not keeping their promises to fund the civil implementation, supporting a stability pact for the region, and the funding of the U.N. mission in the Balkans.

We have won the war, but we could lose the peace if we do not hang tough and keep the commitments we made. We are keeping them. You are pushing it. I hope we can act quickly on the administration's request.

And sixth, we have to advance our objectives in Africa, and that is basically to two ends, helping end destructive wars, and fighting the deadly disease of AIDS which threatens not only the public health of the continent but also the economic and political security.

And finally, Madam Secretary, it seems to me we have to complete the unfinished business from last year, and that is the approval of the remainder of the administration's proposal for debt relief for the poorest nations.

So Madam Secretary, to state the obvious, you have got only one person's perspective, but I doubt whether many would disagree that regardless of how they do it, that they are at least four or five of the major issues we have to deal with together, and independently here in this body, and I look forward to working with you.

As I said at the outset, you have had a remarkable working relationship with the chairman and this committee. I think we have done very good things, and in order not to break the mood here, I will not even begin to talk about nominations, but I do hope we can talk to our friend Mr. Grassley and maybe let our people go on a few of those outstanding nominations which are for very important posts. That may be a little harder grinding than some other things, maybe less important in one sense, but in other senses, in terms of the operation of your shop, very important.

I look forward to hearing your testimony, and again I want to begin this year by thanking the chairman. He has kept every commitment he made about working with the Democrats on this committee, and when we disagreed it has been straight up, when we have agreed, we have got things done, but at least the committee

is back on the track of doing its job and getting work done thanks to the chairman.

So I thank you, Madam Secretary.

The CHAIRMAN. Now you may proceed, Madam Secretary.

STATEMENT OF HON. MADELEINE K. ALBRIGHT, SECRETARY OF STATE, DEPARTMENT OF STATE

Secretary ALBRIGHT. Thank you very much, Mr. Chairman. It has been mentioned that I am entering my last year as Secretary of State in the Clinton administration, and I obviously have done a lot of reflecting about what has been done and what still needs to be done, and a lot does have to happen.

I have been a Senate staffer, I have been a professor, I have been a campaign advisor, I have been a talking head, I have been a wannabe, I have been Ambassador to the United Nations and now Secretary of State.

Senator BIDEN. Which one did you like best?

Secretary ALBRIGHT. I have not been elected to public office, which I regret, and some of my fellow foreign ministers around the world who are members of parliamentary governments always are reminding me about their very close contact with voters. So I have tried to make up for that by traveling America as much as I have traveled the world, because I think it is very important to know what the American people think.

Over the last 7 years my previous ideas and criticisms have been tested on a daily basis by actually having to make some decisions, and I am pleased to say that from my own perspective I believe that I have maintained a consistent view about the importance of America's leading role in the world.

My view has really been informed by my personal gratitude to the American people for the role that America took during World War II and the cold war, and I believe, therefore, in an activist, engaged America. I have done a lot of reading and listening, and there is a lot of talk about the U.S. role and American power, and about priorities, obviously a subject that is part of my daily bread, and I believe that we have the strongest military and we have to keep it, and we have to have an equally strong Diplomatic Service.

But I also think, out of my conversations with the American people, which you have also in a much more intensive way, I do not think they want us to forget about our humanity and humanitarian concerns, or principles, and our values, and therefore I believe in the goodness of American power, and our priorities have to reflect those principles and values, and I thought I would just say that by way of context for the budget and priorities that I am going to set out today.

I am really very pleased to have a chance once again to be here and I do hope it is not my last appearance this year, because I think these are always very good exchanges, and during the past 3 years I have been honored to work with you in what has been a time of progress and accomplishment for America, and I do believe that our sense of common purpose has contributed to the fact that our Nation has entered this new century strong and respected, prosperous, and at peace.

Together with allies and partners we have helped NATO gain new members and train for new missions, and I think we did a lot of work on that here in this committee. We have worked for peace in Northern Ireland and the Middle East, spurred recovery in Bosnia, and ended large-scale strife in Kosovo and in East Timor.

We backed nuclear stability and democratic reforms in the former Soviet Union. We have carried out the sweeping and successful restructuring of our foreign affairs agency—I do believe, Mr. Chairman, we can be very proud of that work—and we have enacted a bipartisan plan to begin paying down our U.N. obligations, another very important thing we have done together.

Our ability to work together stems from our shared purpose, but also from the more personal bonds reflected in last year's State Department authorization bill which, as you pointed out, Mr. Chairman, was named for Admiral Bud Nance and Meg Donovan.

In that spirit, I also want to thank this committee for its speed and fairness in approving nominations and very much second what Senator Biden said, hoping that we can get a number of appointments done this year. It is very important.

Now, I am told this is an election year, but that does not matter to me personally, because when I joined the State Department, as I have told many of you, I had all my partisan instincts surgically removed. I only mention it because some say it is harder for the executive and legislative branches to work together in even-numbered years, but we all know that the world does not stop even for American elections, and we have to work together steadily and agreeably, even when we disagree, to seize opportunities and protect our interests against 21st century perils.

My written statement, Mr. Chairman, is quite lengthy, and describes our policies around the world, and since I know you will read it perhaps at bedtime I promise not to recite it. Instead, I will confine my oral remarks to a few of the issues where it is most urgent that we work cooperatively this year.

The first is in supporting democracy. I emphasize this because the democratic trends of the past decade are by no means irreversible. Amidst progress on every continent, we also find that transitions have stalled due to economic crisis, ethnic division, or rising crime, and there are a number of elected governments that are democratic in name only, practicing not government of the people but, rather, stealing from the people their riches and rights.

Our task this year is to renew democratic momentum, not out of high-mindedness alone, but because democratic growth is part of the answer to many of the challenges, economic, political, and military, that we face. For example, we have an urgent and obvious stake in aiding Colombian President Pastrana and his plan to rescue his country and thereby help rescue ours from the scourge of cocaine.

Nigeria's future development will determine whether it is a source of chaos and corruption or a driving force for stability and progress throughout West Africa.

Indonesia has long been a leader in Southeast Asia, and it now has a chance, although under severe stress, to become a model of multiethnic democracy as well.

Aside from Russia, Ukraine is the largest and most influential of the New Independent States. The whole region will be affected by whether it slides backward or continues up the democratic path.

The President's budget proposes significant investments in each of these four key democracies, and in promoting democratic practices and values worldwide. Support for freedom is in the proudest tradition from Washington and Jefferson to Reagan and Clinton, and I ask your help in getting a good start on what I hope will be known as, with a small d, a democratic century.

Second, I ask your support for peace.

In the Middle East, we will need your steady backing as we work with the parties to find the road to a just, lasting, and comprehensive settlement. The legacy of mistrust in the region is hard to overcome, and the enemies of peace remain virulent and active, but never before has the logic of peace been so compelling, or the opportunity for peace so clear, and at this critical time America's commitment to progress on all tracks must remain rock-solid.

On the Korean peninsula, we have reviewed our policy over the past year in close coordination with Seoul and our indispensable ally, Japan, and we are backing President Kim Dae-jung's policy of engagement with the North and have expressed a willingness to improve our relations with Pyongyang while it addresses our concerns about its missile and nuclear weapons associated activities.

In Africa, the Lusaka agreement provides a basis for ending the war in the Congo, and we have challenged the parties to live up to their obligations under it. As they do, we can help by endorsing a carefully designed U.N. mission.

We have learned much over the past decade about the "do's and don'ts" of such missions, and we must apply these lessons firmly and realistically in this case, but we must also be resolute in our determination to help the Congo move from war to peace.

Third, I ask your support for promoting the further integration of countries into the economic, political, and security components of the international system. This is an overarching goal that we pursue in diverse areas by a variety of means.

For example, last July, following the conflict in Kosovo, we entered into a stability pact covering all Southeast Europe. Our goal is to work with local leaders and populations to integrate this area of chronic instability into the continent's democratic mainstream.

We have no illusions about the difficulty of this task. It is literally to transform the patterns of history, but such patterns have been transformed before and, despite all the frustrations and setbacks, a new reality is slowly taking shape.

Consider the region's hardest case, the former Yugoslavia. Yesterday, a new President was elected in Croatia pledged to tolerance and economic reform. Since Dayton, elections have been held at all levels in Bosnia. Slovenia is democratic. In Macedonia there was a peaceful transfer of power last year. In Montenegro, President Djukanovic is championing democracy, and in Serbia, more and more people are asking when they, too, will be given the right to choose their leaders freely and without fear.

Finally, in Kosovo, our challenge is to prepare the way for democracy by showing the same determination to build peace as we did to end the conflict, and I ask your support for the President's re-

quest for Kosovo and the region. I cannot imagine a better gift to the future than a democratic and stable Southeast Europe.

With your permission, Mr. Chairman, I would like to enlarge upon this point for just a minute. We all know that the politics of hate in Europe exacted an enormous price during the last century. It dramatically altered the course of millions of lives, and prematurely and tragically ended many millions more.

After what we have witnessed, not even elections can validate intolerance, for democracy is based on respect for the rights of every individual. Those who love freedom must be vigilant in defending it against those who threaten it, even those who would steal its very name. At the same time, we must recognize that there are apostles of hate in every country.

Today, I hope we will renew our vow not simply to remember the truth about the Holocaust, but also our duty to rebut those who prefer to forget, distort, or deny it. Let us renew our pledge to prevent genocide, oppose ethnic cleansing, and protect the rights of all, including minorities. These are standards which every country in the Euro-Atlantic community and beyond should observe, and which every country should strive to unite around.

Now, let us then talk sense to the people of Austria. Let us expand our dialog with them while holding their leaders accountable to the principles of pluralism and tolerance they have just explicitly reaffirmed, and let our communities stay focused on the opportunities and challenges that exist in Southeast Europe by backing the promise of resources with their timely delivery in Kosovo and around the region.

Mr. Chairman and members of the committee, when we talk about integration, we also talk about Russia and its relations with the West, which have been strained by political turmoil and conflict. Over the past decade, the United States and Russia have overcome sharp differences to cooperate in the Balkans and on other issues of European security. This past week in Moscow I emphasized America's desire to continue working with the Russians to curb proliferation, ensure the safe handling of nuclear materials, further reduce nuclear arsenals, and find common ground on national missile defense. I also said that Russia's integration could become isolation unless it ends its brutal tactics in Chechnya and pursues a political resolution of that conflict.

Another difficult but vital test of integration is in Asia, where it is in our interest to encourage China to participate more fully in the world economy and comply more rigorously with global norms.

In the year 2000, we will be consulting closely with Beijing on global and regional security issues, including proliferation. We support the protection of Tibet's heritage and will continue to urge Beijing to open a dialog with the Dalai Lama.

In Geneva, we will seek international support for a resolution calling upon China to increase respect for human rights. We will continue to implement faithfully our obligations under the Taiwan Relations Act, and we will be asking Congress to support the administration's agreement to bring China into the World Trade Organization by passing permanent normal trade relations. If we do not, we will risk losing the market access benefits of the agreement and the right to enforce them through the WTO. We would also

lose the opportunity to help China further in the direction of openness and the rule of law.

I also ask you to support integration by helping us to assist others to participate more effectively in the economy of the 21st century. Specifically, I ask your backing for the varied and vital work of USAID in the Africa Growth and Opportunity Act, the Caribbean Basin Initiative, and the Southeast Europe Trade Preferences Act.

I ask your support for President Clinton's plan to provide debt relief for the most heavily indebted poor countries, and to increase our contributions to the fight against killer diseases, including HIV/AIDS, and I ask your approval of the President's request for full funding without unrelated restrictions for international family planning, which reduces the number of abortions and saves human lives.

Finally, I ask your support for American leadership. Whether the challenge is protecting our citizens from international terror, or our environment from global climate change, America cannot lead without resources, not be secure unless we lead. Despite President Clinton's strong backing and bipartisan support from many of you, our foreign policy enters the 21st century living hand-to-mouth. No industrialized country contributes as small a share of its wealth to overseas development. During the past decade alone, our rate of investment has declined by more than a half.

We also need resources to enhance the security of those who work in our diplomatic posts both overseas and here at home and, as the tragic Africa Embassy bombings of 1998 remind us, our people are on the front lines for America every day and on every continent. They deserve, or they have earned the same respect and care we afford to our military personnel.

So I ask your support for the President's budget in its entirety, and I do so with clear understanding that the vast majority of the funds requested will be spent next year, under a new administration. The President's request has nothing to do with parties or personalities. It has everything to do with our Nation's determination to protect our interests and promote our values.

I remind you that today we devote only 1 penny out of every Federal dollar we spend to our international affairs programs, but that single penny can make the difference between a future characterized by peace, rising prosperity, and law, and a more uncertain future in which our economy and security are always at risk, our peace of mind is always under assault, and American leadership is increasingly in doubt.

Mr. Chairman and members of the committee, the dawn of the millennium has only intensified our awareness of the passage of time. We conduct much of our business with technologies that barely existed only a decade ago. The patterns of international relations that we lived with for so long have been turned upside down, and old friends have passed to a better place.

We live in a world that seems utterly transformed, and that will not stop changing. No country is more comfortable in such a world than America, but we would be lost except for what has not changed, and that is America's purpose. There are no final frontiers for America. We are not, and have never been a status quo

country. We have always believed in the future, and that it can be made better than the past. We are doers.

In the year ahead we have a chance to add another proud chapter in the history of American leadership in search of peace, in defense of freedom, on behalf of prosperity, and in the service to our collective boss, the American people. I have no doubt that, in that quest, if we are united we will succeed.

Thank you very much.

[The prepared statement of Secretary Albright follows:]

PREPARED STATEMENT OF SECRETARY OF STATE MADELEINE K. ALBRIGHT

AMERICA AND THE WORLD IN THE TWENTY-FIRST CENTURY

I. Priorities for the New Year

Mr. Chairman and Members of the Committee, good morning. I am pleased to be here to testify regarding the President's proposed Fiscal Year 2001 budget request for international affairs, and to review U.S. foreign policy around the world.

In times past, my predecessors have appeared before this Committee seeking support for Americans at war, help in responding to a grave international crisis, or solidarity in the face of threats posed by a totalitarian superpower.

But now, in this first year of the new millennium, our country is at peace. We enjoy record prosperity. Our alliances are united and firm. And the ideals that underlie our own democracy have spread to every continent, so that for the first time in recorded history, more than half the world's people live under elected governments.

Some might see in this good news reason to sit back, put our feet up, and relax, thinking that we are safe now and there is no more great work to be done.

But experience warns us that the course of world events is neither predictable nor smooth. And given the pace of our era, we know that dangerous threats to our security and prosperity could arise with 21st century speed.

These include the spread of weapons of mass destruction (WMD) and the missiles that can deliver them; the plague of international terror; the danger of regional tensions erupting into conflicts; the poisonous effects of drug trafficking and crime; the risk of renewed financial crisis; and the global challenges posed by poverty, disease and environmental degradation.

Three years ago, in my confirmation hearing, I testified that the framework for American leadership must include measures to control the threats posed by nuclear weapons and terror; to seize opportunities for settling regional conflicts; to maintain America as the hub of an expanding global economy; and to defend cherished principles of liberty and law.

I said further that our key alliances and relationships were at the center of that framework. For these are the bonds that hold together the entire international system. When we are able to act cooperatively with other leading nations, we create a convergence of power and purpose that can solve problems and spur progress around the globe.

This framework will continue to guide us in the year 2000. Our priorities include an even stronger NATO, with ever more robust partnerships, still open to new members, developing new capabilities and preparing for new missions.

We will also strive with our partners to build peace in Kosovo and integrate all of Southeast Europe into the continent's democratic mainstream.

We will work in consultation with this Committee, our allies, and others to respond effectively to the perils of proliferation and the promise of arms control.

We will promote a healthy, open, and growing world economy whose benefits are shared more widely both among and within nations, and where American genius and productivity receive their due.

We will focus attention on our complex relationships with Russia and China, adhering to core principles, while seeking to advance common interests.

We will act resolutely to support peace in key regions such as the Middle East, Central Africa, Northern Ireland and the Aegean.

We will continue our efforts to enhance stability on the Korean Peninsula and to ease tensions in South Asia.

We will strive for even greater cooperation along our borders with Canada and Mexico.

And we will work to strengthen democratic institutions worldwide, including the four key countries of Colombia, Indonesia, Nigeria and Ukraine.

These and other tasks may seem disparate, but each relates to our vision of a secure and prosperous America within an increasingly peaceful and democratic world.

Unfortunately, it remains unclear whether we will have the resources we need to provide the kind of leadership our citizens deserve and our interests demand.

Despite President Clinton's strong backing and bipartisan support from many in Congress, our foreign policy enters the 21st Century living hand to mouth.

Today, we allocate less than one-tenth of the portion of our gross national product that we did half a century ago to support democracy and growth overseas. During the past decade alone, our investment relative to the size of our economy has declined by more than half. Throughout this period, we have been cutting foreign policy positions, closing diplomatic posts, and shutting USAID and USIA missions. And we still have far to go in partnership with Congress to provide fully adequate security for our people overseas. All this has consequences. It reduces our influence for stability and peace in potentially explosive regions. It detracts from our leadership on global economic issues. It makes it harder for us to leverage the help of others. And it often leaves us with a no-win choice between devoting resources to one emergency and using those same resources to deal with another urgent need.

On Monday, the President submitted his Fiscal Year 2001 budget, including a request for about $22.8 billion for international affairs programs. I ask you to support that request in its entirety. And I do so with the clear understanding that the vast majority of the funds requested will be spent next year, under a new Administration. The President's request has nothing to do with parties or personalities; it has everything to do with our nation's ability to protect our interests and promote our values.

And I remind you that today, we devote only one penny out of every federal dollar we spend to our international affairs programs. But that single penny can make the difference between a future characterized by peace, rising prosperity and law, and a more uncertain future, in which our economy and security are always at risk, our peace of mind is always under assault, and American leadership is increasingly in doubt.

Mr. Chairman, members of the Committee, it has been a great honor to work with you these past three years, for they have been years of progress and accomplishment for America.

Because this is an election year, some say it will be harder to gain Executive-Legislative cooperation in international affairs. But you and I both know that the world does not stand still even for American elections. We have an obligation—which I am confident we will meet—to work together responsibly on behalf of American interests. And this morning, I would like to review with you our agenda for leadership in the year ahead.

II. American Leadership Around the World

(A) Europe and the New Independent States

Since the end of the Cold War, President Clinton and his counterparts in Europe have strived to adapt trans-Atlantic institutions to deal with the realities of a transformed world. Where once we worked with part of Europe to counter a threat that had imprisoned and made dangerous its eastern half, now we work with all of Europe to secure peace, prosperity and freedom throughout and beyond its borders.

As a result, we begin the 21st Century with a NATO that has been strengthened by new members and prepared for new missions. During the Washington Summit last April, Alliance leaders adopted a revised Strategic Concept, vowed to develop the capabilities required to respond to the full spectrum of threats NATO may face, took its partnerships with Europe's other democracies to a new level, and pledged to strengthen the European pillar of the Alliance in a way that bolsters overall effectiveness and unity. The Allies also underscored their commitment to enlargement by adopting a plan to help aspiring countries prepare for possible future membership.

We have also worked to strengthen the Organization for Security and Cooperation in Europe (OSCE). At the November summit in Istanbul, OSCE members agreed on a new Charter for European Security, recognizing that security within societies is as important as security between states.

Our partnership with the European Union (EU) is another pillar of trans-Atlantic security and prosperity. As the EU develops its foreign policy capabilities, we are prepared to develop our partnership in tandem with it. That is why we used the U.S.-EU Summits this past year to improve our ability to act together in fast-breaking crises; manage our differences; and improve joint efforts to address global challenges. We also strongly support the EU's plan for enlargement, including its recognition of Turkey as a candidate for membership.

These measures are part of a larger strategy for realizing one of the most elusive dreams of this century, which is an undivided and fully democratic Europe. This goal is also served by our support for the Good Friday peace accords in Northern Ireland; our diplomatic backing for UN-based talks on Cyprus; our efforts with regional leaders to consolidate freedom in central Europe; and our support for Nordic and Baltic nations as they move down the road to integration and cooperation.

Unfortunately, there remains a large piece missing in the puzzle we have been trying to assemble of a Europe whole and free. And that is the continent's southeast corner, where the exploitation of ethnic rivalries sparked World War I, contributed to the mayhem of World War II, and led to four conflicts this decade, including the recent crisis in Kosovo.

In partnership with the EU and others, we have entered into the Southeast European Stability Pact, a multiyear strategy for integrating the nations of that region into the continent's democratic mainstream. The Pact's goals are to foster peaceful, tolerant societies; build viable economies; and transform the region from a source of instability into a full participant and partner in the new Europe.

We are under no illusions about the difficulty of this task. It is literally to transform the patterns of history; to replace whirlpools of violence leading nowhere with a steady upward tide. This won't happen unless the international community follows through on commitments to help. And unless regional leaders make the hard choices required to create societies based on freedom and law. Accordingly, we welcome the European Commission's intention to secure 11.2 billion Euros for these goals during the next six years. And we are encouraged by the commitment governments are making to curb corruption and create a good climate for doing business.

We are also heartened by democratic progress in the former Yugoslavia. Since Dayton, elections have been held at all levels in Bosnia. In Macedonia, there was a peaceful transfer of power last year.

In Croatia, the just-concluded election process has been a true breakthrough, representing a triumph for civil society and a major turning point away from ultra-nationalism and towards democratic values. In Montenegro, President Djukanovic is championing democracy. And increasingly in Serbia, the people are asking when they will be given the right to choose their leaders freely and without fear.

Finally, in Kosovo, our challenge is to prepare the way for democracy by bringing the same determination to the task of building peace as we did to ending conflict.

In less than eight months, much progress has been made. Large-scale violence has ended. Almost a million refugees and displaced have returned home. The Kosovo Liberation Army has effectively met its promise to demilitarize. A civilian police is being established and an Interim Administrative Council created.

Nevertheless, the situation remains tense and unpredictable. Backed by Kosovo's leaders, we have urged citizens to refrain from violence, and to cooperate with KFOR, the UN mission, and the international war crimes tribunal. And we are working with them to prepare for municipal elections later this year.

I urge your support for the President's request for funds to help the Kosovars build a democratic society. Combined with the far larger contributions received from our allies and partners, these funds will be used to help create effective civil administration, spur economic activity, create democratic institutions and train and equip the police.

In Bosnia, we remain deeply committed to full implementation of the Dayton Accords. In cooperation with our many partners, we are constantly evaluating how best to enable and encourage Bosnians to take full responsibility for building a stable, democratic society. The President's budget requests the resources we will need to help Bosnians continue moving in the right direction.

As we proceed with efforts to help Europe's new democracies, we cannot neglect the health of democracy in older ones. In Austria, we are concerned about statements made by Freedom Party head Joerg Haider. Regardless of the government's composition, we have made it clear that we expect Austria to continue to meet the commitments it has made to respect the rights of minorities, foreigners and refugees.

Further to the east, towards the Caucasus and Central Asia, democratic change remains very much a work in progress. In many countries, respect for human rights and the rule of law is unsatisfactory and economic reforms have been slowed by financial turmoil. These problems are aggravated by the lack of a democratic tradition, uncertainty about Russia's future direction, and instability generated by extremist groups.

In the year ahead, we will vigorously pursue diplomatic and programmatic efforts to help countries in the region find the right road. For example, we are pressing ahead as a co-chair of the Minsk process in search of progress on Nagorno-Karabakh. We are renewing our request for repeal of Section 907 of the Freedom

Support Act. We will seek progress in implementing CFE commitments, and in insulating Georgia from the consequences of the Chechen War. And with Turkey and its partners in the Caucasus and Central Asia, we will take steps to build on the Baku-Ceyhan pipeline agreement.

We attach high importance to our strategic partnership with Ukraine, knowing that an independent, democratic, and prosperous Ukraine is a key to building a secure and undivided Europe. The Ukrainian people showed in last year's elections that they want to get on with essential reforms. And President Kuchma has vowed to make use of this mandate for decisive change. We will do all we can to assist in strengthening democratic institutions, improving the investment climate, and bolstering the rule of law. We will also deepen our cooperation under the NATO-Ukraine Charter and strengthen our joint nonproliferation efforts.

The past year in Russia has been extraordinarily difficult. Political turmoil, corruption, terrorist bombings, the war in Chechnya and continued economic problems have created hardships for the Russian people, and at times strained relations with the West.

In the months ahead, we hope to re-establish and expand the basis for cooperation between our countries. There is new leadership in the Kremlin and a new Duma that may prove more constructive and forward-looking than the one it replaced. Our nations are working together again in the Balkans, and consulting closely on arms control and nonproliferation issues. We seek to further develop ties between Russia and NATO. And it remains very much in our interests to help Russia prevent the loss of nuclear materials and expertise, and to assist the Russian people in strengthening civil society.

The key short-term test for Russia's leaders remains the war in Chechnya.

Like many others, we have criticized the Russian military for indiscriminate shelling and bombing in that region. We understand the problems posed by terrorism, but deplore the massive violations of human rights. We are concerned about the regional impacts of the conflict, including refugee flows. And we also believe that the harsh tactics being used will not work.

As I said last week in Moscow, "These tactics will not set the stage for peace. Only a political resolution of the conflict will do that. As long as the fighting continues, it will serve as a magnet for extremism that could one day risk the stability of the entire region."

It should not be surprising that the Russian transition is proving difficult. After all, Communism was a seven-decade forced march to a dead end, and no nation went further down that road than Russia. But there is also no question that a peaceful and democratic Russia that is tackling its economic problems and playing a constructive international role can make an enormous contribution to the 21st Century. We have an enormous stake in Russian success and will continue to work with Russian leaders whenever possible to advance common interests.

(B) The Middle East

We begin the new century with new hope in the Middle East, where our primary objective remains a just, lasting and comprehensive peace between Israel and her Arab neighbors.

Last month, Israeli Prime Minister Barak and Syrian Foreign Minister Shara journeyed to West Virginia, for intensive talks. Chairman Arafat later met with President Clinton in Washington. And last week in Moscow, I co-chaired with Foreign Minister Ivanov a very successful ministerial meeting of the Multilateral Steering Group.

All this activity reflects that progress is now possible on all tracks of the peace process. But reaching agreement on any of the bilateral tracks remains a formidable task. President Clinton and I will continue working with the parties to help them narrow differences and identify compromises that satisfy core needs.

At this critical moment, it is essential that the United States remain steady in its support for peace. I congratulate Congress for providing funds late last year to implement the Wye River and Sharm-el-Sheikh interim accords. I hope we will have your continued backing now, as we seek to ensure the security and promote the prosperity of our friends in the region.

As we strive to bring peace closer between Arabs and Israel, we must also explore opportunities for constructive change elsewhere—for example, in Iran.

Over the last two years, there have been unmistakable signs of public support in Iran for a more open approach to the world. We have welcomed President Khatemi's calls for people-to-people dialogue, his verbal condemnation of terrorism, and his regret over the 1979 hostage episode. The upcoming Parliamentary elections could provide evidence that the trend towards openness is gathering speed.

At the same time, Iran continues to pursue some policies that we strongly oppose. The United States recognizes that there are conflicting forces at work in Iran, as there are in many nations. Our hope is that the Iranian people will want and be able to choose approaches that lead to better relations.

Elsewhere in the Gulf, we remain focused on containing the threat posed by the Iraqi regime's aggression and WMD capabilities.

Last December, the UN Security Council approved a Resolution establishing the means and mandate for resuming on-site weapons inspections in Iraq, including a clear roadmap for assessing compliance. The United States will work with Dr. Hans Blix, Executive Director of the new Commission, towards fulfilling the Council's resolutions.

We will also continue to make the point that lifting sanctions in the absence of compliance by Baghdad with its WMD obligations is not an option. The Iraqi Government has shown no evidence that it has learned the lessons of the past nine years. That is why we are working for the day when the aspirations of the Iraqi people are realized, and a new government makes it possible for their country to rejoin the family of nations as a responsible and law-abiding member. To this end, we have increased our financial and other assistance to the Iraqi National Congress, and made clear that a change in Baghdad would lead to a change in U.S. policy.

At the same time, we remain committed to alleviating the hardships faced by the Iraqi people. Since 1996, the "oil for food," which we strongly support and helped conceive, has substantially improved nutrition. In Northern Iraq, where assistance is distributed by the UN rather than the Iraqi Government, child mortality rates are lower than they were prior to the Persian Gulf War.

America's interest in a stable and prosperous Middle East also depends on whether the nations there work together to reform their economies, attract investment, move in the direction of democracy and create opportunities for their citizens. During the year 2000, we will be active in promoting these principles in our discussions with the region's leaders and peoples.

(C) The Asia Pacific

No part of the world will play a greater role in determining the character of the 21st Century than the Asia Pacific. The region's stability and its continued development and democratization are of profound interest to the United States. This is reflected in my ten visits to the area since becoming Secretary of State.

The United States is deeply committed to meeting our obligations to treaty allies (Australia, Japan, the Republic of Korea (ROK), the Philippines, and Thailand), while striving to promote economic and security cooperation with all countries. To this end, we are working with friends and partners to strengthen existing regional institutions, such as APEC, ASEAN and the ASEAN Regional Forum, and to enhance dialogues between and among nations.

Our most important bilateral relationship in the Asia Pacific is with Japan, with whom we work closely on a full range of security, economic and global issues. In recent years, we have modernized our defense cooperation, negotiated steps to liberalize trade, and developed a common agenda for action on matters such as global climate change, international crime, and development in Africa.

Another ally, the Republic of Korea, has become a source of regional stability under the able leadership of President Kim Dae-jung. Over the past two years, the ROK implemented painful economic reforms that have enabled it to emerge from the Asian financial crisis. Even as it struggled with these difficult domestic issues, it demonstrated regional leadership by contributing to the peace operation in East Timor.

We fully support President Kim's policy of engagement with the Democratic People's Republic of Korea (DPRK). This policy seeks to reduce the DPRK's isolation, address humanitarian needs and prevent destabilizing military incidents.

Over the past year, former Defense Secretary William Perry and the State Department's Counsellor, Ambassador Wendy Sherman led a comprehensive review of our own policy toward the DPRK, in close coordination with the ROK and Japan. As a result, we have expressed our willingness to improve relations with the DPRK as it addresses our concerns about its missile and nuclear weapons programs.

Last September, we reached an understanding with the North that it will refrain from any long-range missile flight tests as long as negotiations to improve relations are underway. We will continue such discussions at the end of this month, and anticipate additional talks at a higher level about one month later.

The DPRK's nuclear weapons-associated activities is another area of deep concern. By freezing the North's nuclear facilities at Yongbyon and Taechon, which pose a serious proliferation risk, the Agreed Framework is making a vital contribution to

stability. We need Congressional support for meeting our obligations under the Framework, just as we expect the DPRK to meet its own.

Our policy towards the DPRK reflects our desire for permanent reconciliation on the Korean Peninsula. The question of ultimate reunification is one for Koreans to decide through peaceful means, and we strongly encourage North-South dialogue. We also support the Four Party Talks, which include China, the United States and both Koreas. We and our allies want to engage the DPRK in a comprehensive manner so that all sides may address issues of concern. But we are under no illusions. Further progress depends on the DPRK's further willingness to engage seriously with us.

We believe the new century can generate new momentum and mutual benefits in our relations with China. As the President said in his State of the Union Address, "Congress should support the agreement we negotiated to bring China into the WTO, by passing Permanent Normal Trade Relations (NTR)." If we do not grant permanent NTR, we will risk losing the market access benefits of the agreement, and the right to enforce them through the WTO. The result is that our competitors in Asia and Europe would reap those benefits while American farmers and businesses would be left behind.

The economic benefits we will gain by approving Permanent NTR for China do not conflict with our other interests. Once in the WTO, China will be required to follow international trading rules, open its regulations to public scrutiny and reduce the role of state-owned enterprises. This will encourage growth in the rule of law, and hasten the development of a more open society.

During the year 2000, we will be consulting closely with China on global and regional security issues, including nonproliferation, South Asian security, and Korean stability. We will seek to prevent tensions from increasing across the Taiwan Strait, and promote cooperation in the South China Sea. We will urge Beijing to open a dialogue with the Dalai Lama regarding the protection of Tibet's religious, cultural and linguistic heritage within China. And as we purse engagement with the PRC, we will continue our commitment to faithful implementation of the Taiwan Relations Act.

Although the Chinese people enjoy greater freedom of choice in economic and many personal matters than in the past, progress in the area of political and other civil rights is lacking. Examples in 1999 include the harsh prison sentences received by leaders of the China Democracy Party, an intensified reeducation campaign to control Tibetan monasteries, continued pressure on underground churches, and efforts to repress the Falun Gong spiritual movement. As a result, we will work for a Resolution expressing concern about human rights in China at the UN Human Rights Commission in Geneva next month.

Last year was a time of historic change in Indonesia, Southeast Asia's largest nation. The Indonesian people deserve great credit for conducting free, fair and peaceful elections. The new government, led by President Abdurrahman Wahid, merits broad support as it strives to stabilize the economy, curb corruption, establish the rule of law, cope with regional crises, and address past abuses of human rights.

These goals are simple to identify, but difficult to achieve. The new President is widely respected for his humanity and wisdom. But to succeed, he must make tough decisions and explain them in terms his people will understand and accept. President Clinton is requesting $144 million this year to aid Indonesia's quest for a stronger, stabler democracy.

Elsewhere in the region, we will continue to work with the UN, the Philippines, Australia, Thailand, and others to bring lasting peace and democratic rule to East Timor. And we will press for a meaningful dialogue in Burma between the government and the democratic opposition, led by the National League for Democracy (NLD). Burmese authorities must understand that the path to acceptance and progress lies in movement towards a popularly supported government in Rangoon. In Cambodia, we continue to work with the government and UN to bring senior Khmer Rouge leaders before a tribunal that meets international standards.

(D) South Asia

Last week, the White House announced that President Clinton will visit South Asia. His itinerary will include India, the world's largest democracy, with whom we seek deeper cooperation on issues that include nonproliferation, economic reform, science and the environment. The President will also visit Bangladesh, a nation of more than 100 million people, and a friend and partner on matters of both bilateral and regional concern.

In nearby Pakistan, we are encouraging the military authorities to make good on their pledge to return the country to elected rule in a timely manner.

As for relations between India and Pakistan, longstanding tensions have heightened as a result of the recent Indian Airlines hijacking and the aftermath of last year's Kargil crisis. Our policy is to encourage dialogue aimed at narrowing differences and preventing violence, and we intend to remain actively engaged with both countries toward this end.

In Afghanistan, we have joined with neighboring countries in seeking an end to the civil conflict, the closing of terrorist camps, and increased respect for human rights, which include women's rights.

(E) The Western Hemisphere

The nations of Latin America and the Caribbean have made historic strides in building democracy over the past two decades, but serious problems remain in many countries, including political instability, economic inequality, corruption and crime. Fortunately, there is a general consensus across the region about how to deal with these challenges, and a willingness to work cooperatively on them. At the heart of this consensus is a commitment to free trade and economic integration. In recent years, every major economy in the region has liberalized its system for investment and trade; and we are making progress toward achieving a Free Trade Area of the Americas (FTAA) by 2005.

But the fruits of recent economic growth have not been evenly distributed. While much of the region's population enjoys improved living standards, many others have not seen any appreciable benefit. About a third of Latin America's people live on $2 a day or less, and income inequality is greater here than in any other region.

There is a real risk that support for democracy and free markets will erode if these economic disparities are not addressed. Last month's events in Ecuador serve as a warning of what can happen when significant portions of a population feel left behind.

That is why the 1998 Santiago Summit of the Americas put special emphasis on improving the quality and accessibility of education, especially to the urban and rural poor, and to indigenous populations. We are also working through the Summit process to promote judicial reform, good governance and other steps to broaden access to the benefits of economic growth.

I believe that history will regard this period as a turning point in our relations with Mexico. Issues such as migration, counter-narcotics and cross-border law enforcement will never be easy. But in recent years, we have developed effective mechanisms, such as the Binational Commission and the High Level Contact Group, to address such challenges, while also exploring ways to spur mutual economic growth.

One of our most important priorities this year will be to support Colombian President Andres Pastrana's comprehensive plan to fight drug-trafficking, restore fiscal responsibility, and secure peace in his country. As you know, President Clinton has asked that Congress provide an additional $1.27 billion over the next two years for this purpose. We are asking others in the international community to join in this effort. The IMF has already approved a new $2.7 billion program, and we are endorsing Bogota's request for nearly $3 billion in loans from the World Bank and the Inter-American Development Bank.

As I made clear to President Pastrana when I visited Cartagena last month, our support for Plan Colombia rests on the Colombian government's commitment to continue to take appropriate action against human rights violators—whether those violators are military, paramilitary, guerrilla or just plain criminals. Under President Pastrana's leadership, there has already been solid progress on this issue, but more remains to be done.

Neither criminals nor conflict respect national borders. Accordingly, we must also step up our support for counternarcotics and alternative development programs for Colombia's neighbors. It is not enough to drive drug criminals out of Colombia. Our goal must be to drive them out of business—once and for all.

In Haiti, we are helping authorities and civil society prepare for legislative and local elections to be held this spring. And we will be doing our share to assist the new UN Mission in Support of Haiti, which will be providing technical assistance on law enforcement and human rights.

In Cuba, Fidel Castro continues to justify his pariah status by jailing dissidents and refusing to hold free and fair elections. Last year, the international outcry against his dictatorship grew even stronger. In April, the UN Commission on Human Rights adopted a Czech-Polish resolution expressing concern "at the continued violation of human rights and fundamental freedoms in Cuba." And in November, at the Ibero-American Summit in Havana, many world leaders met for the first time with Cuban dissidents and called on the Cuban government to show greater respect for human rights and democracy.

Over the past two years, President Clinton has taken a series of steps to reach out to the Cuban people and help prepare for a peaceful transition to democracy. Our goal is to strengthen people-to-people ties and encourage the development in Cuba of peaceful activities independent of the government.

(F) Africa

In Africa, our challenge is to address pressing security and humanitarian concerns, while helping to realize the continent's great human and economic potential.

An increasing number of Africa's leaders understand that the continent's future prosperity depends on trade and foreign investment. They are working to create a better environment for doing business, by privatizing state-run enterprises, revamping commercial codes, and adopting sound fiscal policies. As a result, annual economic growth has averaged nearly 4 percent over the past five years.

The United States has a direct stake in seeing Africa's economic progress continue. It means better opportunities for our workers and companies. And it means that African nations could be stronger partners and less dependent on outside aid. So I urge Congress to complete its good work to date and grant final approval to the African Growth and Opportunity Act. This measure would provide essential support for economic reform, and expand our trade with one of the world's largest under-developed markets.

In Africa, as elsewhere, we can have the most impact where we have strong regional allies. And in Africa, the two most influential nations are Nigeria and South Africa.

Nine months ago, President Obasanjo became Nigeria's first elected leader since 1983. Since then, he has waged a vigorous campaign to stamp out corruption and revive his country's economy. But he faces daunting obstacles.

After years of military rule, Nigeria must rebuild its democratic institutions, reinvigorate its Parliament, reform its legal system, and reinvent its military under civilian control. It must also cope with complex regional issues, including ethnic strife. Around the world, few democratic transitions are as fragile or as important. Depending on its course, Nigeria can be a powerful factor for instability or stability within the region. I ask your support in providing the resources required to help Nigeria's democracy put down roots and grow.

The United States greatly values its friendship with South Africa. Under Presidents Mandela and Mbeki, South Africa has moved well along the democratic path, but still faces urgent challenges. President Mbeki has been working energetically to sell off state-run enterprises, attract private sector investment, improve education and reduce crime. In the year ahead, we will do all we can to assist and broaden our partnership with South Africa's leaders and people.

South Africa and Nigeria are the two anchor nations of Africa. Increasingly, epidemic disease is the continent's albatross. Statistics are not adequate to describe the human destruction being caused especially by HIV/AIDS. Over the next decade, tens of millions of children in sub-Saharan Africa will be orphaned by the disease, infant and child mortality may double and, in many countries, average life expectancy will decline sharply.

In his State of the Union Address, President Clinton proposed a new tax credit to speed the development of vaccines for diseases like malaria, TB, and AIDS that disproportionately afflict developing nations. And he is requesting an increase of $150 million in our worldwide fight against AIDS and other killer diseases. I urge your support for these requests.

This past month at the United Nations Security Council in New York, we made Africa our special focus. In addition to discussing the AIDS crisis, we also led sessions on the conflicts in Angola, Burundi and the Democratic Republic of Congo.

Because of its location and size, and because of the number of countries involved, the conflict in Congo could be described as Africa's first world war. The continent cannot hope to meet the aspirations of its people until this war is history.

The Lusaka agreement, signed last summer, offers a solid framework for ending the Congo war. And the international community—including the United States—has a responsibility to support this process. The Lusaka signatories have agreed to provide access, security and cooperation to international peacekeepers. So I am asking Congress to support a United Nations peace mission for Congo, consisting of 500 observers and roughly 5,000 troops for logistics and protection, with most of the soldiers coming from African countries.

We have learned much over the past decade about the "do's and don'ts" of UN missions. We must apply these lessons firmly and realistically in this case. But we must also be resolute in our determination to help Congo move from war to peace.

In addition, I hope you will support the United Nations peacekeeping force for Sierra Leone. I visited that nation last fall and met with victims of its terrible civil

war. The parties have agreed on a plan for healing wounds and building peace. We should help them do so.

Finally, I hope the Senate will ratify the UN Convention to Combat Desertification, which would enable the United States to be a better partner with Africa in preserving agricultural land and making more efficient use of natural resources.

III. Global Opportunities and Threats

America is a global power with worldwide interests. Many of the actions and initiatives we undertake are directed, as I have discussed, at particular countries or parts of the world. Other policies are more encompassing and can best be considered in global terms.

(A) Protecting American Security

The first of these is our strategy for ensuring the fundamental security of our citizens and territory. Fortunately, Cold War dangers belong to an earlier millennium. But today, we face a variety of other threats, some fueled by technology's advance; some by regional rivalry; some by ambition or hate.

Accordingly, our armed forces must remain the finest in the world. But we also need first-class diplomacy. Because on many occasions, we will rely on diplomacy as our first line of defense—to cement alliances, build coalitions, and find ways to protect our interests without putting our fighting men and women at risk.

At the same time, our diplomacy is stronger because we have the threat of force behind it. It is by combining force and diplomacy, for example, that we protect Americans from the threat posed by nuclear weapons.

Here, the military deterrent provided by our armed forces and the technological edge they enjoy are indispensable. But we will all sleep better if our deterrent never has to be used. The diplomatic challenge is to create a political environment in which serious military threats to our country are less likely to arise.

To this end, the United States has led in establishing an international legal framework, centered on the Nuclear Non-Proliferation Treaty, IAEA safeguards, and the Chemical and Biological Weapons Conventions, designed to prevent WMD from spreading or falling into the wrong hands.

Moreover, our Expanded Threat Reduction Initiative (ETRI) (building on the 1992 Nunn-Lugar legislation) has done much to protect the American people, destroying almost 5000 nuclear warheads in the former Soviet Union; eliminating nuclear weapons from three former Soviet Republics; and engaging 30,000 former Soviet weapons scientists in peaceful ventures. The President is requesting $974 million for ETRI in Fiscal Year 2001, including $141 million for programs administered by the Department of State.

We are also taking steps to protect ourselves from the new threats posed by ballistic missiles.

Our policy includes diplomatic efforts to restrain missile development, an option that a number of countries have voluntarily foregone. Thirty-two nations are cooperating to limit technology transfers through the Missile Technology Control Regime. And we are doing all we can to prevent known proliferators from gaining access to advanced missile technology.

We understand, however, that nonproliferation efforts may not be enough. To protect our forces and allies abroad, we are working to develop Theater Missile Defense Systems.

To protect ourselves at home, we are developing and testing a limited National Missile Defense system, with a decision on deployment possible as early as this summer. This decision will take into account threat, technological feasibility, affordability, and the overall strategic environment including our arms control objectives.

But for NMD deployment to occur under the Anti-Ballistic Missile (ABM) Treaty, certain changes in that agreement would be necessary. We have been discussing these with other nations, including Russia.

As I told Acting Prime Minister Putin in Moscow during a visit last week, the United States believes that the ABM Treaty contributes much to strategic stability. It reassures leaders in both capitals about one another's capabilities and intentions. And it has given us the confidence needed to pursue mutual reductions in nuclear arsenals.

On the other hand, the strategic environment has changed greatly in the 28 years since the Treaty was signed. The Gulf War showed the dangers of theater-range missiles in hostile hands. And tests of longer-range missiles by other nations raise concerns that must be addressed.

To date, Russian leaders have opposed any modifications in the ABM Treaty, and questioned severely the potential impact of such changes on the entire system of international arms control.

We have made clear that the limited changes we are contemplating would not undermine Russian security. In fact, because Russia and the United States are vulnerable to the same threats, we are prepared to cooperate with Moscow on missile defense. It is in our mutual interests to consider arrangements that would preserve the essential aims of the ABM Treaty, while protecting us from the new dangers we both face.

Unfortunately, our consideration of NMD has aroused concerns not only in Russia, but also in Western Europe and elsewhere. I have had to address fears expressed by my counterparts that America is intent on going it alone, disregarding the interests of former adversaries and current allies alike.

These fears were highlighted by the Senate's vote last fall on the Comprehensive Nuclear Test Ban Treaty (CTBT). The Administration made no secret of its disappointment with that vote. We believe that the CTBT is very much in America's national security interests. It would outlaw nuclear tests by others, while locking in a technological status quo that is highly favorable to the United States.

So we are determined to continue fighting for the Treaty. But that does not mean fighting with Congress. The world's leading nation cannot remain divided on how to respond to the world's gravest threats. The Administration and Congress have worked together in the past on such key security issues as the Chemical Weapons Convention and NATO enlargement. We must put aside partisan distractions and work together now.

To this end, I am very pleased that General John Shalikashvili has agreed to advise the Administration while reaching out to Senators to find ways to narrow differences and gain bipartisan support for the CTBT. I hope Senators will take advantage of the opportunity to enter into a dialogue with General Shalikashvili so that he may formulate informed recommendations, and so that we may make wise choices about our options for moving forward.

In considering the arguments for and against a nuclear test ban, Americans must resist the temptation to think that the strength of our armed forces means we no longer need help from others. It is simply impossible to halt the spread of weapons of mass destruction unless countries work together.

International cooperation is also essential to safeguard our citizens from other threats. As we saw several times during the past decade, when America's military is called upon to act, we will often do so as part of a coalition. Accordingly, I ask your support for our security assistance programs, which contribute to the health of America's defense industrial base, take advantage of opportunities to promote democratic practices, and help friends and allies to develop armed forces that are more capable and better able to operate with our own.

Another area where international cooperation is required to protect our interests is in responding to the threat posed by international terror. Because of our military strength, potential enemies may try to attack us by unconventional means, including terrorist strikes and the possible use of chemical or biological weapons. In recent years, the number of terrorist strikes has declined, but their severity has risen.

In countering these threats, we must be prepared at home and overseas. That is why we are taking strong security measures and—at President Clinton's direction—improving our planning for emergency response.

Through our diplomacy and training programs, we help friendly governments to improve border security and share information about those suspected of being affiliated with terrorist networks. We offer rewards for terrorist suspects, and gather information to advise and warn Americans. We strive to forge international agreements and cooperation that will leave terrorists with no place to run, hide, operate or stash their assets. We do all we can to bring suspected terrorists to the bar of justice, as we have in several major cases, including the sabotage of Pan Am 103, and the tragic 1998 bombing of two U.S. Embassies in Africa.

And this year, we are proposing in the President's budget the creation of a dedicated Center for Antiterrorism and Security Training. This Center will help us to improve the skills of foreign security personnel who are the front line of defense at airports, diplomatic missions and other facilities frequented by our citizens while overseas.

(B) Sustaining American Prosperity

A second overarching goal of our foreign policy is to support American prosperity by promoting a healthy world economy and by ensuring fair treatment for American businesses, farmers, ranchers and workers.

The State Department values highly its partnerships with America's private sector. We consult regularly with business, agriculture and labor leaders. We work hard, both in Washington and in our diplomatic missions, to help our citizens take advantage of business opportunities, to enforce the protection of contractual and property rights, to promote responsible labor and environmental standards, and to combat corruption which harms foreign societies while discriminating against U.S. firms.

In addition, since President Clinton took office, the Administration has negotiated more than 300 trade agreements, including the Uruguay Round and agreements on information technology, financial services and basic telecommunications. These agreements have helped us to find new markets, raise living standards and fight inflation. Today, more than eleven million U.S. jobs are supported by exports, and these are good jobs, paying—on the average—significantly more than non-trade related positions.

This morning, I urge your support for the Administration's initiatives to restore the momentum for liberalizing global trade. As President Clinton made clear in his recent speech to the World Economic Forum, "open markets and rule-based trade are the best engine we know of to lift living standards, reduce environmental destruction and build shared prosperity."

The inability of the World Trade Organization (WTO) to agree on the terms of a new trade round during its December meeting in Seattle reflects the complexity of the issues involved. Our priorities include broadening market-access liberalization, strengthening and extending WTO rules, and addressing the concerns of both developing countries and civil society.

The WTO must also proceed with internal reforms so that it is more open in its methods and meetings, and therefore seen clearly to be a public interest, not a special interest, organization.

There is no question that changes to the global economy have created new challenges for the trading system. We want to work with our partners to enhance market access for the least developed countries through our respective preferential programs. We want to engage the WTO and the International Labor Organization (ILO) in a constructive dialogue, including consideration of the relationship between core labor standards, trade policy and social development. And we will continue to work to ensure that trade rules support, not undermine, the ability of governments to protect the environment.

In addition, I urge members of this Committee to help us support American prosperity by backing agencies such as the Export-Import Bank, the Trade and Development Agency, and Overseas Private Investment Corporation, which help our businesspeople take advantage of new markets abroad.

In this era, American prosperity depends on the prosperity of others. So I ask your support for the full range of our efforts to promote development around the world.

Last year, the Earth's population surpassed six billion human beings. More than one billion of them live on less than a dollar a day. More than half have never made a telephone call. The new millennium has dawned on a world divided as much as ever before between those who have much, and those who have not. It is in America's interest to help those who most need help to pull themselves up. For we have learned from experience that desperation can breed conflict, generate uncontrolled refugee flows, provide fertile ground for criminals and terrorists, and contribute to global problems such as environmental degradation and epidemic disease.

We also know that sustained efforts to promote development can produce sustained progress. Between 1960 and 1990, the average life expectancy in the developing world rose by 17 years, infant mortality was cut in half, the rate of child immunization more than doubled, and the percentage of children in school increased from less than half to more than three quarters.

Obviously, the challenge of development today is different than in the past. The world is multi-polar, technology-driven, energized by more open markets and awash in enterprise, ideas and information.

Those who are succeeding are first adapting. To be effective, external assistance must be matched by internal energy and reform. Democracy must be practiced, markets must be opened, investment encouraged and corruption stopped. Marginalized sectors of the population must be given access to the knowledge and skills they will need to compete in the 21st Century. And governments must lead in educating their populations about wise environmental and health practices, including awareness about HIV/AIDS.

Neither the United States, nor any other country or institution, can bring sustainable development to a nation whose government is incompetent or corrupt. But we

can, and should, do all we can to help those trying to help themselves gain the capacity to do so successfully.

Accordingly, I ask your vote for legislation to promote investment and trade, including the Africa Growth and Opportunity Act, the Caribbean Basin Initiative, the Southeast Europe Trade Preferences Act, and further extension of the Generalized System of Preferences.

I ask your support for President Clinton's initiative, in partnership with the G–8, to provide debt relief for the most heavily indebted poor countries, and to use a portion of that relief to address social problems and conserve the environment.

I ask your approval of our request for funds to support all of the varied and vital work of USAID, the world's finest and most versatile development organization.

And I seek your backing for other vital economic, technical and humanitarian assistance programs such as those administered by the Multilateral Development Banks, the Inter-American and African Development Foundations, our Peace Corps volunteers, UNICEF, the UN Development Program, and the UN High Commissioner for Refugees.

(C) Safeguarding the Environment

The United States also has a major foreign policy stake in protecting the global environment and in working to prevent transboundary environmental problems that could harm our interests, lead to conflicts or contribute to humanitarian disasters.

As societies grow and industrialize, the absorptive capacities of the Earth will be severely tested. Misuse of resources can produce shortages that breed conflict, famine, refugee flows and further acts of environmental destruction.

That is why we have incorporated environmental goals into the mainstream of our foreign policy, and why we are pursuing specific objectives in areas such as forestry management, coral reef protection and the conservation of marine resources in every part of the world.

Priorities for the year 2000 include (1) helping to shape an effective global response to the challenge of climate change; (2) working to promote and gain world acceptance for a science-based standard for biosafety; (3) gaining international agreement to phaseout the production of twelve persistent chemical toxins; (4) developing multinational strategies for responding to the costly problem of invasive species, protecting coral reefs, and managing transboundary water resources; and (5) defeating efforts to weaken protections for whales.

(D) International Family Planning

Last year, with this Committee's leadership, Congress approved legislation enabling the United States to begin paying down the arrears we owe to the United Nations. Unfortunately, that law included unwise restrictions on our support for international family planning. I ask your help in seeing that these restrictions are not attached to legislation this year.

Contrary to what some believe, the United States does not provide any funds to perform or promote abortions overseas. Instead, our assistance is used for family planning services that reduce abortions, promote maternal and child health, and save lives.

Pregnancy-related complications kill an estimated 600,000 women every year. They are the leading cause of mortality among women of reproductive age in developing countries. And experts believe that perhaps one in every four of these deaths could be prevented through access to family planning.

Family planning also saves the lives of children. Eleven million boys and girls die each year before reaching the age of five. Many could be saved if births were spaced further apart, and mothers bore a higher proportion of their children during their healthiest reproductive years. Accordingly, President Clinton is asking Congress this year to return U.S. support for international family planning to 1995 levels. Moreover, we believe that private groups overseas should be able to exercise their right of free speech and publicize their views for or against reproductive rights without fearing loss of U.S. funding. The restrictions imposed upon such groups this year should not be carried over into next.

(E) Fighting International Crime and Narcotics

A third global objective of our foreign policy is to fight and win the struggle against the hydra-headed evil of international crime.

Drug cartels and crime syndicates have expanded their operations since the end of the Cold War, in part by capitalizing on the same technological advances that have aided legitimate international commerce.

Recognizing the seriousness of this threat, President Clinton has launched a comprehensive effort to integrate all facets of the federal response to international crime. The State Department is a key partner in this initiative.

We are working with other nations around the globe to strengthen legal codes; fight corruption; train police, prosecutors and judges; close criminal front companies; halt illegal smuggling and money laundering; negotiate extradition treaties; and bring criminals to justice.

In regard to illegal narcotics, we have pursued a comprehensive strategy that includes support for eradication, interdiction, alternative development, the seizure of drug assets and the extradition to the United States of drug kingpins.

These efforts are paying good dividends in our own hemisphere. Peru has cut coca cultivation by more than 66 percent over the past four years, and Bolivia by 55 percent since 1997. And as I have discussed earlier, we have greatly stepped up our efforts to assist authorities in Colombia in their battle against drugs and crime.

In the New Independent States, we continue to focus our efforts on law enforcement training and helping legislators to draft anti-crime and corruption laws. We are also negotiating agreements that will allow our own law enforcement officers to cooperate more effectively with their counterparts in these countries.

In Africa, Nigeria is the key. A significant portion of the heroin interdicted in the U.S. is traceable to Nigerian smuggling organizations. Because of the new government in that country, the prospects for improvement are encouraging. It is essential, however, that we have the flexibility in administering our programs to devote sufficient resources to this continent.

(F) Human Rights, Democracy and the Rule of Law

A core element in American foreign policy is our support for democracy, the rule of law, religious tolerance and human rights. We view these not solely as American or Western values, but as universal norms applicable to all people.

In 1900, no country in the world had a government elected on the principle of universal suffrage in multiparty, competitive elections. Today, according to Freedom House, 120 nations representing 58% of the world's population, fit this definition. Our goal, in partnership with others, is to preserve and strengthen democracy where it exists and to lend appropriate support to democratic aspirations where it does not.

Earlier in this statement, I mentioned some of the specific programs we use to aid democratic transitions, support free and fair elections and help democratic forces build civil society.

These programs reflect our ideals and serve our interests.

We know from experience that democratic governments tend to be more successful at preventing conflicts, maintaining stability, spurring social progress, and building prosperous economies than regimes that fear their own people.

I personally look forward to attending in Warsaw in June a conference convened by democracies from Europe, Asia, Latin America and Africa. Its purpose will be to affirm the value of democratic principles and draw attention to the many facets of true democracy. These go far beyond holding elections to include a free press, independent political parties and labor organizations, and a legal system that protects the civil, political and economic rights of the people.

We also support democratic principles by striving to elevate global standards of human rights and respect for the rule of law. Our goal is to make the 21st Century an era of steady progress in each of these areas, not a time of consolidation or settling for the status quo.

Accordingly, the United States will continue to support democratic ideals and institutions however and wherever we can effectively do so.

We will continue to advocate increased respect for human rights, vigorously promote religious freedom, urge accountability for crimes against humanity wherever they occur, and firmly back the international criminal tribunals for Rwanda and the Former Yugoslavia.

We will support efforts to help women gain fair access to the levers of economic and political power, work with others to end the pernicious trafficking in women and girls, and renew our request for Senate approval of the Convention to Eliminate All Forms of Discrimination Against Women. We will push for global ratification of a Convention to ban the worst forms of child labor, and expand partnerships with the private sector to eliminate abusive working conditions in factories abroad, especially those producing for the U.S. market.

And we will remain leaders in the international effort to prevent harm to civilians from anti-personnel landmines. Through the President's "Demining 2010" Initiative, we are working with official and nongovernmental organizations everywhere to detect, map, mark and destroy mines; increase mine awareness; improve mine detection technology; and care for the victims of mines.

IV. Public Diplomacy

Last October 1, the State Department and United States Information Agency (USIA) merged. This was a key step in the reorganization of our foreign policy institutions called for by the Administration and Congress.

The merger enabled us to make public diplomacy a core element in our approach to foreign affairs by bringing new expertise and perspectives into our policymaking team.

Public diplomacy advances U.S. interests by helping others to understand our society, culture and values, and builds long-term mutual ties through the Fulbright scholar and student programs. It can also be a very practical tool for influencing events. During the conflict in Kosovo, for example, our Internet Assistance Initiative helped us to manage data generated by the massive humanitarian effort, while also aiding refugees in locating loved ones who had become separated. More recently, we used public diplomacy to warn against a breakdown of the constitutional order in Ecuador.

In addition, the State Department's International Visitors Program has been remarkably successful at identifying world leaders early in their careers. Past participants include no less than three dozen current Presidents and Prime Ministers.

I congratulate Members of the Committee for your support during the reorganization process, and urge your backing for the full range of public diplomacy programs in the year to come.

V. Managing for Security and Success

Mr. Chairman, one of my key goals has been to ensure that I leave behind a State Department that is more modern, better managed, more diverse, and more effectively organized than when I took office. With bipartisan Congressional backing, we have made significant progress. The Department's integration with ACDA and USIA has been successful. We have greatly improved passport and consular services. We have modernized communications, gone on-line, and upgraded training. Guided by the Report of the Overseas Presence Advisory Panel, we are striving to "rightsize" our diplomatic posts, and achieve better inter-agency teamwork under our chiefs of mission abroad and the President and Secretary of State here at home.

Above all, we are concentrating on improved security for our personnel, our posts and the information we handle.

Since August 1998, the Africa Embassy bombings have served as a searing reminder that the protection of our diplomatic missions demands unrelenting vigilance and a fresh influx of resources.

Since that tragedy, with help from Congress, we have made a significant downpayment towards our unmet construction needs, while increasing training and hiring additional security personnel. The President's budget request includes $500 million in FY 2001 funds for facility replacement, $200 million for enhanced perimeter security, $16 million for new security professionals, and $328 million for recurring costs associated with security upgrades. It also seeks advance appropriations of more than $3 billion between FY 2002 and FY 2005 to continue replacing our highest-risk embassies and consulates.

Within the Department, David Carpenter, the first law enforcement professional to serve as Assistant Secretary of State for Diplomatic Security, has taken a number of steps to tighten security. These include enhanced perimeter protection, a tougher escort policy, and a new surveillance detection program now operational at most of our posts.

I have personally placed a strong emphasis on ensuring the protection of classified information and the security of our facilities. My message is clear that security is everybody's business, every day.

In the days immediately prior to Millennium Eve, I was in almost constant contact with Assistant Secretary Carpenter and our Counter-Terrorism Coordinator, Michael Sheehan, as we worked with other U.S. and foreign agencies—amidst a plethora of threats—to deter, detect and prevent terrorist acts.

During the year ahead, I will have no higher priority than to see that security in every aspect of Department operations, both internally and in responding to external threats, is first rate both in effort expended and results achieved.

VI. Conclusion

Mr. Chairman, the dawn of the millennium has only intensified our awareness of the passage of time. We conduct much of our daily communications and business through technologies that didn't exist or were in their infancy only a decade ago. The patterns of international relations we lived with for so long have been scrambled beyond recognition; the new patterns shift like a kaleidoscope with every turn of the calendar's page.

We live in a world transformed, that will not stop changing. No country is more comfortable in such an environment than America, but we would be lost except for what has not changed, and that is America's purpose.

Some decades ago, when Cold War tensions were at their highest, Walter Lippman wrote about the realities of his time in words that serve as a warning to ours:

> With all the danger and worry it causes ... the Soviet challenge may yet prove ... a blessing. For ... if our influence ... were undisputed, we would, I feel sure, slowly deteriorate. Having lost our great energies [and] daring because everything was ... so comfortable. We would ... enter into the decline which has marked ... so many societies ... when they have come to think there is no great work to be done ... and that the purpose of life is to hold on and stay put. For then the night has come and they doze off and they begin to die.

Our challenge is to prove Lippman wrong; to employ our energy, retain our daring, and understand that our responsibilities are similar in magnitude, if not so obviously in drama, as those fulfilled by our predecessors.

It is true we face no Hitler or Stalin. But it is as great a mission to create the conditions under which such evil does not again threaten us, as it would be to oppose such evil if and when it did.

There are no final frontiers for America. We are not and have never been a status quo country. We have always believed that the future can be made better than the past. We are doers.

In the year ahead, we have the chance to add another proud chapter in the history of American leadership, in search of peace, in defense of freedom, on behalf of prosperity, and in service to our collective boss—the American people. I have no doubt that if we are united in that quest, we will succeed.

Thank you very much.

The CHAIRMAN. Well, you have not lost any of your eloquence. A very fine statement. We tried to figure this thing based on the number of Senators here, and I am delighted to see all of you. We will have a first round of 6 minutes.

Madam Secretary, the President's fiscal year 2001 budget for foreign affairs calls for an increase of $2.8 billion, or 14 percent over the fiscal year 2000 funding levels, and is part of a highly political budget that increases spending authority by almost $50 billion throughout the Federal Government.

Now, we want to work with you to find additional funds for projects like upgrading U.S. Embassies, but it is kind of difficult when the President's offsets to some of these increases have been debated and rejected already by Congress.

My question, based on that premise, laying aside the many spending increases, what savings will be achieved in the fiscal year 2001 budget from the organization of the State Department?

Secretary ALBRIGHT. Mr. Chairman, I think I will take justified pride in the reorganization of the State Department, an issue we have worked on together. I believe the reorganization is a very important step forward and, as we have all said, we could not have done it without each other. But it was a step taken primarily to enhance foreign affairs coordination, and it was not undertaken, at least in my belief, as a cost-saving measure.

As we notified Congress, we need to invest $219 million of previously appropriated moneys to cover the one-time cost of the merger with USIA and ACDA. At this point in the process I have to be frank with you, we have not achieved savings. This is normal for any merger of big organizations, whether they are in the government or private sector.

However, we believe that in time the Department will realize future savings through efficiencies made possible by our more streamlined foreign affairs organizations and structures. We know that to be the case already in terms of how we are dealing with new technologies that we have to acquire. Clearly we will streamline, but reorganization is not a cost-savings activity at this stage.

The CHAIRMAN. Do you have more employees or fewer in the two agencies, or in what were the two agencies? How do the personnel compare?

Secretary ALBRIGHT. I will have to get you the figures on that, but obviously we have fewer and the reductions are taking place by attrition. We wanted to make sure that people were able to find appropriate jobs.

[The following information was subsequently supplied:]

The USIA merger with State has resulted in a net decrease of 202 positions. Most of the reductions were realized by small decreases in many offices. Significant reductions (i.e. more than ten) were made in the following areas:

- 25 details (mainly to State) were abolished and the incumbents assigned to State vacancies;
- 11 positions in the USIA/Operations Center and various commissions were abolished and the incumbents reassigned;
- 39 positions were moved to reimbursable funding which would come out of other agencies;
- 14 incumbents were assigned to vacancies funded by other appropriations.

Reductions to achieve these savings were made through attrition and appropriate jobs have been found for all of the USIA personnel transferred to State.

The CHAIRMAN. I want to track that as the months go by and make sure our promises to the American people were justified.

Now, let me ask you just one little item, and this is just for the purpose of illustrating a problem I have. Is it really necessary, Madam Secretary, to cut U.S. funding for the Tibet office by $1 million, as the President's budget proposes, to fund this enormous budget increase? Now, why was that cut out? Surely the $1 million would be lost in all of the billions and billions of dollars we are talking about.

Secretary ALBRIGHT. On that issue, Mr. Chairman, our issue was basically with an earmark. We did not specifically continue the new earmark. As you know, we generally oppose new earmarks. However, we will be looking at how the performances of the programs we have with Tibet accomplish effectively the goals that you and we have. We will continue to fund the office using some of the East Asia/Pacific regional funds that we requested in 2001. So it is more a matter, sir, of opposing earmarking, rather than not devoting funds to it.

The CHAIRMAN. I think I understand what you are saying, but does the disposition of the office change under the President's proposed budget?

Secretary ALBRIGHT. Well, you know, we have a Tibet coordinator, Julia Taft, who is working very hard on it. It is not an issue so much of funds as of our ability to make our statements and our position well-known to Beijing, which we continue to do, I assure you, at every meeting that we have.

The CHAIRMAN. All right. Send me, if you will, or have somebody send me, the number of employees that staff the Tibet coordinator.

[The following answer was subsequently provided:]

The Coordinator, Julia Taft, has one full time assistant. In addition, a Foreign Service officer from the Bureau of Population, Refugees, and Migration (PRM) is responsible for managing PRM's $2 million for programs for Tibetans in India and the FY 2000 $1 million earmarked ESF funds for economic and cultural assistance programs for Tibetans in Tibet.

The CHAIRMAN. Now, during the past 4 months, the administration officials have stated repeatedly that Russia will isolate itself if it continues its war in Chechnya, yet Moscow's indiscriminate use of force in Chechnya has only increased, and relations with Moscow continue as if this war were simply a diplomatic inconvenience. Now, what is the United States doing to bring this brutality to an end?

Secretary ALBRIGHT. Well, first of all, Mr. Chairman, I believe it is very important to put your question into context, and that is, what is it that we foresee, or what role should we have in our contacts with Russia as we move into the 21st century?

I have believed in the fact that the Soviet Union was the cause of terrible discomfort not only to its own people but to the countries that were a part of the Soviet empire, and created tremendous unease and problems, to understate it, for the rest of the world. The changing Russia, however, is a country with which I believe we need to have engagement in order to make sure that it continues to travel down the road toward democracy and economic reform.

I have just, as you know, come back from a trip to Moscow, where I spent 3 hours with Mr. Putin. I made very clear to him that we continue to have a very important arms control agenda with Russia, one in which we have to try to make sure that we deal with new threats while pursuing deep cuts that do not undercut our strategic deterrent.

But let me say this on Chechnya. I made very clear to him that what they were doing in Chechnya was not acceptable. They see it, Mr. Chairman, as an issue of terrorism, and one does have to grant them the fact that they do have a problem with terrorism. They had three buildings blown up in Moscow. But Chechnya is not only an issue of terrorism. I made clear that their brutality toward innocent civilians and what they were doing with refugees was not acceptable, that they needed to have a political dialog in order to end it, and that there was no military solution.

I think, however, Mr. Chairman, that for us to not have contacts with Russia would be cutting off our nose to spite our face. While we can be very angry at the way they are handling Chechnya—and I do believe they are isolating themselves, because I have talked to other foreign ministers—I think we cannot recreate the enemy. It is essential for us to have dealings with Russia across the board.

The CHAIRMAN. Yes or no. Do you consider the invasion of Chechnya as it has been described, as a war of liberation?

Secretary ALBRIGHT. No.

The CHAIRMAN. Thank you. Senator Biden.

Senator BIDEN. Thank you very much, Mr. Chairman. I think it is very important that you be able to finish such an important question that you started, so I for one do not mind you taking the extra time.

Madam Secretary, I will be as brief as I can with my question if you could be as brief as you could with your answer, without in any way making it incomplete.

On the Balkans, I am really pleased that you are pushing in your budget for the additional moneys for the stability pact as well as for the aid directly that we promised to Mr. Kouchner, the United Nations, essentially, high commissioner there, and we are making a lot more progress there than I think some suggest, but I think it all can come a cropper if Kouchner does not get another couple of thousand police in place soon.

We are the ones supplying most of the police, and if they do not get the funding for infrastructure that is needed—I mean, we are talking about water and lights and sewer and things that make a nation able to function, so my question is this, and it is hard for a Secretary to answer this, I guess, bluntly, but you have a reputation for being blunt.

Are you satisfied with our European friends, that they are keeping their commitments on both the stability pact and the peace process, and they are two different things, as we both know, and the peace process within the Balkans, and particularly Kosovo, and if you are not satisfied at this point, are you optimistic or pessimistic we can actually get the job done, that they will actually come through? And I am not asking you to single out any nation.

Secretary ALBRIGHT. Let me just say, first of all, I believe that what we did as a NATO alliance in Kosovo was essential. As I have said a number of times, I would much prefer answering questions such as you have just asked, or more hostile ones on the subject, than to have said we did nothing.

I think history would have judged us very, very severely on that, and so I do think that we need to remember that we saved thousands of lives, created a climate for the safe return of thousands of refugees and provided an opportunity for the people of Kosovo to rebuild their lives.

Now, I think that there has been demonstrable success under Mr. Kouchner and UNMIK, and violent crime is down. The civil authorities are functioning. Some of the Kosovar police force is being trained, judges are being appointed, basic services and utilities are being put into place, and education is being restored, and we are hoping that there will be elections this year. There are preparations for that underway.

Now, one of the problems that really has happened is that there is a slowness in the money getting to Kosovo. I speak to Mr. Kouchner very frequently, and he is in dire straits. He calls and he says, I do not have the money to pay the teachers and the police, and it makes it very hard if we are criticizing the UNMIK operation and then he does not get his money.

I think what has to happen here is that we said that we would bear a burden, a share of this, but that obviously the Europeans have to do more. They have pledged quite a substantial sum of money, but there is a slowness in the delivery of it, and frankly there was a slowness in the delivery of ours.

We just released $10 million on Friday, which they will not get for 2 or 3 weeks. However, for every dollar that we have spent other donors have contributed about $4 on average. The ratio for

fiscal year 2000 is closer to $6 for every dollar we spend, so they have taken on the major bulk of this.

I spend a large portion of my day calling either EU Commissioner Patton about making the money available, or individual European governments. I think they need to contribute, but I hope that we do not tie together their contributions and ours.

Senator BIDEN. I do not think we should do that either, Madam Secretary, and I imagine we may be confronted with that option.

What I am suggesting to you is that I think the degree to which we are likely to be confronted with that will be in direct proportion to how persuasive you are able to be with them to move rapidly on this.

My time is about up. I would just conclude with one comment. I think the most dangerous part of the world right now, one person's view, is South Asia. I think the one place that has the greatest potential to get out of control the most rapidly is South Asia, India and Pakistan. I do not predict that will happen, but I do suggest that if it does, that is the place where things could come a cropper very quickly, and with no pun intended, a very big bang, and the question about whether there is a deployment of weapons that have been developed is of significant consequence.

There is a hair trigger based on geography and proximity, and a pattern of being not at all reluctant to go to war with one another over the past 30 years, so my question is, when Assistant Secretary Inderfurth just had meetings with General Musharraf—I believe I am pronouncing that correctly—and I wonder whether or not you are able to—and if you want to wait until the second round, Mr. Chairman, for the Secretary to answer, but at some point if you could give me a sense of whether or not, what issues did he address with Musharraf, and what actions are we pursuing Pakistan to proceed with, I would like to know that, if it is possible, and again, I do not want to hold up my colleagues.

The CHAIRMAN. Let's keep it in context. I think it is an important question to answer now.

Secretary ALBRIGHT. First of all, Senator Biden, I agree with you it is a very dangerous place, and we have been working very hard. Deputy Secretary Talbott has been intimately involved, as have I, in trying to get them to come on board on the CTBT, which is very important, and to limit their proliferation plans.

We have had a number of conversations with Mr. Musharraf on several fronts. They involved getting him to move toward a constitutional civil government, and telling him this is something we are watching carefully. We are also seeking his cooperation in dealing with terrorist problems as we are very concerned about Osama bin Laden. Those are the three major areas we have been working with the Pakistanis.

Senator BIDEN. I will pursue this on a second round. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Hagel.

Senator HAGEL. Thank you, Mr. Chairman. Welcome, Madam Secretary. Senator Biden referenced a delegation of Members of the Senate and the House that followed you by 24 hours in Russia, and I wanted to thank you and your Department, especially Ambassador Collins, Madam Secretary, for their support and assistance.

When we were there, a day after you, we met with the speaker of the Duma and a number of senior committee chairmen, as well as the chairman of the Federation Council.

I watched your conversation last night with Jim Lehrer, and admittedly it was during a time I was reading my 7-year-old "Captain Underpants," and so I may have missed parts of your conversation. I want to refer to something that the chairman and Senator Biden talked about, and you mentioned in your conversation with Jim Lehrer last night, and again in your testimony on the issue of Chechnya, that is, where the Russians go from here.

I believe you said to Mr. Lehrer last night that you had suggested to President Putin that they needed to work their way out of this not just militarily, but for the long-term, diplomatically.

You talked, I think, about the possibility of an assessment committee or organization coming in. My question is this: How detailed was your conservation with President Putin on Russia's intentions? Are they thinking about a diplomatic resolution? How did he respond to your suggestion about an outside assessment group coming in?

Secretary ALBRIGHT. Senator Hagel, first of all let me say that we discussed your CODEL with acting President Putin, and he was prepared to see you, but I gather you all got snowed in somewhere, so that created some problems.

I think he indicated he really wanted to get together with Members of Congress in order to try to establish some kind of dialog. I think it would be very useful.

I hope we can have a longer discussion about acting President Putin. I know he is on everybody's mind, and he is a mixed bag. I mean, there are certain aspects to him where I see him as being very pragmatic and a problem-solver, and in other cases I found him in denial. Chechnya is one of those cases.

I think that the Russians have decided for their own reasons that they have to take Chechnya. I think from their perspective they have decided they need to liberate it. As I say, I do not agree with that. I think they believe they can solve the problem the way they are solving it now. I do not believe that, and so it was the one area where we just plain disagreed. And they see the situation in Chechnya all in terms of terrorism, which it is not.

I spoke to him about the fact that the forces of the Chechens have moved to the south and to the west and to the hills. They are guerrilla fighters, and I think this will go on. This is what I said yesterday, when they showed pictures of Grozny having been occupied.

The Russians also have said they are now prepared to look at a variety of humanitarian aspects of this. As I understand it, a U.N. group went in, but did not get in far enough to really see what some of the conditions are. I had asked that they let an assessment team go in, and I am waiting for an answer from Foreign Minister Ivanov on that, because Mr. Putin said for him to look at that.

I had said that they needed to have a political dialog. We have offered, through the OSCE and other ways, to assist. There was not a lot of taking on that. I think ultimately they see a political dialog, but not at any pace that we are looking at, but their own pace.

I also asked that they allow accredited journalists to go in, because the facts on the ground are clearly in dispute. I made very clear that the Russian Government bears responsibility for Mr. Babitsky, the Radio Liberty reporter.

So we have a disagreement on Chechnya, there is no doubt about that, but I think—as I started to say to the chairman—there are other parts of our relationship with Russia that we need to consider, and I hope we will have a chance to discuss that.

Senator HAGEL. Thank you. You mentioned also, I believe, in your conversation with Mr. Lehrer last night that you found the acting President, President Putin, a little more open-minded than you had thought regarding the 1972 ABM treaty. Would you care to explain that?

Secretary ALBRIGHT. Well, first of all, we had a 3-hour discussion where there was a real give-and-take. He showed me that he had a stack of note cards that he did not use. I showed him mine, and we could have exchanged them. But he took notes. He was very organized and careful, and when I raised the arms control issues, what I found interesting was that he did not deny the fact that there were new threats and that there needed to be a way to deal with them.

He also, I think, understood the importance of what had happened in Helsinki and Cologne, and the importance of the previous agreements President Yeltsin and President Clinton had made in terms of seeing the ABM and START III treaties as a package that looks at defense and offense together. This approach allows us to look at deep cuts and the importance of maintaining a strategic deterrent.

So it is not definitive. Obviously, the negotiations are being carried on at many levels, but I did not find him in a total "nyet" mode, and I felt there was a way that we could work on a common assessment of the new threats. He also felt that we have to maintain the fundamental principles of the ABM, and that is our view.

I have stated many times that it is possible to do that and still adjust the ABM. It has been amended before.

Senator HAGEL. If I might, Mr. Chairman, just add one thing. I am not sure what your point was, then, when you said on Lehrer that you found him essentially a little more accommodating. I think the term you used was a little more open-minded. Where is the open-mindedness?

Secretary ALBRIGHT. I think this is my assessment in previous conversations I had had. Many of the Russians had denied the existence of any new threats and felt that this was an American plan to only deal with trying to limit their strategic deterrence. He did not, flat out, say there are no threats, you are only after us, and so in that regard I found him more open-minded.

But more open-minded than I had been led to believe. I am not saying here that this is any kind of an easy proposition. It is just that what struck me about him, Senator, is that he is willing to talk. He may come out with a decision we do not like, but he does not make pronouncements. He is basically somebody that you can have a conversation with.

But I would like to say about him that the jury is obviously out. There has been a lot of psychobabble about his background, but we

basically have to be looking at his actions, not his words. We are going into protracted and difficult negotiations on these subjects.

Senator HAGEL. Thank you. Mr. Chairman, thank you.

The CHAIRMAN. Senator Dodd.

Senator DODD. Thank you very much, Mr. Chairman.

Welcome, Madam Secretary. Let me at the outset commend you for the wonderful job you are doing and your team is doing in uncertain times, and let me quickly add how much I appreciate the support that you have given to us on this side of the table who have made some trips overseas recently, and working with the administration, including the most recent trip by Senator Hagel and some of our colleagues who went.

I think that kind of cooperation advances very well the cause of our common interests here as we try and pursue the best policies for our Nation in this century, and it is healthy to see this kind of attitude between the legislative and executive branch. We have seen examples of it throughout some recent past history, and I hope we will continue to see it even after your term of office expires.

Let me just quickly make a point. I do not want you to respond to this, but the confirmation process, something the chairman and I have talked about informally, has got to be improved. We need to find a far better way in which we can deal with the confirmations of individuals who offer themselves up to serve our country in one capacity or another, and this is going on too long and taking too much time, and we ought to be able to figure out a way in which we can do a better job of that in the future.

I have three areas I want to address with you. I will not get to all of them in the first round, but I am very interested in India and Pakistan. Senator Daschle, myself, Senator Reid and Senator Akaka were in Pakistan and India a couple of weeks ago. Our colleague, Sam Brownback was there right around the same time we were, and so I presume he will have some questions in this area that Senator Biden has raised.

Second, Colombia and the pay package, Venezuela and Ecuador and the northern Andean countries is an issue I want to raise with you, and also Ireland, so there are three important ones.

Let me pick up on the Indian and Pakistan issue since Senator Biden has raised that one already, and I will come back to Colombia later on if others do not bring the subject matter up.

On India and Pakistan, Madam Secretary, there are four issues that are of deep concern to us, as I understand them. Terrorism, obviously, a major concern. The road to democratization after the October coup in which General Musharraf took control of the country, the issue of Kashmir, which obviously is tremendously troublesome, and fourth the issue of the nuclear weapons issue.

Now, there is also the pending question of the Presidential trip to the subcontinent. I for one would like to see the President make a stop in Pakistan. I know this is a very troublesome question, and there are a lot of reasons, based on current circumstances, why he might not. India has been a great ally of ours, and a tremendous democracy, and someone we basically have a tremendous respect for, and obviously they are deeply concerned about certain actions that Pakistan has taken, and events in Pakistan.

I do not think there is much likelihood on resolving Kashmir in the next few weeks, nor are we likely to deal with the issue of the nuclear weapons issue overnight, but I think there can be some statements and some things done on democratization and terrorism in the next few weeks which the Pakistani Government could take, and I would hope that we would use whatever efforts and offices we have to try and promote that so that a stop by this President in Pakistan as he visits the subcontinent would be possible.

I would appreciate any comments you may have on that, and how I have characterized the four issues, whether you agree with those or whether you want to add or subtract from the number I have mentioned.

Secretary ALBRIGHT. Senator, let me just say about travel and CODEL's and contacts, I welcome very much, I hope you do, the possibility that we actually talk when you are all out on the road, as you and I have done.

Senator DODD. As we did.

Secretary ALBRIGHT. And I think that it helps a lot in terms of what you are seeing and what our reaction to it might be. While we do not speak for each other, I think that it does, in fact, help a lot when we have that kind of contact. So we very much appreciate your taking those kinds of trips. They are not easy. I know people sometimes think they are. As somebody who travels a lot myself, I know how hard they are, so thank you very, very much for that.

On the issues that you have raised, I think that those are the key issues. We have been very concerned about the path to democracy. I think that one of the issues all along has been how Pakistan has evolved, and how it is in fact really working. Pakistan's ability to absorb democratic practices is not a new issue.

We obviously were disturbed by the way that General Musharraf took over, and have been working to try to get him to understand the importance of having a civilian democratic rule, and have laid out with him some of the steps that need to be taken.

On the issue of terrorism, we expect Pakistan to cooperate with us in trying to deal with the problem of terrorism, and there has been cooperation at some levels, but not as much as we would like.

Kashmir is obviously the fuse that is always there, and what makes the situation so dangerous. It is our hope that they can, in fact, begin to talk about it with whatever assistance we can give.

On the issue of the President's trip, first of all I think it is very important that the President is going to India. It is the world's largest democracy.

Senator DODD. It has been a long time, 1977.

Secretary ALBRIGHT. It has been a long time. There are a number of issues, not only the nonproliferation issue, which is obviously very high, but in terms of business and environment and a number of ways that we can include India more.

No decision has been made as to whether the President will go to Pakistan as well. We do have these concerns, and we hope that Pakistan will address them.

Senator DODD. My bell has rung here, but can I interpret from your remarks, Madam Secretary, that you would hope that some of

these issues might be resolved so the President could, in fact, make a stop in Pakistan?

Secretary ALBRIGHT. Well, we have, in fact, made our concerns known to them, but as I have said there has been no decision as of yet.

Senator DODD. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. Senator Grams.

Senator GRAMS. Thank you very much, Mr. Chairman. Madam Secretary, as the chairman noted earlier, we have worked closely together during the last year in shaping my legislation, which was signed into law to improve the security of our diplomatic facilities abroad, and I hope we can work together now to tighten security at the State Department itself.

I understand the ongoing tension between the foreign policy establishment's desire for openness and also the security office's need for restrictions, but I think we can all agree that the success of Russia's foreign intelligence service in placing an electronic eavesdropping device inside a strip of molding in the seventh floor conference room, which by the way is close to your office, reveals that this administration has been dangerously lax in enforcing prudent, common sense measures to safeguard our most sensitive diplomatic secrets.

Now, I am going to be chairing a committee hearing on this subject on Thursday, but I also wanted to take this opportunity to ask about the State Department's security, because it is an issue, I believe, that should be addressed at the highest levels, so controlling access is a contentious issue, I understand, at the State Department.

On November 17, 1998 the Department notice stated that, and I quote, "all visitors, with the exception of active U.S. Government agency personnel who display proper photo identification, shall be escorted at all times." That mandate was rescinded just 6 days later, and it took 9 months to reinstate the policy on August 6, 1999.

Now, having all visitors escorted seems to be a common sense and prudent measure. Why, Madam Secretary, was the order revoked?

Secretary ALBRIGHT. First of all, Senator, let me say I agree with you completely that security at the State Department as well as other agencies is essential, and it is something that I have as a very high priority.

I have asked Assistant Secretary Dave Carpenter, who is a professional law enforcement officer and a former member of the Secret Service, to undertake a complete review, bottom-up, top-down, of all of our security arrangements.

Let me also, just to correct something, while the bug was on the seventh floor it was not near my office. The State Department is a very large building. It looks like an "H" and it was on totally the other side.

The escort policy had originally been changed in 1992. There were reviews of it, and I insisted in August 1999 that it be reimposed. I do not have a specific answer as to why. There were questions about the numbers of people that were necessary to escort people around. It is a resource problem, and it is a question as to

how buckled down or tied down everybody is in the State Department.

But I can just assure you that we are taking every action now to make the State Department a totally secure place, while still allowing us to work. People have to come and visit us. That is part of what we do. But I am glad you are holding hearings, and we will be as cooperative with you as possible on it.

Senator GRAMS. Madam Secretary, according to a report by the GAO, dozens of foreign citizens were given access to sensitive computer systems at the Federal Aviation Administration without undergoing any security checks. Comparable concerns have arisen regarding DOE's Stockpile Stewardship Program.

Now, I am concerned that similar security lapses could have occurred at the State Department as well, so my question would be, do all foreign citizens who work at the State Department, including all contractors, have to go through some background checks?

Secretary ALBRIGHT. Senator, it is my understanding yes. I am as concerned as you are about this and as angered as you are, and I am directing now that we review all of these issues. This is obviously a concern across the board in the Government. With respect to the freedoms allowed to Americans and for people who are not originally born in the United States but are citizens, such as me. We cannot completely tie ourselves in knots. But I am absolutely as shocked, appalled, irritated, whatever adjective you want to use, as you are, and that is why I have directed this change. I am also looking at structural changes within the Department.

Senator GRAMS. In that regard, do you have any reports as to what nationalities have been given access to computers at the State Department?

Secretary ALBRIGHT. No, I personally do not.

[Subsequent to the hearing the following clarifications were received from the Department of State:]

CLARIFICATION OF RESPONSES GIVEN BY SECRETARY OF STATE ALBRIGHT

U.S. DEPARTMENT OF STATE,
WASHINGTON, DC,
February 15, 2000.

Hon. JESSE HELMS, *Chairman,*
Committee on Foreign Relations,
United States Senate.

DEAR MR. CHAIRMAN: I am writing at Secretary Albright's request to clarify two responses given during the Committee's hearing on February 8. Both were in reply to questions posed by Senator Grams.

When asked whether "all foreign citizens who work at the State Department, including all contractors, have to go through some background checks," the Secretary responded in the affirmative. This answer is correct when applied to all persons, including foreign citizens, who are admitted to the Department with the understanding that they will work on classified or sensitive projects or have access to classified or sensitive information.

Contracts which do not require access to classified information or equipment can be awarded to uncleared companies. These uncleared companies may assign uncleared personnel, to include non-U.S. citizens, to these contracts. If the contract performance is at the Department of State, however, building passes are required at which time the contractor employees undergo a records check.

In a follow-up question, the Secretary was asked whether she knew the nationality of all individuals granted access to computers at the State Department. She replied that she did not personally know this information. She is, however, aware of one case, currently under investigation, involving a subcontractor who used for-

eign nationals on an unclassified project related to computers in the Department. Among other things, the investigation is seeking to determine whether all the policies referred to above were observed in that case.

I hope this information is helpful in clarifying and ensuring the completeness of the record of the hearing. If you would like further information on this matter, Assistant Secretary David Carpenter would be pleased to brief you.

Sincerely,

BARBARA LARKIN,
Assistant Secretary, Legislative Affairs.

Senator GRAMS. One followup quick question. The Booz Allen and Hamilton consulting firm recently conducted an audit on the State Department's ability to respond to both terrorists and counterintelligence threats. Now, it has been reported that one of the recommendations made in this report was to elevate the role of the Bureau of Diplomatic Security. I would like to ask you, do you believe the role of the DS should be elevated, and that the DS should report directly to you?

Secretary ALBRIGHT. This is exactly the kind of thing I am now looking at when I am saying that we are looking at structural changes. I have the highest regard for the Diplomatic Security Service, and I believe that their numbers should be increased, and I believe that they should be able to do what is necessary in order to protect our security at the State Department as well as abroad.

I have looked at the recommendations of the report as well as a number of other reports that have been given to me. As I said, I am looking at structural changes in the Department, but in the interim I have, in fact, asked Dave Carpenter, who I respect highly, to undertake this review. I take this very seriously, Senator.

Senator GRAMS. Thank you, Madam Secretary.

The CHAIRMAN. Senator Kerry.

Senator KERRY. Thank you, Mr. Chairman. Madam Secretary, welcome. It is nice to see you here, and thanks for taking time to be with us, and thank you also for the terrific job you are doing in our behalf.

I thought that you and the President both made very important statements at the World Economic Forum and again today. I have just finished reading through your testimony, and I think it is a terrific summary of the global responsibilities and challenges we face.

On page 3, I think you make just an enormously important statement in two paragraphs which is a challenge to this committee and to the Congress, and I am not sure the full measure of it is taken into account either in our discussion today or in our thinking.

That is the paragraph where you talk about how we allocate less than one-tenth of the portion of our gross national product that we did have a century ago to support democracy and growth overseas, how during the past decade alone our investment relative to the size of our economy has declined by more than one-half, and how, throughout this period, we have been cutting foreign policy positions, closing diplomatic posts, shutting USAID and USIA missions, and you then in your next paragraph talk about the consequences this has for us.

I would just like to share with my colleagues and ask you a question. Maybe you would go a little further in talking about this. At the World Economic Forum there is a meeting that takes place for

several days with leaders from various countries around the world, maybe 60 leaders, finance ministers, prime ministers, Presidents of countries, many of them less-developed countries, all of them with the same interest that we have in stability and in development.

To a country, they are currently wrestling with the impact of globalization and technology, and to a leader they are struggling with the extraordinary divide that exists in the world. We are getting richer and richer, and many of them seem to be standing still, or even getting poorer.

The issue of AIDS in Africa is of such enormous consequence, it is hard to grapple with it, get a hold of it. I know you were asked a question by one woman about 40 million children who will be orphans, added to the 100 million already existing, and when you consider that many children being raised as orphans, the implications for democracy-building, institutions, or society are just enormous.

One of the great fears of developed country leaders and less-developed country leaders is what Tom Friedman's talking about in his book, "Backlash," and each year in Davos we have talked about the potential for backlash.

Here we are, this great cresting wave of success in our country and around the globe in accepting market economies, and here we are busily investing and developing these market economies to a small degree, but not with the kind of success we would like to see in terms of passing it on to larger numbers of people, and, indeed, spreading stronger institutions: witness what is happening in Russia right now where it is actually going the other way, rather than the direction we would like to see it go.

So I ask the question here, how is it that we can be, perhaps, within the Congress as complacent as we are, or even moving in the wrong direction on foreign affairs spending, and would you share with the committee more on the danger that exists in our not recognizing the degree to which the world has changed, and our larger responsibility now to invest more either through technological transfer, through technological assistance, through cultural exchanges. If you look at the fact that 60 percent of the Government of Taiwan was educated in the United States, it tells us something about the values that are transmitted by this kind of long-term investment, and yet we are moving in the opposite direction.

I know you are speaking to this in your testimony, but I think it bears perhaps greater emphasis, and I would ask you simply to talk a little more about the world you see and the implications for us as Americans if we allow a backlash to set back this incredible acceptance of markets and movement toward democracy that we have all wished for and invested in for so long.

Secretary ALBRIGHT. Thank you. I think that is a very broad and open-ended question, but let me just make a few points, because I think what you have said is so important.

There was a time when the United States basically invested its foreign affairs resources in efforts to resist communism, particularly on base rights. We really focused ourselves on fighting the cold war, and I think we did that very well.

Now, we are dealing with problems that are burgeoning in countries that most people at a certain stage did not care about, because they were either well on "our side" or hopelessly on the other. We fought in many ways to try to move some countries from being in one camp to the other. That was what we did with our foreign aid money. What we now have to deal with are issues that are vast because of the complexity of societies.

What I think is the most important point, and I think we have all been celebrating this fact, is that there are now more democracies. At the beginning of the century there were not any that were elected by universal suffrage. Now there are about 120 nations where there are democracies, but democracy I think also makes promises.

The people are promised that they will have a better life. What we have seen, and this is true in Latin America, and in a lot of the nations of the former Soviet Union and Central and Eastern Europe, is that the average people are not getting the pay-out for being democratic. So what you see is some of the backlash that Tom Friedman has talked about and that we have all seen. People wonder where is the democracy dividend.

So we have been talking a lot about the fact that democracy is a process all the time. Where I believe the United States needs to increase its help is in terms of making sure that these are not just democracies in name, that there are judicial systems, and commercial codes in place, that human rights policies are carried out, and that these countries can take their rightful place within the international system.

I just came back from a trip to Latin America, where there were discussions about the fact that while we have celebrated that there are no military dictators in Latin America, there really has not been enough change there to provide a substantial structure that would allow functioning democracies. Therefore they may begin to flirt with authoritarianism or protectionism.

Let me go back to the Putin question, because this is the issue. We have rightfully spent a lot of time celebrating the end of the cold war, but for the average Russian, not the intellectual, not the people who live in cities even, there has been very little pay-out. They are disoriented, and what Putin is talking about, the buzzword in Moscow is order. The question is whether it is order with a small "o" or a big "O" and I think this is what we have to watch. We do not want order with a capital "O."

So I think this is a huge question, Senator, but I think we need to understand what underlies the countries that are now democratic, and not just celebrate their democracy, but understand the needs that come with democracy. The United States is much better off with countries that are democratic and have market systems, and our programs ought to be directed toward that.

The CHAIRMAN. Thank you very much. Senator Brownback.

Senator BROWNBACK. Thank you, Mr. Chairman, and welcome, Madam Secretary. It is always a delight to have you here at the committee and hear your perspectives and views.

I have got three areas that I want to address quickly and would like for you to respond to. I think I will just put all the questions

there together and let you sort them out, as the time goes pretty fast.

First, on South Asia, then I want to speak briefly on Sudan, then on Iraq. On South Asia, I think we have an enormous opportunity really staring us in the face, and all these opportunities come with huge challenges as well.

India, it strikes me, is interested and open to a better engagement, broader engagement with the United States, and it is in our interests and theirs to have it, so I am excited about the President's trip there, your trip, I believe to South Asia before the President goes. I hope we are engaging on a broad set of issues and not holding the whole region hostage to one issue, which I think would be a tragedy for us.

You have the authority to waive sanctions. I would hope you would do that across the board on economic sanctions. Particularly, I understand there is still—the administration is opposing some international financial institution loans into India, and I would hope that those would be waived by the administration in our effort to broaden the relationship with India that I think is important.

On Pakistan, which is a very troubling for us as a country, with what we see taking place there on several fronts, I would hope you would go to Pakistan as well, before the President does, and I would join my colleague Chris Dodd in urging that the President go to Pakistan as well.

A different set of issues, but clearly the dealing with terrorism and much of that shift of international terrorism now moving to the region. Within that region we need to be engaged within Pakistan to be able to deal with it, and my fear is that if you do not go to Pakistan, if you go to India but not to Pakistan, and the President goes to India but not to Pakistan, we further move Pakistan away from us, our ability to be able to deal with them, and we actually strengthen the very hand we seek to weaken, and that of the really fundamentalist within Pakistan.

This is a very troubling region of the world to me. I think I am quoting my colleague, John Ashcroft, and I look at that region as being a pool of gas looking for a match. It is just very, very volatile right now in that region, and I would urge us to be widely involved.

On the Sudan, I was disappointed that the authority was not used to be able to help more in southern Sudan that was granted to the administration. I understand from some press reports, as recently reported in the Washington Post, that the State Department is considering renewing engagement in the Sudan, opening an embassy up in Khartoum, lifting some of the sanctions in certain circumstances.

This is still a regime in place that is doing a number of things directly contrary to what the United States believes in, certainly in democracy, but you can go beyond that to the killings, the slavery, the civilian bombings that continue to take place, the support of terrorism by the Khartoum Government. That seems to me a very odd move to us at this point. I hope you can tell me that that is not the case.

And finally, on Iraq, the President has the authority to sign the bill, the Iraq Liberation Act, has drawn down the authority, has

money, and has not been willing to spend that in the opposition movement to Saddam Hussein.

Now, it is my understanding that less than $1 million of the $97 million drawdown that was authorized under the Iraq Liberation Act has actually been spent. None of the $10 million appropriated last year for the Iraqi opposition appears to have been spent, which leads me to conclude that the President has just abandoned the idea of moving Saddam Hussein from power. Now, I hope you can change my mind on that, but the actions seem to speak that way.

I am throwing a number of issues out, but those are key ones on my mind.

Secretary ALBRIGHT. Thank you. Let me just add to a couple of things on India/Pakistan. I agree with you completely that we need to view the area as one that we have to deal with in a more proactive way. The sanctions were something, as you know, that were automatic on this, and you have been a leader in trying to wend our way through this. All of you that have gone to the region I think have come back with a lot of information, and very useful ideas.

I see this as a tinder box, and we are working very hard to try to diffuse a lot of that. We have made clear, and I will not repeat all this because of time, the things we are concerned about in Pakistan, and I believe we are moving forward. India now has a strong government that is dealing with a lot of the issues that have been of concern to us.

The President is also going to Bangladesh, and I think that we need to note that because it is a small but important country for the region.

On Sudan, Senator, let me say first of all again I would like to thank you for your attention to Sudan. You have spent a lot of time on it. I have, too, and I have been very concerned about the civil war there, and the terrible fighting that is now in its 17th year. We would like to see a comprehensive solution for peace in the Sudan. We are supporting the IGAD process and will continue to do so.

I hate to say this, but you cannot believe everything you read in the newspapers. We have appointed a special envoy, Harry Johnston, to examine where we are with Sudan. There are those who would like us in the governments or other places to have diplomatic relations with Sudan. The only thing we are doing is looking at the internal things that are going on between Bashir and Turabi, what they mean. I have spent enough time working on the problem to know there is slavery, a modern form of slavery going on in Sudan, and that is something that we have to deal with on an ongoing basis.

The warring parties met for the first time January 15th, 20th under the new revitalized IGAD structure, and we are working very hard to build their capacity for civil society and civil governance.

On the food aid authorization, the President has not yet made a decision on this issue. We are assessing the whole thing.

Senator BROWNBACK. You are still considering that, then.

Secretary ALBRIGHT. Yes.

On Iraq, let me say this. First of all, we have not changed our policy. We are for the containment policy, and we are for a regime change, and on the implementation of the Iraq Liberation Act, we are committed to supporting regime change and assisting the opposition groups both inside and outside Iraq. We have worked very hard with the Iraqi opposition and it is making some progress. We are discussing providing it first with nonlethal material and training support under the ILA drawdown as quickly—and I really need to have you hear this—as quickly as their capabilities to absorb permit. We will obviously remain in close consultation with you.

Frank Ricciardone is the person I put in charge of this. He has devoted an incredible amount of energy to working with the group. In 1999, the Iraqi National Congress held its first executive meeting since 1994, and its first mass assembly since 1992. Members of your staff and other Members of Congress supported and witnessed these meetings.

No matter if some Iraqi party stayed away The important point is that all Iraqis, inside and out, ranging up to Saddam Hussein himself, began talking about the INC agenda. Frankly, even after that meeting Saddam started talking about letting the Iraqi people have a new constitution, elections, and political parties. I received these people when I was in New York at the General Assembly and urged others to do so.

The Defense Department is now working to accelerate the training and to deliver material support to the opposition. We are working hard to help the INC meet statutory and regulatory requirements to make it eligible to receive the first direct funding from the Economic Support Funds.

In sum, I think the Iraqi opposition has come far, though it has a long way to go. We will remain in very close touch with you. This is not an easy proposition, because, as I said, they were divided. We have tried to bring them together, but I just have to specifically say to you, we have not changed our goal of regime change with Iraq.

Senator BROWNBACK. Thank you.

The CHAIRMAN. Thank you very much. Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman.

Madam Secretary, welcome. I have several questions. I may need to go to a second round if the chairman permits a second round. Let me just get right into it. The first has to do with an issue that many Americans are increasingly concerned about, and that is the use of the death penalty in this country.

I am concerned for many reasons, not the least of which is the fact that people who are later proven innocent have sat on death row for decades. Other domestic concerns include the arbitrary and discriminatory manner in which the death penalty is administered, but I am increasingly concerned about the death penalty's impact on America's international stature, which I have found to be mentioned more and more.

I have a two-part question with regard to this. It is my understanding the EU denies membership to countries that employ the death penalty. Can you tell us about how the death penalty has arisen in your conversations with European leaders, and have you found that the United States' use of the death penalty, and particu-

larly this country's willingness to execute people for crimes they have committed as juveniles, impacts on our credibility when we try to champion international human rights in countries like China?

Secretary ALBRIGHT. Well, first of all, I am not going to comment on my personal views on this subject. Let me say that it is true that the EU does have a requirement about the death penalty. This was one of the concerns that did come up when questions were raised about Turkey's accession to the EU.

I believe there are those who question America's position on this, and it does come up in a number of situations, but here I agree with Chairman Helms. I think this is our sovereign right. It does create problems, there is no question about that, but that is the U.S. position.

Senator FEINGOLD. Thank you, Madam Secretary.

Switching to Colombia, I am concerned by continuing reports of collaboration between the Colombian armed forces and the right wing paramilitary responsible for grave human rights abuses in that country and, as you mentioned in your remarks, the administration is proposing very significant increases in U.S. support for these same armed forces.

Two questions in this regard. Are you satisfied with the Colombian Government's efforts to sever these ties, and how is it possible to ensure that U.S. assistance does not find its way into the hands of the paramilitary?

Secretary ALBRIGHT. First of all, let me say that, as I stated in my testimony, I think the threat from Colombia to us in terms of drug production is huge. This is one of those foreign policy problems that has a huge domestic impact. President Pastrana has over the last months undertaken, I think, a systematic approach to trying to deal with the problems in Colombia. Some of what he has done has to do with narcotrafficking and some has to do with the peace process, and some has to do with his economy, and some has to do with social issues and the social structure in Colombia.

He developed Plan Colombia, which we are supporting because it has balanced approach and is comprehensive in dealing with the issues I have discussed.

The assistance that we are giving is counternarcotics, not counterinsurgency, and the issue is how the money will be used. The paramilitary is a group that is, as far as I am concerned, outside the legal structure, and one of the problems that President Pastrana has is how to deal with the paramilitary. When I was down there he presented ideas about how they were going to sever ties with them and how they were going to make sure that the power of the paramilitary is undercut.

On the issue of human rights and where our money is used, the assistance that is going to the military is being used to provide protection for the police. The state needs to gain control over the south, and the police will be doing that. The military is going to be providing an envelope for them to do it.

We have all been concerned about human rights, as has President Pastrana. He has put his Vice President in charge of this. He has created two new military groupings that are composed of people that have been vetted case-by-case for any human rights

abuses. So we are following the Leahy amendment, which prevents us from giving assistance, very closely.

I do not know whether you had a chance to speak to President Pastrana. He speaks very movingly and strongly about his dedication to human rights, and that when he is out of office he wants to make sure that no one ever criticizes him for having been involved or countenanced any human rights abuses.

Senator FEINGOLD. I had hoped to meet with him, but that was on the day of the snow disaster, so I hope to do that in the future. What is the administration doing to help African countries gain access to drugs to treat HIV/AIDS? As you probably know, Senator Feinstein offered an amendment, which was accepted, to the African Growth and Opportunity Act that essentially says the United States should not fight against African laws that are designed to improve access to AIDS drugs provided that those laws comply with the agreement on trade-related aspects of intellectual property rights.

At this point, we are trying to fight to keep this in the bill in conference, and I am wondering what your position is on that.

Secretary ALBRIGHT. Well, let me point out the scourge of AIDS in Africa, where I think the facts idicate more people have died of AIDS-related problems than actually in some of the fighting. We have now budgeted $244 million in the USAID budget for HIV/AIDS, and this is a $54-million increase in fiscal year 2001.

There has been a question as to intellectual property rights and pharmacutical remedies being dealt with in this context. We are trying to sort out how to make it possible for there to be availability of drugs that can deal with AIDS. At the end of last year the President instructed the Department of Health and Human Services to develop a cooperative approach with USTR on these intellectual property matters that is consistent with our goals both for helping these poor countries gain access, as well as protection of intellectual property rights.

I find this problem very important, and Ambassador Holbrooke really took an outstanding step and did something unusual in making HIV/AIDS a security issue for the Security Council. He thereby pushed the envelope of what is normally considered a security issue, which I think HIV/AIDS definitely is.

Senator FEINGOLD. I agree with you, and I hope the administration will support our amendment as the African Growth and Opportunity Act.

[A prepared statement by Senator Feingold follows:]

PREPARED STATEMENT OF SENATOR RUSSELL D. FEINGOLD

I want to welcome Secretary Albright to this hearing this morning.

The Administration's budget was just delivered yesterday, which gives us some idea of the Administration's foreign policy priorities for the year ahead, but it is really this kind of interaction, where the committee can discuss the international affairs component of the budget and the state of U.S. foreign policy in general with the Secretary, that is particularly useful and instructive for me.

First, I would like to commend the Administration and particularly Secretary Albright for continuing to push for responsible, thoughtful, and sustained engagement in world affairs. As we embark on a new century, America's long-term interests are inextricably bound up in the course of international events. Our leadership has never been more important.

I am also extremely pleased to see evidence of this Administration's commitment to addressing the AIDS pandemic. I recently traveled in Africa and saw first-hand

just how devastating, and how pervasive, this crisis truly is. Likewise, I am heartened to see that the Administration will continue to push for debt relief, so that the poorest of the poor can cast off at least one set of shackles that lock them in destitution. And I recognize and appreciate a genuine attempt to direct much-needed attention and resources to the African continent, where important U.S. interests are all too often overlooked, and where so much potential lies.

As we discuss U.S. policy priorities, I want to take this opportunity to reiterate some broad concerns that I have expressed before, both in this committee and on the Senate floor. I do not believe that strategies of engagement with any particular regime—China is just one example—can meaningfully succeed absent consistent and firm dialogue about internationally recognized human rights. It is unquestionably true that human rights are not the only issues of concern to the U.S., but it is also true that they cannot be treated as a second-tier issue.

The ultimate strength and sustainability of our international relationships, and our nation's very credibility, depend upon a principled approach to foreign policy. In this regard, there are many challenges in the year ahead—particularly with regard to U.S. policy toward Colombia, Indonesia, and China. I look forward to learning more about the Secretary's views on these matters.

The CHAIRMAN. Thank you. Senator Ashcroft.

Senator ASHCROFT. Madam Secretary, thank you very much for coming. Mr. Chairman, thank you for this opportunity. May I commend you on your hard work. You are a very industrious person, and I am grateful for your effort.

I want to take some questions in a different direction. A little over a week ago, the State Department said that the United States would abide by a newly negotiated Biosafety Protocol. It is a protocol that is designed to implement the convention that the Senate has not ratified, the U.N. Convention on Biological Diversity. Quite honestly, this action shocked and concerned me greatly, because it is a protocol that has the potential to substantially affect agribusiness in this country, the largest employing industry in my home State of Missouri.

The protocol covers trade in genetically enhanced commodities, which includes almost one-third of all corn grown in the United States and more than half of all our soybeans. We are seeking to make progress, for instance, to have these disease-resistant and insect-resistant agricultural products available not only as a result of our own commercial interests, but because they hold great promise in feeding the world.

Round-up ready corn, for example, is pending approval in the European Union. We would not want anything to impair that, and I fear that if this Biosafety Protocol is to become the ultimate standard for trade in these commodities, most corn and soybean ships with USA painted on the side will not be getting very far off-shore.

Let me lay out a few facts from the protocol, then I would like to ask you a question about what you consider to be the impact of the protocol. First, the protocol requires complete segregation of biotech and nonbiotech commodities in order for U.S. exporters to avoid the regulatory complexities and cost of complying with the protocol.

Second, the protocol would for the first time require that a type of labeling will be required for biotech bulk commodities, and third, under the protocol countries can use the so-called precautionary principle in order to block imports of bulk commodities, meaning they can block U.S. farm products without sound, scientific evidence that our food would cause harm, and finally, countries would

be authorized under the protocol to use socioeconomic impacts of biotechnology when deciding whether to allow imports.

Now, the EU has been trying to impose these kind of trade-restrictive measures, the precautionary principle and multifunctionality in trading rules for years. We stood up to them in Seattle, but apparently not in Montreal, and I would like for you to try, if you would—what I would like to focus on, what impact will these new rules have on our free trade rules in the World Trade Organization, WTO, and if you would start with that.

Secretary ALBRIGHT. First of all, Senator, let me say that I have gotten not technically but personally interested in this subject because I have seen it from a European perspective, where they are going through two things. I think they clearly do not have the kinds of protections in terms of their food safety that we do. They do not have an FDA, and they are going through problems with mad cow disease and various things. That is one reality.

Senator ASHCROFT. That should lead them to discriminate against European beef, not American.

Secretary ALBRIGHT. Then, I believe, we are having problems with them in terms of protectionism from their perspective, and various WTO issues. In my dealings with the Europeans I have tried to get them to separate out exactly what you said, which is, you deal with your domestic food and health safety issues, that is your issue, but do not discriminate against the United States.

As I said in my opening remarks I do travel the United States, and I actually was in Iowa talking to farmers about the problems that this creates for them. I have, in fact, now created kind of an informal advisory group of people who talk to me about the issues of biotech and how they are affecting food production and our relations. I think that it is a huge problem, and we have to separate out what is real and what is protectionism.

But to get to the Biosafety Protocol, it does not alter the obligations here. The United States, together with other leading agricultural exporters, felt it was critical that this protocol not alter rights and obligations under other existing international agreements, including the WTO, and we were successful in insisting that the final text include a savings clause and an explicit statement of this understanding.

Now, one of our primary interests in the negotiation was to ensure that restrictions on trade in living modified organisms be based on science and realistic assessment of risk assessment, and we believe that the protocol does do that.

However, the protocol does allow countries to make regulatory decisions, just as the U.S. does, in the absence of scientific certainty, and some have said that this embodies the precautionary approach. We believe it is just a reflection of the reality that there is always scientific uncertainty, and that governments should not be paralyzed by this in making decisions.

Now, we are, as I said, among the first to understand the need to apply precaution in the development and enforcement of environmental and health safety laws, and so our people have a confidence in our regulatory system.

Now, we have an additional problem, which is the protocol, the way we see it, is a less-than-perfect agreement. Since the United

States is not a party to the Convention on Biological Diversity, we cannot become a party to the biosafety protocol. Nonetheless, we engaged in the negotiations to protect vital U.S. interest in agricultural trade and biodiversity. We believe that the agreement, on balance, will help to protect the environment without unnecessarily disrupting world food trade.

But this is a huge problem, Senator, I understand, and we are limited in how we can deal with it.

Senator ASHCROFT. I see my time is up. This is—I frankly have very serious reservations about the fact that the State Department has committed us to abide by this agreement, which you said does not bind us.

I have very serious reservations about saying we will abide by it when the international law indicates that our practice can be used as a way of defining our rights under WTO, and so if we abide by something we are not a party to, we might, by abiding by it, bind ourselves to it later.

And your statement that there is a savings clause is a statement about one of the paragraphs in the preamble, but there are two other paragraphs in the preamble which seem to take us out of the savings mode, and the European Union cites those clauses to indicate a position which is contrary to the position that you indicate, and I have grave reservations about this.

My time has gone, and it is short, but this is a matter of deep concern to me, and when these protocols get entered into by the executive branch and the U.S. Senate has not ratified the underlying agreement, the convention, and you announce that we are going to follow these conventions absent ratification by the Senate, it is troublesome, and I think it threatens very substantially the technical position of the United States and our capacity to feed a hungry world, and I am deeply concerned.

I am glad you are sensitive to this, and I would volunteer that if we can ever assist you and this group that you have that is helping define your consciousness on these issues, we would like to do so.

Secretary ALBRIGHT. Let me just say, Senator, that I would appreciate if I could send somebody up to discuss with you in more detail what happened in Montreal, but also raise an issue which I think is a very large issue, is how, as nonparties to any one of the agreements that are being made, how you protect the nonparty status.

This is true in issues of international criminal court, various other aspects in international law, which put us at—we have to engage in order to protect our nonparty status, and it is a very difficult issue, and I appreciate having this conversation with you, and I will send somebody up to have a further discussion.

Senator ASHCROFT. Mr. Chairman, may I ask that an article from the Economist of February 5, entitled "Caution Needed," which relates to this issue, and also a recent press release, be made a part of the record?

The CHAIRMAN. Yes.

[The article and press release referred to follows:]

[From the Economist, February 5, 2000]

CAUTION NEEDED

When ministers from more than 130 countries met in Montreal to discuss the most controversial issue in international trade—genetically modified organisms (GMOS)—it had all the makings of a Seattle-style debacle. European consumers are in a frenzy over the alleged dangers of GMOS, which producers, mostly American, insist are safe. America and a few GMO-exporting countries were bitterly opposed to demands by the European Union and most developing countries for strict safeguards on trade in GMOS. Their disagreement had scuttled a previous attempt at a deal a year ago in Cartagena, Colombia. And yet, astonishingly, on January 29th a deal was done.

The new "Biosafety Protocol"—the first agreement regulating trade in GMOS—seeks to respond to widespread fears that GMOS pose risks to biodiversity and health. It requires exporters to label shipments that "may contain" bio-engineered commodities such as maize and soyabeans (which account for 90% of global trade in GMOS). And it allows countries to block imports of GMOS on a "precautionary" basis in the absence of sufficient scientific evidence about their safety.

Optimists hope that the deal will help to defuse transatlantic tensions over GMOS, which threaten to test the World Trade Organisation to breaking-point. One reason that the Clinton administration agreed to compromise is that American consumers are starting to share Europeans' concerns about the dangers of GMOS. Another is that it was loth to take the blame for wrecking a second big trade summit in two months.

The big worry is that the Biosafety Protocol opens up a loophole for protectionists. European governments, for instance, could use it to protect inefficient farmers from American competition on the pretext of protecting consumer health. Disputes about health standards that restrict trade are currently adjudicated according to WTO rules. These stipulate that food-safety standards must be based on scientific evidence of a possible health risk.

Take the battle between the EU and America over growth hormones in beef, which are widely used in America but which the EU bans, because it claims they may cause cancer. The WTO ruled against the ban (which the EU has yet to lift) because the EU had not conducted a risk assessment that shows such hormones to be dangerous. For similar reasons, the WTO might again side with America if it were to challenge an EU ban on GMOS.

But when there is insufficient scientific evidence, the WTO allows governments to take provisional measures "on the basis of available pertinent information." So the WTO might accept the EU's right to maintain a temporary ban on GMOS until more is known about their potential dangers. The EU and many consumer groups want WTO rules to recognise this "precautionary principle" more explicitly, and without setting any time limit. With that in mind, the European Commission published its first formal guidelines on how to apply the principle on February 2nd.

The Biosafety Protocol is a step in the EU's direction. It makes it easier for countries to ban imports of GMOS, because it shifts the burden of proof to exporters, who must show that their products are safe. Admittedly, the protocol does not supersede WTO law. And since America is not a party to the umbrella agreement of which the protocol is part, it could in future claim not to be bound it. But in practice, thinks Steve Charnovitz, an expert on environment-related trade law, if America ever challenged an EU ban on GMOS, the WTO would have no choice but to take account of a multilateral agreement such as the Biosafety Protocol.

This is a messy compromise. It does not resolve the underlying issue: how to reconcile governments' differing attitudes towards the risks of technological change, without disrupting trade. Some governments think that, even though its environmental effects may be irreversible, bio-engineering should be allowed unless it is shown to be dangerous. Others believe it should be banned unless it is shown to be safe.

Coping with this fundamental difference requires political compromise. But the danger is that countries will instead try to settle their disputes about GMOS using legal means, at the WTO. This is a recipe for disaster. If the WTO struck down an EU ban on GMOS, European governments might find it impossible to override consumer fears—however irrational—for the sake of free trade. If the WTO upheld it, that could give a green light for protectionists. Either way, the WTO's ability to keep world trade free could be fatally undermined.

[For Immediate Release—Feb. 4, 2000]

STATEMENT BY SENATOR JOHN ASHCROFT

UN BIOSAFETY PROTOCOL

WASHINGTON, DC.—U.S. Senator John Ashcroft (MO), a member of the Senate Foreign Relations Committee, issued the following statement on the UN Biosafety Protocol that resulted from the Montreal talks:

"The UN Protocol is bad news for American biotechnology, which holds tremendous promise for fighting world hunger, reducing the use of pesticides and other chemicals, expanding U.S. exports, and creating new jobs in America. This Protocol allows other nations to shut the door to American biotechnology without having to show a sound scientific reason for doing so. In this and other respects, the Protocol threatens serious harm to American exports, biotechnology, and agriculture. It never should have been agreed to by the Administration. In addition to the Protocol's undermining of science in setting the rules for trade, there are other concerns that I will raise with Secretary Aibright.

"In addition to handing a victory to protectionists in the European Community, the Protocol sets a new and troubling standard for bulk commodity shipments, by requiring that genetically enhanced products be tracked with a new record keeping system, even though there is no scientific reason for discriminating against biotech products.

"For American farmers who expect to make their own production decisions, there is another concern. Farmers in Missouri tell me that they want to move away from centralized control over their decisions about what to plant, when to plant, and how much to plant. Certainly, they will have no interest in a multilateral bureaucracy taking a hand in running their farms."

The CHAIRMAN. Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman. First of all, on my issue, it is my understanding the executive branch did not enter into the protocol, is that correct? I do not think there was—I mean, we have not ratified the underlying convention, and I do not think we entered into the protocol.

Secretary ALBRIGHT. Well, we were there trying to protect our nonparty status.

Senator SARBANES. That is right, but we are not signatories or parties to the protocol, and it seems to me that if we had failed to be there to try to protect our interest, we would have been even worse off. I mean, we have this problem now with these agreements others are entering into that are creating these various conventions and international protocols, and if we are not part of it, then we have a problem. How do we protect our interest, even though we are not a party, and as I understood it, that is what we were trying to do at Montreal, and to protect the very interest that Senator Ashcroft is talking about.

Secretary ALBRIGHT. That is correct, Senator. What happened is, we are not, as I said, a party to the Biodiversity Convention and cannot sign the protocol until we are a party. Therefore, it was necessary for us to participate in the negotiations to this in something called the Miami Group, a coalition of leading agricultural exporters that also included Argentina, Australia, Canada, Chile, and Uruguay.

During these negotiations we achieved our major goals of exempting bulk agricultural commodities such as bulk shipments of corn and soybeans from potentially trade-restrictive review, and ensured the inclusion of a clear statement that this agreement is not meant to change the rights and obligations the parties have under other existing international agreements such as the WTO, as I said earlier.

So this is where we are. By not being a party to something we have to go at it sideways to try to protect our nonparty status.

Senator SARBANES. Well, I do not think the administration should be put in the position of somehow, in some way or another, appearing to not have been playing an active role, or try to protect American interests, because it is my understanding that that is exactly what you were trying to do, even though we are not part of this international regime that has been established.

I mean, if we did not show up, they could go ahead and do whatever they wanted to do and then apply that against our exporters, as I understand it. Now, by going, you were able, I think, to alter, along with those other countries to alter the nature of the regime, so we have got, as it were, better terms than might otherwise have been the case.

Having said that, I do think this is a very complicated issue, and I am pleased to hear that you have set up a special group to advise you on it and to follow through on it, because the potential is obviously very significant in terms of addressing our American interest in this regard.

I wanted to ask a couple of questions on Africa. It seems to me that, with the U.S. being in the chair at the Security Council in January, having made that the Month of Africa at the Security Council and at the United Nations, and with some of the initiatives that have been taken, we have an opportunity to really sort of move our whole relationship with the continent to a new level.

I see three issues, perhaps there are more, and I would like to name those three and you could add others, and I would like to know how you are doing on this. One is the AIDS initiative which you have already addressed. I mean, it is an absolute killer plague in Africa, and Senator Feingold brought that issue up, and I know the administration actually—the budget I think has specific provisions addressed to that.

The second are the peacekeeping efforts at the U.N. I understand we are going to boost significantly the peacekeeping force in Sierra Leone, and you have sent a notification to the Congress on the Congo, and perhaps you might take a moment or two to address those issues and their importance and the U.S. role. As I understand it, there are no U.S. forces involved in either of these peacekeeping missions.

Secretary ALBRIGHT. Correct. First of all, let me say that the amount of time and effort that the Clinton administration has afforded Africa I think has been unprecedented. The President has gone there and I have gone there every year as Secretary of State. We have believed the continent requires a different level of attention, and therefore I was particularly pleased that Ambassador Holbrooke followed through on what we were doing by having the Month of Africa. I think it made a big difference and drew a lot of attention.

We had actually, in previous U.N. presidencies, focused on Africa. We have really worked on this, and I think it needs more support. We need the Africa trade act to go through, something that we have been working on for quite a long time.

On the AIDS epidemic, I have already mentioned the increased funding. Also, I do thank Senator Feingold, who went on a remarkable trip, for everything he has done.

On peacekeeping, we have been very concerned about how to do peacekeeping in Africa, and have looked at the do's and don'ts of previous mandates. In setting up the Sierra Leone and Congo mandates we have been very cautious in terms of the mandate, to size the budget for it.

We have in fact now increased the size of the Sierra Leone UNOMSL mandate, and believe that it needs to be worked harder in terms of supporting the cease-fire. It is not a peacemaking force. It is there to support the cease-fire.

On Congo, I think when I was in New York I talked about the Congo and the involvement of everybody in it as Africa's world war, basically. Congo is surrounded by nine countries. There are various ones playing roles by being in Congo in support of rebels, or in support of the Kabila Government. Peace in Congo is critical for peace in Central and Southern Africa. As you point out, there are no U.S. troops, but we are asking for an increase in the size to about 5,000. We are reprogramming funds, about $42 million for our other areas to go into what is now considered phase two in support of the cease-fire. We want them to abide by the Lusaka Accords.

Another part of something we are doing, Senator, is to try to focus our attempts on helping democracies a little bit in terms of what Senator Kerry was talking about. We cannot be everywhere all the time, but I have focused on four democracies that are in transition that I think really need to have more of our assistance, and Nigeria is one of them.

It has been my sense that Nigeria under military dictatorship was a missing piece in terms of stability in Africa. With President Obasinjo we have a huge opportunity to help him, so we have increased our assistance. I think we have quadrupled it for Nigeria. We will be working very hard there to support civil society to have him deal with civilian control of the military, judicial systems, and to deal with their ethnic problems.

So we are focused on Africa, and it has many problems, but we would like very much to get the Africa Growth and Opportunity Act passed.

Senator SARBANES. Mr. Chairman, let me just observe the administration has included in their budget important debt relief initiatives for the African countries, and I very much hope that here in the Congress we will be able to act favorably on that, because I think that is another very important piece of this puzzle.

Thank you very much.

The CHAIRMAN. Senator Chafee.

Senator CHAFEE. Thank you. It is an honor, Mr. Chairman, to be named to your committee. I would followup on Senator Feingold's questions about our aid package to Colombia. In your experience, and your recent visit there, what level and how rampant do you think corruption is in Colombia?

Secretary ALBRIGHT. Senator, we have obviously been concerned about corruption in Colombia—in Africa, too. What I find heartening is President Pastrana and his team are also very much aware of that, and therefore funds that go in are very carefully

monitored. So we do not want to have a concern about any misuse of the funds we are providing, and President Pastrana knows that.

Whit regard to the problems in Colombia, everything seems to be interwoven, the narcotraffickers and corruption and the paramilitaries. So by looking at this in a comprehensive way, which Plan Colombia does, I think it will help us.

One point I would like to make about that, while Plan Colombia as a whole is $7.5 billion, we have committed ourselves to a package of $1.6 billion, $1.2 billion in the supplemental and then what we have given previously. But Colombia itself has committed $4 billion to this, and the World Bank and the IMF also. We are trying to get the Europeans to assist, and all of them are going to be looking at ways so money does not get diverted and that corruption is also dealt with.

Senator CHAFEE. How high, in your personal opinion, do you think the level of corruption rises?

Secretary ALBRIGHT. Excuse me?

Senator CHAFEE. How high in Colombia do you think the corruption rises?

Secretary ALBRIGHT. I can only tell you what I was told when I was there—that President Pastrana has gotten rid of a lot of people that he has been concerned about with regard to human rights issues or on issues of corruption. What was different about President Pastrana's election, I think, is that he has worked very hard to distance himself from all of that and is very much aware of the fact that there is a problem.

Senator CHAFEE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Madam Secretary, we will keep the record open until the close of business on Friday so that there can be additional questions for the record from Senators who were present or not present.

One item, and then we will recognize the Senator from Connecticut. We have in our midst, Madam Secretary and Senators, and those who are our guests, a prodigal son of a sort. His name is Bertie Bowman. He has served 40 years on Capitol Hill, 27 years on the Foreign Relations Committee staff, and by George, he had retired and he came back the other day. He just could not stay away from us. Bertie, we are glad to have you here.

Now then, Senator Dodd.

Senator DODD. Thank you, Mr. Chairman. I thought I was back as a freshman Member of the Senate when I saw Bertie here. He was here the first day I arrived, so it is nice to see him come back again.

Madam Secretary, thank you again, and let me quickly make a couple of points. One is, I am glad Senator Sarbanes raised the issue of the world debt, the poorest nations' debt. It did not get much attention, but this was raised at the World Economic Forum in Davos as well.

You made excellent remarks there, by the way, Mr. Chairman. The Secretary did a terrific job at that international conference, as did the President. There was not much attention here on what was done by the Congress and the administration, and I commend the leadership of the House and the Senate as well as the administration.

What better gift I cannot think of, than to give the poorest nations of the world for the new millennium than to say to these countries, that debt that you owe, we are going to start this new millennium for the poorest nations who would never be able to pay back this debt, to give them a fresh start, and I commend you for it and hope we will continue with that initiative that needs to be made, but it really deserves recognition. It did not get as much here as I thought it should have. It was a tremendous effort.

Second, I want to come back to Colombia as well, and I appreciate the fact—and I welcome, by the way, my colleague from my neighboring State, Lincoln Chafee. We all loved serving with his dad and are going to enjoy, I think, service with Lincoln as well. Welcome to the committee, Linc. It is a pleasure to serve with you.

But there is this issue—and look, I am going to support Plan Colombia. I think it is worth the effort. I have great respect for President Pastrana. I think he is a remarkable leader. I met with him a few weeks ago. I was in Venezuela and Colombia and Ecuador, and I think he is determined to try and resolve this issue with the FARC, the large insurgency, Mr. Chairman, that has been operating for some 40 years there.

But I have got to tell you, it is troublesome as well. This is a program which is rife with difficulties if it does not work right, and I know you appreciate that, Madam Secretary, and this is too small to have here, but the map of Colombia here, and there are two battalions, Mr. Chairman, we are going to be training with part of these funds to try and deal with the narcotrafficking issue and the major areas they are going to be are in three southern provinces in Colombia, Caqueta Province, Putumayo, and Guaviare Province in the south here.

The problem with that is, to some extent is that the DMZ, which is where the insurgency is, is right there, and in fact in the Colombian assistance package put out by the Department you make reference to this. You say here, helping the Colombian Government push into the coca-growing regions of southern Colombia which are now dominated by the insurgent guerrillas, so the issue for us is, if our target here is to deal with the narcotrafficking and stay away from the insurgency, that we do not want to get ourselves bogged down in the insurgency in Colombia, it is going to be very difficult to kind of keep those activities separate. That is the worry we have.

Now, again, I am going to be supportive of this because I do not have an alternative, Mr. Chairman, to suggest to you, and I think Colombia has been heroic in its efforts. We are the big consuming country. They are now providing more than half, I think you pointed out, Madam Secretary, more than half of the world's coca production. Maybe as much as 80 percent of it, Mr. Chairman, are coming out of Colombia now that Bolivia and Peru are being shut down.

We need to do a better job, obviously, in cutting back consumption here, but obviously the source countries need to be dealt with, and I do not have a better plan for you than the one that is on the table, although I might adjust that formula 80/20 to a little more on the social side of that equation, rather than 80/20 military to social, but nonetheless I think it deserves support.

But I think we have got to watch this very carefully, or we could get ourselves really bogged down here. When we get into those southern areas here and you run smack into the insurgency, I do not know how you take those 30 Blackhawks and 30 Hueys, train those two battalions and say, you can fire at the coca guys but you cannot fire at the insurgents, when in fact the insurgents are the ones who are protecting some of the narcotraffickers.

So it is a very difficult issue, and if you want to make some additional comments on that I would be willing to hear them, but I am worried about it, and I hope that we might broaden the frame of reference here to include Venezuela, include Ecuador in the plan.

Mr. Chairman, all of the factories, the production of the cocaine actually comes out of Colombia down into Ecuador, and there are some problems on the Venezuelan border on the other side, so it would be, I think, in our interests to try and involve Hugo Chavez, who I think is worth backing. I spent time with him. I think he is a good democratic leader. He is different than any other leader we have seen recently in the region, but I think he is worth spending some time with and working with.

And I was deeply upset that we did not do more with President Mahuad, who was the President who let us put that forward-looking base to deal with the narcotraffickers in his country, supported us on U.N. votes over and over again, and in his hour of need we were not there, in my view. I say that with all due respect. You know how I feel about it. We talked about it.

We have got a new Vice President in charge now down there, President Naboa, who I have talked with in the last couple of days, but we have got to look at this more on a regional basis than just Colombia, and to watch it very carefully that this does not spill over, as Bob White and others have warned in some editorial comments that it could.

So I would be interested to further sort of explanation here, Madam Secretary, how you are going to try and keep these activities separate.

Secretary ALBRIGHT. Well, first of all I think you point out a very serious problem. Clearly there is a history of previous assistance in other places that have been of concern to many of us over the years, but I think that we understand the problem.

You point out the map that I have carried with me everywhere. Basically the problem is that the government in Bogota does not have control over large portions of its country. That is why we are concerned about this pushing into the south. Because we are aware of the problems there, we are going to try to do everything we can to keep it all separated. But it is difficult, you are right. Sometimes it is hard to distinguish between a narcotrafficker and a paramilitary and an insurgent, so this is difficult.

One thing I do want to tell you is, while I did not talk about this, this is a regional issue. There is also money going to Ecuador. We are talking to Chavez. When I was talking to Pastrana we spoke about the importance of having it look more like a friends of Colombia, that there has to be a real effort here to involve the neighboring countries.

Partially, the fact that this has happened in Colombia is due to success that we had in Peru and Bolivia. A lot of the growing of

cocaine, coca plants had moved over. It is a strange thing, but some of this is due to our success. I just want to assure you that we are looking at it in the larger picture.

On balance, I would have rather had more for the "social aspect" of this, but we have been told by USAID, for instance, that they cannot absorb large amounts of this type of assistance at the moment. But we are looking at it constantly, because I think that as I have gotten immersed in this problem it clearly has a number of components to it. Obviously, narcotraffickers do not have alternative farming. The economy and the whole economic structure of Colombia is a problem.

On President Mahuad, we did talk to him a lot, and we obviously regret what happened, but we are in very close touch with the new President, and have done—I know you had other ideas here, but we really have tried to be supportive of him. We clearly were unable to do that.

Senator DODD. I know my time is up, but Mr. Chairman, let me ask one other question on this. Again, looking at the map with both Colombia and Venezuela, which just sort of—people I know know this, but both countries have significant parts of their country that border on the Caribbean.

I know there are different feelings around here about the Caribbean Basin Initiative. I wonder if you want to comment on this very quickly, but I would like to see us—one of the things I thought we might do, I am a strong supporter of the Caribbean Basin Initiative. One of the things I thought we might do is add Colombia and Venezuela to the CBI countries here. They are not presently added, but they have tremendous part of their countries on the Caribbean Basin.

This could be the long-term kind of real economic assistance that is an alternative to the present difficulties they face in both countries here, less in Venezuela, obviously, with the petroleum reserve, but certainly more so in Colombia.

Do you have any comment on that? I am going to try and work this and talk with other Members of Congress and see how they feel about it, but does the administration have any deep objection if Colombia and Venezuela were to be added?

Secretary ALBRIGHT. I would have to look at that. I was in Cartagena, which is clearly a Caribbean port, so I think basically there is the Caribbean aspect to it. Let us look at that.

The other part of the problem we have to look at is that these are countries, especially Colombia, that have huge river systems. So we also have to look at various other ways to involve all parts of the military in this. We must help them with a lot of activities on their rivers and with their coast guard. This is a huge project, no question about it.

I will not repeat what you said, Senator Dodd, but this is an American problem. We always talk about the linkage between domestic and foreign policy. There is no clearer example than this. This is one that I think is explicable to the American people, because this is how we are protecting our children.

Senator FEINGOLD. Mr. Chairman, I will be very brief, but let me just say I want to compliment the administration and agree with the Secretary's comments about the administration's commitment

to Africa, as well as the President's commitment, your own efforts, and Ambassador Holbrooke's. I think the emphasis is being felt in Africa, and making a difference in sort of setting the stage for what Senator Sarbanes had suggested, and I want to thank you for that.

Specifically on Congo, I have been impressed with the administration's efforts to take this very seriously, and pleased that this notification has come through. The approach that has been suggested by the Secretary General, as you know, is a carefully phased approach. We completed phase one, and now we are into this phase two that is the subject of the notification.

I wonder if you could just comment on what kind of benchmarks we look for before we move to another phase of that. I am going to talk to my colleagues about this. What are the kinds of things we would be looking for in terms of progress in the situation in Congo and the Lusaka agreement, so that I could continue to feel good about where we are heading on this?

Secretary ALBRIGHT. Well, I think this is all about whether they live up to a cease-fire. The next phases would have to do with disarmament issues—who would do it, and how that would be done. We started talking about that a bit when I was in New York with the leaders of the countries. We have to see how they are abiding by the cease-fire parts of it, how the rebels are dealing with the Kabila and the Kinshasa Government. We must also look at the issues that came up in the statements of the other Presidents regarding how Uganda and Rwanda are responding and the role of Zimbabwe.

So I cannot give you specific benchmarks. But the real issue is, we are not going to move into another phase until we feel that it is doable.

I think for me, and I spend a lot of time on African peacekeeping issues, is that we have to make sure that the mandates work, that the budgets are correct, that the right people are able to do the job. We just had a problem in Sierra Leone, where some of the rebels were disarming the peacekeepers. They were not doing their job, because the numbers were not big enough, or they were not instructed properly.

So when we say we do not want to have American forces somewhere, we then rely on the forces on the ground in the region. We have to do more in terms of helping to train the Africans in the African Crisis Response Initiative so that they can undertake this.

But let me say, I think that as we have gone around here on all the issues, it makes me just realize what I said initially—that the United States has an interest in many places. We are concerned about how stability in Africa affects us for any number of humanitarian reasons, but also about HIV/AIDS. I think that is something Americans understand.

And while it is very easy for somebody in my position to come up here and say, it is so complicated, and it is much more complicated than it ever was, the truth is that we now care about a lot more places than we ever did before because they are not frozen in a cold war stance. So we have to learn to absorb all these new threats and opportunities as they come up in the 21st century.

Senator FEINGOLD. Thank you very much.

Senator DODD. Mr. Chairman, just one additional, and I apologize to you, and I am not doing this in the order, but obviously Ireland is on everybody's mind as we watch the events unfolding here, and I want to just make a quick comment on it.

I read the editorial comments the other day about what some determined as a failure on the part of the administration, of people like our colleague Senator Kennedy and others who worked on this issue. Silence is somehow condoning certain activities, and I know first-hand that the administration has worked tirelessly on this issue, cooperating with Prime Minister Blair and Prime Minister Hearn as well as members of the—David Trimble and obviously other members of the political community, Gerry Adams and the like.

I am wondering again, and I am hopeful that this can be resolved over the next several days, but I wondered if maybe you wanted to take this opportunity just to express what the administration's view is on this issue and what prospects for hope you have that matters can be resolved.

Secretary ALBRIGHT. Well, first of all, let me say this is an issue on which the President has spent a great deal of time and personal interest. He has been in touch with the various parties all along. Whenever any party, whether it is Gerry Adams or Trimble or anybody comes here we spend time with them.

Senator DODD. As we do up here, by the way, on all sides.

Secretary ALBRIGHT. Then I think the President believes, as you do, that the Good Friday agreement needs to be carried out. Should it not be carried out it would be so unfortunate, in contrast to other places that we deal with. The people voted for this power-sharing government and moving this process forward. They voted in much bigger numbers than people thought. The people want this to happen.

And we are certainly not silent on the issue. As you have said there has been a lot going on, and your former colleague and my friend Senator Mitchell has spent an awful lot of time, both in terms of quality and quantity, on this. We are hoping that the agreement will be carried out, because it is so important, and that is what the people there want.

Senator DODD. Well, I thank you for that, and it is important. The fact that we are not issuing statements or making speeches on the floor of the Senate about it does not mean there are not people working at this every day, and I thank you for it, and I thank you for this morning. You have been tremendously patient and done a tremendous job in visiting a lot of places all over the globe, and once again we are reminded how lucky we are to have you as our Secretary of State.

Secretary ALBRIGHT. Thank you, and let me say what an honor it is for me to be Secretary of State. I am glad I have another year.

The CHAIRMAN. Madam Secretary, another impressive appearance. We thank you for coming, and I am overdue 30 minutes in letting you leave, but you brought it on yourself, and you did it well.

Thank you so much, and there being no further business before the committee, we stand in recess.

[Whereupon, at 1 p.m., the committee adjourned.]

ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

RESPONSES OF SECRETARY OF STATE MADELEINE K. ALBRIGHT TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

TREATY NEGOTIATIONS

Question. Please provide a listing of all bilateral and multilateral treaties and other international agreements under negotiation by the United States. Please list the treaties and agreements by the bureaus in the State Department charged with leading the negotiation. Indicate whether the agreement will be submitted to the Senate for its advice and consent and the projected date of completion of negotiation of the agreement. Also, please indicate other federal agencies that are participating in the U.S. negotiation of each agreement. In addition, please list the meeting schedule for all multilateral negotiations.

Answer. I am unable to provide the information requested in this question for several reasons.

First, the Department of State maintains no comprehensive list of treaties and international agreements under negotiation. The Department maintains only a record of treaties and international agreements that have been signed and/or concluded. Aside from treaties, which are transmitted to the Senate for Advice and Consent, the conclusion of other international agreements is reported regularly to Congress in accordance with the Case-Zablocki Act, 1 U.S.C. 112b ("Case Act").

Second, many federal agencies (e.g., USTR, DOD, etc.) have independent statutory authority to negotiate international agreements without any Department of State participation. The Case Act requires only that other federal agencies coordinate with the Department of State prior to the conclusion of an international agreement. Until conclusion, federal agencies with this authority are free to negotiate without coordinating those negotiations with the Department of State.

Third, in those areas where the Department of State would have a lead in negotiations, there are numerous instances where authority has been delegated to another federal agency to negotiate and/or conclude particular classes of agreements. Under those circumstances, the Department is often unaware of the existence of any negotiations prior to an agreement's conclusion.

Accordingly, a Department of State compilation of all treaties and international agreements presently being negotiated by the United States is simply not possible given the statutory and administrative framework that presently applies to the United States' negotiation and conclusion of treaties and other international agreements.

BIOSAFETY PROTOCOL

Question 1. Please provide a detailed analysis of the U.S. commitments under the Biosafety Protocol.

Answer. The United States has no legal commitments under the Biosafety Protocol, nor will it when the Protocol enters into force. The United States is not a party to the Convention on Biological Diversity and, therefore, cannot become a party to the Biosafety Protocol. As a non-party, the United States Government is not legally obligated to implement the particular requirements of the agreement.

We expect countries that become a party to the Protocol will amend their domestic laws so as to be consistent with the provisions of the Protocol. Our agricultural exporters who then trade with these countries will have to comply with these domestic import requirements.

Question 2. Is it accurate that the Administration intends to implement the Biosafety Protocol despite the fact that the United States is not and will not become a party to the Protocol?

Answer. The Administration does not intend to implement the Biosafety Protocol as the United States is not a party to the agreement and it is not in force. We believe, however, that it is in our national interest to participate voluntarily in several of the information-sharing aspects of the Protocol. Our relevant domestic regulatory agencies, for example, already provide factual information to the public about living modified organisms, including via the Internet, pursuant to existing domestic authorities. Sharing our risk assessment information will help familiarize other countries with LMOs, and may promote international confidence in U.S. exports and reduce the likelihood of international criticism of the U.S. and its exporters.

Question 3. Please explain the legal basis for implementation of the Biosafety Protocol without Senate advice and consent to ratification.

Answer. The Administration does not intend to implement the Biosafety Protocol. As a non-party to the Convention on Biological Diversity (the parent treaty of the Biosafety Protocol), the U.S. Government is not legally obligated to implement the agreement. Participating voluntarily in several of the programs envisioned by the Protocol, such as the sharing of information that the United States already makes public, may prove to be in our national interest. In the long term, we believe sharing this information will help ease concerns regarding biotechnology, and could facilitate trade in biotechnology goods.

DESERTIFICATION CONVENTION

Question. Please provide a breakdown of all U.S.-funded projects that would qualify as implementation of U.S. commitments under the Desertification Convention. Indicate the cost of each project.

Answer. Attached is a table compiled by USAID which sets forth bilateral and regional support in Africa for desertification activities in 1996, 1997 and 1998. We are working with USAID to update this information for Africa and other regions and would be pleased to furnish it as soon as it becomes available. USAID informs us that a significant portion of its resources for drought and desertification is devoted to Africa. We also are consulting with other federal agencies to determine their degree of support, if any for U.S.-funded desertification projects overseas.

As a non-party to the Convention to Combat Desertification, the United States has no treaty obligation to commit resources to combat land degradation under the terms of that Convention. If the United States were to become a party, ongoing development assistance programs would fulfill our obligations under the treaty. The Convention to Combat Desertification does not require any specific level of funding.

ANNEX A[1]—USAID'S AFRICA BUREAU BILATERAL AND REGIONAL SUPPORT DIRECTLY RELEVANT TO DESERTIFICATION[2]

Strategic Objective	Country	US$mil. FY96	FY97	FY98
1. Sustainable Dryland Agriculture:				
Increased food security	Eritrea	0.45	0.40	0.18
Increased availability of locally produced food grains.	Ethiopia	0.13	1.00	1.25
Smallholder agriculture and natural resource management.	Kenya	0.66	0.80	0.80
Economic growth	Mali	2.72	2.40	3.06
Rural household increased income in target areas.	Mozambique	1.25	0.75	0.61
Improved regulatory environment for agricultural production.	Zambia	0.09	1.65	0.65
Increased household food security in communal areas.	Zimbabwe	1.92	1.20	0.87
2. Rehabilitation of Dryland Areas:				
Rehabilitation and resettlement	Angola	0.04	0.01	0.01
3. Drought/Disaster Early Warning and Mitigation:				
Famine early warning and crisis prevention, mitigation and response.	Africa	5.34	7.90	7.70
4. Mitigation Using Natural Resource Management:				
Protect the natural environment	Guinea	—	—	2.92
Reduce natural resources depletion in target areas.	Madagascar	1.68	2.19	2.45
Increased sustainable use, conservation and management of natural resources.	Malawi	1.54	—	4.70
Improved benefit from locally managed natural resources.	Namibia	0.12	0.10	0.35
Increased crop production via improved natural resource management.	Senegal	3.08	3.85	1.40

Strategic Objective	Country	FY96	US$mil. FY97	FY98
Environmentally sustained natural resource management.	Tanzania	2.05	1.75	2.00
Sustainable increases in agriculture and natural resources.	S. Africa Region	0.51	2.50	1.75
Conservation in critical ecosystems	Uganda	0.74	1.28	—
Improved policies, programs, strategies in sustainable environments.	Africa	0.40	1.80	2.32
5. Awareness Raising in Dryland National Resource Management:				
Dryland information and development	Sahel Region	0.65	1.30	1.50
6. Capacity Building and National Planning:				
Horn of Africa support program	Gr. Horn of Africa	0.19	—	0.35
Regional technical support	Africa	—	0.40	0.70

[1] Data is included in a USAID booklet entitled, "USAID Framework for Cooperation in Africa in the Implementation of the Convention to Combat Desertification."

[2] Based on the Control Data from USAID's Africa Bureau, Office of Development Planning.

Note: Beyond dryland management, many activities supported by USAID support the anti-desertification goals, such as marketing and enabling policies and infrastructure, rural economy growth initiatives, etc. Activities for which USAID provides funding have met the following three criteria.

• Is environment a priority in the USAID Country Strategy? If so, has the Mission taken national priorities for combating desertification into account in preparing its Strategic Plan?

• Assuming an activity is defined within a given National Action Program to Combat Desertification (NAP), how does it relate to the country's National Environment Action Plan (NEAP), and is it clearly coordinated with the work of other donors?

• Has the responsible agency in-country designed and implemented a system of benchmark indicators (as established within the Convention), along with monitoring, evaluating, and mitigation plans? Has policy reform gone forward to the extent that demonstrable progress can be demonstrated toward a policy environment?

UN REFORM

Question. The toughest reform at the United Nations necessitated by the Helms-Biden law is a wholesale change in the assessment scale. If the American share of dues is cut to the fair level that the legislation mandates, other major powers will have to contribute more. That will require high-level bilateral diplomacy conducted by you, in addition to the efforts by Ambassador Holbrooke at the United Nations. In particular, China, a Security Council member with one fifth of the world's population, contributes less than 1 percent of the UN budget. What are you going to do to address that inequity?

Answer. The Administration has already initiated a broad diplomatic effort to secure support for revisions to the UN's scales of assessment that will provide a flatter and more equitable distribution of the UN budget among its members and that will meet the Helms-Biden benchmarks. We are considering a number of different scenarios to illustrate ways in which the resulting reduction in U.S. contributions can be redistributed. The UN's Fifth Committee will begin deliberations on scale of assessment when it reconvenes in mid-March. Although it is not possible to determine with certainty at this time whether China's assessment will increase, that is a possible outcome. As the UN decision-making process proceeds, culminating at the 55th UN General Assembly, the U.S. will strongly advocate revised scales of assessment to ensure their adoption by the required two-thirds of the UN members, using all the tools at our disposal.

PEACE PROCESS

Question 1. Do you contemplate any possibility that the United States will provide assistance, either economic or military to the Assad government in Syria? What conditions would Syria have to meet to be eligible for assistance? How much do you think a Syria-Israel package will cost the United States? Will those costs be borne over several years? How much burden sharing can we expect from Europe and Asia?

Answer. Syria, a state sponsor of terrorism, is precluded from receiving U.S. assistance. Assad and his government know what Syria needs to do to get off the state sponsor of terrorism list. Until that occurs, it is premature to discuss U.S. assistance to Syria.

However, we all recognize that we have a major opportunity this year to help the parties achieve a comprehensive peace in the Middle East. As the parties move forward in their negotiations, we will need to work closely together—the Administration and Congress—to shape an assistance package that will support the parties as they make tough decisions.

Israel will incur major security costs in future peace agreements. The Israelis have begun to outline to us some of their prospective needs, which we are reviewing closely. In the context of peace agreements, we hope to be responsive to their needs, just as we have with every other Middle East peace agreement over the past two decades.

We are at a preliminary stage. It is too early for specifics on a U.S. contribution. We will, of course, also look to the broader international community to play a major role in supporting the costs of Middle East peace. In Moscow in February, I began a dialogue with my colleagues from Europe. Japan, and others on helping to meet these costs.

We recognize that Congress needs to be involved at an early stage and look forward to consulting closely with you.

Question 2. Last go-round with Israel and Syria the issue of U.S. troops on the Golan Heights was a topic of some interest. Has the issue been discussed with the parties? Would this Administration support a request to supply U.S. troops to a Golan Heights peacekeeping or multinational force?

Answer. The President has expressed a willingness, in consultation with Congress, to consider a U.S. troop contribution to a potential monitoring or peacekeeping force on the Golan, in the context of a peace agreement between Israel and Syria, should both parties request it. The security requirements of any possible peace deal between Israel and Syria have not been determined yet, so it would be premature to comment on them at this time.

IRAQ

Question 1. How much of this year's appropriation of $10 million for the Iraqi opposition has been obligated or disbursed?

Answer. We have recently submitted the congressional notification for FY 00 funds. None of the $10 million appropriated has been obligated or disbursed. The Iraqi National Congress Support Fund has submitted a preliminary assessment of projects it would hope to fund through the use of FY 00 ESF funds. We look forward to receiving more concrete proposals from them and from groups interested in developing evidence of Saddam's war crimes and related pursuits in the near future.

Question 2. Why has the Administration failed to pursue additional training courses and further drawdown for the Iraqi National Congress under the ILA?

Answer. DOD and State are pursuing an active dialogue with the Iraqi National Congress about using the ILA drawdown for both material and training needs. DOD is currently developing a range of courses that would meet the needs discussed most recently in January meetings in London. At the same time, the INC is putting together its own list of potential trainees and determining language capabilities and other logistical needs. We anticipate that we and the INC will agree on the next series of training courses shortly and that more Iraqi students can participate in U.S.-led training early this spring.

The INC itself has told us that it is not currently prepared to carry out humanitarian assistance to Iraqis under the ILA. It is taking steps to develop the infrastructure necessary for such activity.

We will continue working closely with the INC, as representative of the groups listed separately as eligible to receive drawdown under the ILA to further our common goals.

LEBANON

Question. During the civil war, staffing levels at the U.S. mission in Lebanon were understandably low. Is it the Administration's intention to increase staffing levels at the U.S. mission in Beirut?

Answer. The safety of personnel at our overseas posts is one of my highest priorities. Staffing levels at embassy Beirut have been kept to a minimum because of security concerns. However, we continually re-evaluate conditions at Beirut and other posts. We will consider increasing the staffing level in Lebanon only when I have been assured that this can be done safely.

PALESTINIAN AUTHORITY

Question 1. Numerous human rights organizations have complained about the Palestinian Authority's reckless disregard for human and political rights. Officials of international financial institutions and numerous EU governments point to pandemic corruption. Internal remedies for these problems are almost non-existent because of Arafat's autocratic rule. Are these issues a priority for the Administration, and is it the Administration's policy to pressure Arafat to sign the Basic Law?

Answer. We maintain close watch over the human rights situation in the West Bank and Gaza. We regularly raise human rights concerns with Palestinian officials.

The Administration released its annual human rights report to the Congress on February 25, which detailed our concerns about human rights practices in the West Bank and Gaza. In our report, we specifically noted that the Basic Law and other laws passed by the Palestinian Council, designed to limit executive branch abuses and to delineate safeguards for citizens, have not been signed.

Question 2. In January Palestinian police seized property in Jericho belonging to the Russian Orthodox Church Outside of Russia (ROCOR), a religious organization incorporated in the United States. Apparently the Palestinian Authority intends to turn over the land to the Moscow Patriarchate, despite the fact that the ownership documents are in the possession of ROCOR. What steps is the Administration taking to stop this illegal handover of property?

Answer. While we have taken no position on the merits of the dispute over ownership of the property, we believe that property disputes should be resolved in an orderly way through a judicial process in accordance with the rule of law, not by decree or by force.

I have raised this issue with Chairman Arafat personally.

Officials from the U.S. Consulate General in Jerusalem are monitoring the situation closely and maintaining contact with Palestinian officials and leaders of the Russian Orthodox Church Outside Russia.

ASSISTANCE TO KOSOVO

Question. Please provide to the Committee the U.S. contribution to date to: (1) the operation of the United Nations Mission in Kosovo (UNMIK), (2) the budget support program directed by UNMIK for local officials in Kosovo participating in the administration of the province, (3) the United Nations International Police force in Kosovo (UNIP), (4) the Kosovo Protection Corps (KPC), and (5) all bilateral assistance for reconstruction purposes.

Please provide the same information for the member states of the European Union.

Answer. [Please see attached charts, one for each element of the question.]

U.S. and E.U. Assessed Contributions to UNMIK

[As of March 15, 2000]

Countries	Share 1999	First Assessment: $125 million		Share 2000	Second Assessment: [1] $302 million	
		Requested	Paid		Requested	Paid
United States [2]	25.00%	$31.25	$31.25	25.00%	$75.52	$35.38
Germany	9.81%	12.26	12.26	9.86%	28.07	0
France	7.94%	9.93	9.93	7.93%	22.61	0
United Kingdom	6.18%	7.73	7.73	6.17%	17.59	17.59
Italy	5.43%	6.79	6.79	5.44%	15.50	0
Spain	2.59%	3.24	3.24	2.59%	7.38	0
Netherlands	1.63%	2.04	2.04	1.63%	4.65	0
Sweden	1.08%	1.35	1.35	1.08%	3.08	3.08
Austria	0.94%	1.18	1.18	o.94%	2.68	0
Denmark	0.69%	0.87	0.87	0.69%	1.97	1.97
Finland	0.54%	0.68	0.68	0.54%	1.54	1.54
Portugal	0.42%	0.53	0	0.43%	1.23	0
Greece	0.35%	0.44	0.44	0.35%	1.00	0
Ireland	0.22%	0.28	0.28	0.22%	0.64	0.64
Luxembourg	0.07%	0.09	0.09	0.07%	0.20	0
Others	31.71%	39.64	36.24	31.78%	106.71	50.4

U.S. and E.U. Assessed Contributions to UNMIK—Continued

[As of March 15, 2000]

Countries	Share 1999	First Assessment: $125 million		Share 2000	Second Assessment: [1] $302 million	
		Requested	Paid		Requested	Paid
Totals	100%	125.00	121.6	100%	290.37	110.6

[1] Billed mid-January 2000, at $302 million for the US and $285 million for others (to account for tax exemptions).
[2] Paid out of CIPA account. United States has been billed by UN 30.4% in CY 1999 and 30.28% in CY 2000

Note: Altogether 15 EU member states represent 37.89% of CY 1999 and 37.94% of CY 2000 assessed contributions. Calculations represent unofficial estimates of UN assessments and payments.

Donor Contributions and Disbursements to UNMIK [1]

As of March 28, 2000, including off budget expenses (civil registry, electricity imports)

[In millions of dollars]

Donors	Total Pledged to Date	Donor's % of Total Pledges	Disbursed	[2] % of Donor's Pledge Disbursed
United States	$24.0	13.4%	$24.0	100.0%
EC/EU/NATO	134.7	75.2%	117.5	87.2%
Others (Canada, Japan, World Bank)	20.5	11.4%	10.7	52.2%
Totals	179.2	100.0%	152.2	84.9%

[1] Data for non-U.S. donors provided by the UN.
[2] Unlike the U.S., the fiscal year for most other donors begins January 1. Therefore, U.S. disbursements vs. other disbursements in March are not directly comparable.

Donor Contributions and Deployments to International Police Force in Kosovo [1]

[Number of Forces (April 10, 2000)]

Donors	[2] Total Pledged to Date	Donor's % of Total Pledges	Deployed	% of Donor's Pledge Deployed
REGULAR POLICE:				
United States	550	16%	513	93%
EU/NATO [3]	1,038	30%	816	79%
Others	1,816	53%	1,428	79%
Total	3,404	100%	2,757	81%
SPECIAL POLICE:				
United States	0	0%	0	0%
EU/NATO [3]	230	20%	0	0%
Others	920	80%	149	16%
Total	1,150	100%	149	13%
TOTAL POLICE:				
United States	550	12%	513	93%
EU/NATO [3]	1,268	28%	816	64%
Others	2,736	60%	1,577	58%
Total	4,554	100%	2,906	64%

[1] Data for non-U.S. donors is based on data provided by the UN.
[2] Total authorized strength is 4,718 of which 3,593 CIVPOL and 1,125 Special Police. The total number of pledges has risen by 153 since 3/7/00, but the number pledged by the EU and NATO remains unchanged.
[3] EU/NATO: 15 EU member states + other NATO members Norway, Iceland, Czech, Poland, Hungary, Turkey.

[Deployed as of April 10, 2000]

Country	Regular Police Pledge	Regular Police Deployed	Special Police Pledge	Special Police Deployed	Total Pledge	Total Deployed
EU/NATO:						
Austria	50	49	—	—	50	49
Belgium	5	5	—	—	5	5
Czech	6	6	—	—	6	6
Denmark	30	27	—	—	30	27
Finland	20	19	—	—	20	19
France	78	77	—	—	78	77
Germany	420	264	—	—	420	264
Greece	15	—	—	—	15	—
Hungary	10	10	—	—	10	10
Iceland	2	2	—	—	2	2
Italy	82	45	—	—	82	45
Luxembourg	—	—	—	—	—	—
Netherlands	1	1	—	—	1	1
Norway	25	15	—	—	25	15
Poland	10	9	115	—	125	9
Portugal	25	25	—	—	25	25
Spain	37	34	115	—	152	34
Sweden	42	44	—	—	42	44
Turkey	120	124	—	—	120	124
UK	60	60	—	—	60	60
Totals	1,038	816	230	—	1,268	816
United States	550	513	—	—	550	513
Others:						
Argentina	68	38	115	—	183	38
Bangladesh	50	31	—	—	50	31
Benin	5	5	—	—	5	5
Bulgaria	60	60	—	—	60	60
Canada	100	90	—	—	100	90
Dominican Republic	30	—	—	—	30	—
Egypt	71	71	—	—	71	71
Estonia	5	5	—	—	5	5
Fiji	33	33	—	—	33	33
The Gambia	5	—	—	—	5	—
Ghana	137	136	—	—	137	136
India	245	86	230	20	475	106
Jordan	230	230	230	15	460	245
Kenya	50	39	—	—	50	39
Kyrgyzstan	2	2	—	—	2	2
Lithuania	9	9	—	—	9	9
Malawi	30	—	—	—	30	—
Malaysia	48	47	—	—	48	47
Mozambique	5	—	—	—	5	—
Nepal	53	53	—	—	53	53
Niger	5	6	—	—	5	6
Nigeria	50	48	—	—	50	48
Pakistan	110	88	115	114	225	202
Philippines	45	23	—	—	45	23
Romania	70	45	—	—	70	45
Russia	130	120	115	—	245	120
Senegal	16	16	—	—	16	16
Tunisia	10	10	—	—	10	10
Ukraine	29	30	115	—	144	30
Zambia	60	55	—	—	60	55
Zimbabwe	55	52	—	—	55	52
Totals	1,816	1,428	920	149	2,736	1,577
Grand Totals	3,404	2,757	1,150	149	4,554	2,906

CONTRIBUTIONS TO THE KOSOVO PROTECTION CORPS (KPC)

United States: $14.1 million

- $5.0 million SEED for KPC salaries, equipment (UNMIK)
- $2.5 million SEED for KPC training (IOM)
- $2.5 million SEED for KPC training (IOM—committed but not yet distributed)
- $4.1 million DOD draw-down (KPC uniforms, equipment)

European Union and Member States: $13.7 million

- $5.0 million (European Community Task Force)
- $2.0 million (U.K.—IOM program)
- $1.0 million (U.K.)
- $4.0 million (France—pledged)
- $1.6 million (Germany—pledged)
- $0.06 million (Germany—in kind)

EU and Euro-NATO Contributions and Disbursements for Kosovo Reconstruction in 1999 and 2000

[As of April 7, 2000—In millions of U.S. dollars]

Donors	Total Pledged	[1] Contracted	% of Donor's Pledge Contracted	[2] Payments	% of Donor's Pledge Paid
EC/EU/NATO [3]	$402.0	$93.0	23.1%	$36.4	9.1%

[1] Contracted = Implementation of commitments via contracting of services, goods.
[2] Payments = Implementation of contracts via payments made to either contractors or UNMIK.
[3] The current available data only includes EU allocations and disbursements. Europeans: 15 EU member states and other European NATO members Norway, Iceland, Czech, Poland, Hungary, Turkey. The EU includes part of their support to the UNMIK budget ($5 million paid in 1999 and $10 million paid in 2000) within their framework of reconstruction assistance contributions.

EU and Euro-NATO Contributions and Disbursements to Humanitarian Assistance for Kosovo in 1999 and 2000

[As of April 7, 2000—In millions of U.S. dollars]

Donors	Total Pledged	[1] Contracted	% of Donor's Pledge Contracted
EC/EU/NATO [2]	$428.0	$347.0	81.1%

[1] Contracted = Implementation of commitments via contracting of services, goods.
[2] The current available data only includes EU allocations and disbursements. Europeans: 15 EU member states and other European NATO members Norway, Iceland, Czech, Poland, Hungary, Turkey.

U.S. and E.U. Pledges to Kosovo Stabilization and Revitalization [1]

[FY 2000, in millions of U.S. dollars (2/28)]

Donors	Total Pledged to Date	Donors % of Total Pledges
United States	$168.0	13.9%
European Commission	360.0	29.7%
Austria [2]	4.1	0.3%
Belgium [2]	0.3	0.02%
Denmark	36.5	3.0%
Finland	11.1	0.9%
France	18.6	1.5%
Germany [2]	36.0	3.0%
Greece	21.0	1.7%
Ireland	2.5	0.2%
Italy [2]	10.9	0.9%
Luxembourg	17.0	1.4%
Netherlands	52.5	4.3%
Portugal	1.3	0.1%
Spain	13.9	1.1%
Sweden	35.2	2.9%

U.S. and E.U. Pledges to Kosovo Stabilization and Revitalization [1]—Continued

[FY 2000, in millions of U.S. dollars (2/28)]

Donors	Total Pledged to Date	Donors % of Total Pledges
United Kingdom	50.6	4.2%
Others	371.3	30.7%
Total	1,210.8	100.0%

[1] Includes assistance for democratioc reform as well as civilian police.
[2] Provisional, under allocation process.
Note: European Union (EU + member states) represents $671.5 million (55.5% of the pledges).

BALKAN POLICY

Question 1. Given the fact that it is widely believed that the Administration's insistence on early elections in Bosnia legitimized hardliners in that country and made a sustainable peace much more difficult to achieve, is the United States supportive of a plan to hold elections in Kosovo before moderate leaders have had time to develop? Given the fact that the wounds from war are still fresh, would elections be appropriate at all this year?

Answer. There were two options on elections in Bosnia: wait for some undetermined period, meaning we would have to exercise direct rule which no one contemplated at the time, or use the elections as a moderating process. We opted for the latter approach.

Each successive election in Bosnia has produced greater moderation. The election process produced the moderate SLOGA coalition in Republika Srpska. It has spawned the growth of moderate parties in the Federation.

On balance, we believe this was the correct approach, though it has meant also enhancing the authority of the High Representative along the way in order to make the system function.

Kosovo differs from Bosnia in important ways. First, under UN Security Council Resolution 1244 the United Nations Interim Administration Mission in Kosovo (UNMIK) is to form through democratic elections provisional, rather than permanent, self-governing institutions that would remain subject to UNMIK's oversight and authority until such time as Kosovo's future status is determined. Second, there are already a number of politically active moderate leaders in Kosovo today, allowing for significant choice for voters, and creating a range of potential partners for the continuing work of the international community. Lastly, the magnitude of ethnic division in Kosovo is far smaller than in Bosnia. Serbs and other non-Albanians comprise little more than 10 percent of the population. The outcome of the election would therefore be more likely to reflect intra-Albanian political choices than it would a stark test of ethnic strength. We are fully supportive of UNMIK and OSCE's plan to hold municipal elections this fall.

Question 2. What is the status of each of the ten benchmarks set forth by the Administration on which progress must be made before U.S. troops participating in the Stabilization Force (SFOR) in Bosnia can be withdrawn?

Answer. The following is a summary of the report to Congress signed by the President on July 23, 1999, addressing each of the ten benchmarks set forth in section 7 of P.L. 105–174, the 1998 Supplemental Appropriations and Recissions Act (known as the Levin amendment). We expect a newly updated report will be transmitted to Congress soon.

1. *Military Stability.*—Aim: Maintain Dayton cease-fire. Despite the Kosovo crisis, Bosnia and Herzegovina (BIH) remained calm. The senior leadership of the Republika Srpska's (RS) Army remained neutral in the Kosovo conflict, and Federation armed forces were not involved in any way. The Office of the High Representative (OHR), OSCE, and SFOR cooperated closely to increase professionalization and education of the entity armed forces (EAFS) and push them towards a common BIH security policy and a state dimension of defense. A Permanent Secretariat for the State-Level Standing Committee on Military Matters was established.

2. *Public Security and Law Enforcement.*—Aim: Restructured, democratic police forces in both entities. There are positive signs of reform in public security and law enforcement. The Federation and RS signed agreements with the UN International Police Task Force (IPTF) Committing both governments to re-

structure police forces in accordance with democratic principles. The Federation Police Academy, with U.S. and IPTF assistance, has graduated two classes. The RS Police Academy opened and began training predominantly minority Bosniak and Croat recruits. Hiring of minority officers lags in all areas, and tensions persist. Public disorder remains a threaty and SFOR's Multinational Specialized Unit (MSU) has been crucial in supporting local police responses.

3. *Judicial Reform.*—Aim: An effective reform program. OHR is responsible for reform of the judicial system, assisted by international organizations and NGOs. The UN's Judicial System Assessment Program (JSAP), issued its first comprehensive report in April 1999, covering areas needing reform, including property, employment, and commercial law. The JSAP involved Bosnian legal experts in judicial reform, ensuring that local capacity is developed as critical areas requiring reform are identified.

4. *Illegal Institutions, Organized Crime, and Corruption.*—Aim: Dissolution of illegal pre-Dayton institutions. Customs control has improved, and advances in police and law enforcement reform allowed greater emphasis on dealing with corruption and organized crime. Units specializing in organized crime and drugs trained local police and provided technical assistance.

5. *Media Reform.*—Aim: A regulated, independent, democratic media. Continued progress was made in democratization and de-politicization of the media. One of Bosnia's two public television networks, RTV BIH (in the Federation), was freed from party control, and a process of restructuring began to create a Federation TV network. The reform of the Serb radio television network continued with its further separation from political oversight and renaming to reflect the multi-ethnic character of the RS (radio television of the RS). The IC-funded open broadcast network (OBN), Bosnia's only cross-entity television network, is a reliable countrywide source of objective news and public affairs programming. The Independent Media Commission (IMC) put in place a licensing framework and a code of practice for electronic media. On this basis, the IMC informed EROTEL, a subsidiary of the Croatian state broadcaster, that its old license would be revoked and that its new license would limit braoadcast coverage and content.

6. *Elections and Democratic Government.*—Aim: National democratic institutions and prectices. At the state level, the joint Presidency made progress toward functioning as a responsible institution. Until the formal adoption of a Bosnian election law, the OSCE remains in charge of running elections in Bosnia under the Dayton Accords. The next round of municipal elections was postponed from November 1999 to April 2000. SFOR ensures a secure and stable environment in which the parliamentary assemblies at the state and entity levels can function and in which democratic elections can take place.

7. *Economic Development.*—Aim: Free-Market Reforms. Bosnia has made progress towards economic reconstruction and recovery, but progress toward a free market economy is slow. Ethnic tensions hinder reform, and the pilitical leadership remains wedded to control over economic activity, which supports ethnic parties financially. These vested interests block privatization and market reform. There is still little private investment, either domestic or foreign. Due to international assistance, annual economic growth has averaged about 40 percent in real terms since 1995, and GDP reached $4.1 billion in 1998, roughly 40-percent of its pre-war level. The Kosovo crisis compounded reconstruction difficulties, in particular for the RS, whose major trading partner was the FRY.

8. *Displaced Person and Refugee (DPRE) Returns.*—Aim: A Functioning, Phased, Orderly Minority Return Process. Over 600,000 DPREs repatriated or returned to their homes since the signing of the Dayton Accords. As of July 1999, 80,000 had returned to areas where their ethnic groups were minorities. About 1.2 million Bosnians remain displaced internally or abroad. Hard-line nationalists seek to block minority returns with bureaucratic maneuvers and, occasionally, violence. However, violance against minority returnees has substantially declined, and implementation of property legislation is improving. The pace of minority returns has slowly improved. Significant spontaneous returns occurred, particularly in areas such as Drvar, where Serb returns have reached significant levels with no repetition of earlier violence. SFOR's contribution to a secure environment is key to the return process.

9. *Brcko.*—Aim: Implementation of the Brcko Arbitration Tribunal's final award that was issued on March 5, 1999. The award called for the creation of a neutral, multi-ethnic self-governing district comprised of the entire pre-war municipality of Brcko. Both entities will be required to delegate their authority over the district to a democratically elected local government. International supervision remains in place. Moderates in the RS, led by Prime Minister Dodik,

accepted the award after some initial objections and obstruction from hard-line Serb elements. SFOR support remains crucial to deterring violent attempts by hard-liners to disrupt Brcko implementation.

10. *Persons Indicted for War Crimes (PIFWCS).*—Aim: Cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY) leading to the transfer of PIFWCS to the Hague for trial. As of July 1999, SFOR had assisted in the transfer of 28 indictees to the Hague. Cooperation from the parties varies widely. Bosnian Serb cooperation with the Tribunal has improved since Milorad Dodik became Prime Minister of the RS. The two most senior indictees for war crimes committed in BIH, Radovan Karadzic and Ratko Mladic, have yet to be apprehended.

LIFTING THE FLIGHT BAN

Question. Has the Department of State or any other Administration agency analyzed the effect that lifting the flight ban against Serbia would have on that country's economic situation? Could lifting the flight ban provide any material benefit to Serbia? If so, why did the Administration support this move?

Answer. We have discussed with our European partners the commercial implications for Belgrade of Yugoslav Air Transport (JAT) flights to Europe, and we have looked into the facts ourselves. It is not at all certain that the JAT service will earn a profit from flying to European ports, and it is unlikely that the Serbian economy will gain much from the EU suspension of the flight ban.

Prior to the EU flight ban, Belgrade authorities charged a $30 per passenger surcharge on all passengers flying EU carriers. Our contacts in the EU tell us they will insist on strict reciprocal relations with JAT, and will not pay this charge.

In addition, JAT is currently leasing many of its planes to carriers in countries not participating in the U.S. or EU sanctions regimes, and JAT is not known to earn profits from its regular flights.

JAT will earn some added revenue from landing fees charged to EU carriers, but the level depends on the frequency and type of flights. It is too soon to estimate what these earnings would be.

Under the proposed EU regulations JAT would be authorized to establish one bank account in each member country that can be used to make and receive payments related only to flights. JAT would also be permitted to obtain necessary fuel and petroleum products at EU airports. However, no fuel could be exported to Serbia. EU airlines will be permitted to transfer funds to the FRY for payment of goods and services, as well as payments of taxes, customs duties and other charges. However, all such payments would be subject to Commission review.

We will seek to ensure that JAT cannot profit from these new routes by carrying cargoes that would be subject to the EU finacial sanctions.

NATO

Question. How is the NATO Alliance affected by the numerous trade disputes the United States has with the European Union?

Answer. Trade disputes have not been on the agenda of alliance discussions. Although eleven members of the EU are also alliance members, trade disputes have not detracted from the important security-related work being conducted at NATO.

ESDI

Question. The NATO Alliance and the European Union have agreed the EU will only undertake military operations "where the Alliance as a whole is not engaged." Is there a common understanding of this phrase among NATO members and between the Alliance and the EU? What arrangements do you envision between NATO and the EU that will structure their relationship so that it lives up to your understanding of this phrase?

Answer. The NATO Washington Summit and the EU Helsinki Summit both have affirmed that NATO is the institution of first choice for undertaking military operations. The EU will take action in a crisis only if NATO chooses not to act. No possibility of duplication or overlap exists.

Institutional NATO-EU links will serve as the basis for operationalizing the arrangements whereby the Alliance "hands off" action to the EU.

We are pressing for regular and close consultations between EU structures and corresponding NATO structures to ensure full transparency and coordination.

NATO ENLARGEMENT

Question. Is it the position of the United States Government that of those European states that have applied for NATO membership there is not one whose admission into the Alliance today would enhance the security of the Alliance and its ability to carry out its responsibilities? If not, please identify which of the candidates currently meet these criteria.

Answer. Since including the Czech Republic, Hungary, and Poland as new NATO members in 1999, neither NATO nor the U.S. has conducted a definitive review of whether any of the current aspirants are yet in a position to enhance the security of the Alliance and have the ability to carry out the responsibilities of membership. At the 1999 Washington Summit, NATO Allies agreed to review enlargement again at the next summit, which will be held no later than 2002.

At the Washington summit, NATO offered to assist countries aspiring to join the Alliance through a Membership Action Plan (MAP). In this context, NATO met with senior members of aspirant governments earlier this year to examine progress made through the MAP and provide feedback and assistance.

President Clinton and NATO leaders made clear in Washington that the door to NATO membership remains open to all aspirants, based on NATO's determination that a country is "willing and able" to assume the obligations of NATO membership and would contribute to the political and strategic interests of the Alliance.

At the May 2000 North Atlantic Council Ministerial in Florence, NATO reaffirmed this commitment. NATO reiterated its expectation that further invitations would be extended in coming years to nations willing and able to assume the responsibilities and obligations of membership. Nine countries—Albania, Bulgaria, Estonia, Latvia, Lithuania, Macedonia, Romania, Slovakia, and Slovenia—have thus far expressed a desire to assume those responsibilities.

NATO-RUSSIA

Question. Russia suspended its participation in the NATO-Russia Permanent Joint Council to protest Operation ALLIED FORCE. Is the United States or the Alliance encouraging Russia to re-engage in the PJC? If so, does this effort involve any offers by the Alliance or the United States to alter the PJC's agenda from its original construction? Is the Russian government making any such proposals as a condition for their return to the PJC?

Answer. NATO kept the door open for Russia to re-engage with the Alliance, and we fully supported this position. We welcomed Russia's return to the PJC after the end of the Kosovo air campaign and urged Russia to re-engage on issues other than Kosovo and KFOR alone. It is in NATO and Russia's interest to resume the broader dialogue envisaged in the Founding Act, as NATO-Russia cooperation can contribute fundamentally to European security.

NATO neither set nor agreed to any conditions in resuming broader dialogue. The consultative nature of the PJC will remain unchanged. We have urged Russia to make full use of this mechanism.

NATO Secretary General Robertson's visit to Moscow on February 16 was an excellent step at the right time. He had constructive discussions with Russian Acting President Putin, FM Ivanov and MOD Sergeyev. This visit confirmed Russia's decision to re-engage broadly with NATO.

I note that cooperation between Russian and NATO SFOR and KFOR forces on the ground is excellent and that this cooperation also rests on a consultative basis.

"HOLOCAUST REPARATIONS"—GERMAN ALLOCATION PLAN

Question. The German government has agreed to compensation for Nazi slave and forced labor of 10 billion DM and negotiations are ongoing as to how these funds will be dispensed. Why is the Administration supportive of the German concept of allocation—77% for direct payments and 23% for all other payments—rather than the allocation favored by the countries in Central and Eastern Europe that represent the victims—90% for direct payments and 10% for all other payments?

Answer. I am pleased to report that in late March all the parties participating in the negotiations, including the victims groups, agreed to an allocation plan. All agreed that the lion's share of the funds, at least 8.1 billion of the 10 billion DM in the German foundation, should go to labor and other personal injury cases. The 8.1 billion is expected to be augmented by interest earnings and from other sources. The next step in this process is approval of German legislation that will establish the foundation, anticipated by July. This timetable could lead to operation of the German foundation by the end of the year.

NORTHERN IRELAND

Question 1. What has the Administration done to pressure the Irish Republican Army and its political wing, Sinn Fein, to begin IRA decommissioning? Why should the United States government continue to allow representatives of Sinn Fein to travel and raise funds in the United States when Sinn Fein has failed to meet its obligations on decommissioning under the Good Friday Accord?

Answer. The Administration continues to urge the parties involved in the peace process to implement all aspects of the Good Friday Accord, including decommissioning.

Neither we nor the British or Irish governments are questioning the sincerity of the Sinn Fein leadership's efforts to implement the Good Friday Accord and establish lasting peace in Northern Ireland.

Question 2. Has Marion Price, a former IRA member who was convicted of planting four bombs in London which killed one person and wounded nearly 200, applied for a visa to the United States at any time during the past two years? If so, was the visa issued? Has Marion Price traveled to the United States at any time during the past two years?

Answer. Marion Price applied for a visa to the United States in late December. Due to her previous convictions, she is ineligible for a visa and requires a waiver to receive one. An inter-agency group including representatives from the Departments of State and Justice considered Ms. Price's most recent waiver request. This request was denied.

Marion Price has not traveled to the United States at any time during the past two years.

INTERNATIONAL CRIMINAL TRIBUNAL FOR THE FORMER YUGOSLAVIA

Question 1. Should the United States continue to support financially the International Criminal Tribunal for the former Yugoslavia (ICTY) in light of its investigation into the conduct of NATO actions during the war in Kosovo?

Answer. ICTY Prosecutor Carla Del Ponte herself has said previously that "NATO is not under investigation" and "There is no formal inquiry into the actions of NATO during the conflict in Kosovo." Moreover, NATO fully incorporated the laws of armed conflict in training, targeting and operational decisions in Kosovo. NATO undertook extraordinary efforts to minimize collateral damage.

The United States continues to support the ICTY through a variety of means, including financial, diplomatic, logistical and other support for its investigations and trials. We expect this support to continue in the future.

Question 2. Are you concerned at the speed with which the Office of the Chief Prosecutor initiated this investigation, particularly in light of the fact that it took them nearly eight years to indict Slobodan Milosevic—the instigator of all of the bloodshed and violence in the former Yugoslavia?

Answer. As noted in the previous answer, the Prosecutor has told us NATO is not under investigation and there is no formal inquiry of NATO now underway.

The United States fully supports the ICTY's investigations and indictment of Slobodan Milosevic for crimes against humanity and war crimes in Kosovo, and is supporting the ICTY's efforts to investigate other crimes in Croatia, Bosnia and Kosovo for which he and his associates may be held individually and criminally responsible.

CHECHNYA

Question 1. Last September, bombs went off in four apartment complexes in Moscow and other cities. Russian authorities have attributed these bombings to Chechen terrorists and used these accusations to justify the invasion of Chechnya. Do you believe that the Russian government is justified when it accuses Chechen groups as responsible for the bombings? If so, would you please forward to the Committee any evidence that you have that links these bombings to Chechen entities?

Answer. We condemned the deadly apartment bombings in the harshest terms. Acts of terror, in all their forms, have no place in a democratic society.

The investigation into these bombings is ongoing. We offered our assistance to Russian law enforcement immediately following these incidents.

We understand that Russian authorities have linked the bombings to Chechnya. Chechen authorities, including President Maskhadov, deny this link.

We have not seen evidence that ties the bombings to Chechnya.

Question 2. Were the decisions of the United States Government to suspend IMF loans and EXIM Bank programs to Russia linked to Russia's invasion and use of

force in Chechnya? If a move is made to end the suspension of the IMF's loans to Russia, will the United States block it on the grounds that Russian military spending exceeds the loan's provisions concerning the Russian national budget?

Answer. The IMF decided to withhold further disbursements under the program Russia agreed to in 1999 because Russia had not met all the conditions of that program. We will consider supporting future disbursements under that program only if Russia fulfills the conditions—including spending targets—it agreed to with the IMF.

Where Russia has met the conditions of its agreements with the international financial institutions, disbursements have been made, as occurred with a $100 million tranche of the World Bank's coal loan in December.

I invoked the Chafee Amendment to delay Ex-Im Bank transactions with one specific Russian company so that important questions about that company's conduct could be fully examined. At least one other Ex-Im transaction has gone forward since I invoked the Chafee Amendment in December.

Question 3. The European Union recently decided to suspend and redirect its assistance programs to Russia to underscore its concern about Russia's invasion of Chechnya. What is the Administration's position on this move by the European Union?

Answer. We understand the concerns about Russia's conduct of its campaign in Chechnya which led to the announcement of certain measures by the Europeans in January. The United States shares those concerns.

Two-thirds of our bilateral assistance to Russia is aimed at reducing the threat of proliferation of weapons of mass destruction.

The remainder of our bilateral assistance consists largely of humanitarian assistance for vulnerable groups and programs focused on promoting grassroots economic and democratic reform outside Moscow. These efforts include support for NGO's, Internet access, independent media, regional initiatives, exchange programs, and small business development. Cutting this aid would run counter to U.S. interests in Russia's successful transition to a democratic society and a market-oriented economy that is integrated into global political and economic structures.

Question 4. Can Russia win its war against Chechnya without seeking to subordinate Georgia in order to further isolate the Chechen resistance? If Russia were to take actions that threatened the sovereignty, security, and independence of Georgia, what would be the reaction of the Administration?

Answer. The shift of Russian military operations in Chechnya southward into the Caucasus mountains gives new urgency to U.S. concerns about the potential for spillover of the conflict into Georgia and the South Caucasus.

The U.S. strongly supports Georgian sovereignty and territorial integrity and has dedicated significant diplomatic energies and assistance to this end.

We strongly supported the December 15, 1999, OSCE Permanent Council decision to expand the Georgia OSCE mission's mandate to include border monitoring in the northern region.

We have made it clear to the Russian government—at the highest levels—that Russia cannot cross the border without serious consequences to our bilateral relationship and to Russia's standing in the world.

Acting President Putin stated in a December 11, 1999, press interview that "Russia will never cross the border of a sovereign state." We have reminded Russia of this statement on numerous occasions.

We are pleased by recent improved cooperation at the working-level between Russian and Georgian border guards.

Question 5. What has the Administration done to promote a just peace in Chechnya aside from rhetorically emphasizing the need for peace?

Answer. Our firm and continuing dialogue with the Russian Government is producing some results. Russia agreed at the March 3 Lisbon Ministerial to allow an OSCE assessment visit to the region in preparation for the reestablishment of the OSCE Assistance Group in the region. This is a direct result of concerted pressure by the U.S. and our allies.

Acting President Putin has also acknowledged his readiness to engage in a political dialogue with Chechen leaders and address the economic and social issues at the root of this conflict.

We have also made clear our redline that this conflict must not threaten the security of Russia's neighbors. Putin's public restatement of his policy of respect for the sovereignty and territorial integrity of Russia's neighbors came, in part, in response to our expressions of concern.

Question 6. How does a war against Chechnya affect the prospects of Russia's evolution into a democracy?

Answer. Overall, Russia has made considerable progress over the last decade as an emerging democracy. This is a long term process.

The conduct of the State Duma elections in December and the upcoming presidential elections indicate that democracy is taking root in Russia.

However, the war in Chechnya has had a negative effect on Russian democracy in certain areas, such as freedom of the press, treatment of ethnic minorities, and protection of displaced persons. Government policies in these areas raise questions about Russia's commitment to improving the protection of individual rights and freedoms.

It is important that the Russian government continue to abide by the constitution and ensure all citizens their rights and responsibilities.

Question 7. The Administration has repeatedly stated that Russia will pay the price of international isolation if it does not cease its indiscriminate military operations against Chechnya. How has President Putin's use of indiscriminate force in Chechnya directly resulted in any dilution of the political engagement and economic benefits it receives from the West?

Answer. Russia is paying the price for its actions in Chechnya through its growing isolation from the international community. Russia will have difficulty advancing its own agenda when Chechnya dominates its dialogue with the world.

That said, our policy of engagement with Russia has not changed. It is important that we stay engaged in Russia. We have a broad range of shared interests with Russia and will continue to pursue them.

Because we continue to engage Russia, we and the international community have had some influence in Chechnya and the region, especially with regard to the provision of humanitarian assistance.

Question 8. In light of the known atrocities committed in Chechnya, should there be an investigation of war crimes committed by the combatants in this tragic conflict?

Answer. Widespread reports of Russian and some rebel actions in Chechnya raise fundamental questions under international humanitarian law that necessitate immediate Russian investigation and access to Chechnya by international observers.

A thorough investigation would, of course, be necessary to gather sufficient evidence to prosecute any individual for specific criminal acts.

Because of the seriousness of these allegations, we are urging the Russian government to investigate in an open and transparent way and, where warranted, prosecute those responsible for violations.

Question 9. During your recent visit to Moscow, you proposed that Russia allow an international commission to visit Chechnya and determine the needs of the peoples displaced by this war. Are you considering any proposal in which the United States would provide humanitarian assistance and reconstruction assistance to the displaced peoples of Chechnya?

Answer. We have so far provided $12 million worth of assistance as financial support in response to appeals from the ICRC and UNHCR, and we have provided some food commodities to the World Food Program for Chechen refugees. We are not considering help with reconstruction.

Question 10. You have called upon the Russian government to "get involved in a political dialogue" with the Chechen resistance. Yet, when a senior representative of the Chechen resistance, Ilyas Akhmadov, visited Washington in January, you and other senior State Department officials, including the Assistant Secretary of State for Human Rights, refused to meet with him. How can the Kremlin be expected to take your call for a political dialogue seriously when our own government refuses to meet with members of the Chechen leadership?

Answer. The U.S. supports the territorial integrity of the Russian Federation, which does not recognize independent Chechnya. Mr. Akhmadov represented himself as the "Foreign Minister of the Chechen Republic." It would be inappropriate for us to meet with him at senior level.

Working-level officials—who are our leading experts on Chechnya and are involved in the policy-making process—met with Mr. Akhmadov while he was in Washington. I assure you that Akhmadov's views were conveyed to the senior policy level.

We remain convinced that Russia's military policy does not address the deep-rooted economic and social problems which lie at the root of unrest in the North Caucasus region. We have consistently called on the Russian government to enter

a substantive dialogue with legitimate leaders in the region to seek a long-term political resolution to this conflict.

Question 11. You have called upon the Russian government to "get involved in a political dialogue" with the Chechen resistance. How do you envision the structure of such a political dialogue? Who should represent the Chechen resistance? Should outside parties such as the OSCE and neighboring states such as Georgia and Azerbaijan be a part of this dialogue?

Answer. We have consistently made clear to the Russian government that we believe their military policy in the North Caucasus does not address the social and economic problems which lie at the root of unrest in the region. We continue to urge the Russian government to take meaningful steps toward a political solution. Substantive dialogue with responsible Chechens is critical.

We have encouraged the Russians to facilitate a return of the OSCE Assistance Group to the North Caucasus region. The Assistance Group's broad mandate tasks it with engaging parties in substantive political dialogue.

We have encouraged Russia to work closely with its neighbors in the South Caucasus; the OSCE has been a useful forum for some of this discussion. The Russians agreed in the Istanbul Summit Declaration that the OSCE "would contribute" to achieving a political solution.

We strongly supported the December 15, 1999 OSCE Permanent Council Decision to expand the Georgia OSCE Mission's mandate to include border monitoring on the Georgian side of the Russian-Georgian border with Chechnya.

RUSSIA AND PROLIFERATION

Question. The Director of Central Intelligence recently sent to Congress a report on the proliferation of technologies relating to the weapons of mass destruction (WMD) and advanced conventional munitions. The report concludes that the Russian government's "commitment, willingness, and ability to curb proliferation-related transfers remain uncertain." Recognizing that this CIA repot addresses the first six months of 1999, how do you assess the Russian government's commitment to restrain these dangerous transfers of missile and WMD technology under the leadership of Prime Minister and Acting President Vladimir Putin? What in your view should the United States do to further encourage or pressure the Government of Russia to curb the proliferation of such technologies and materials?

Answer. Russia has undertaken a wide range of international commitments to control the export of equipment and technology for use in weapons of mass destruction (WMD), missiles for WMD delivery, and advanced conventional weapons. Moreover, the Government of Russia has consistently stated that its policy is to oppose proliferation. The U.S. continues to press the Russian Government at all levels to fully meet its commitments and abide by its stated policy, and to work with the Russian Government to assist it in doing so.

Nevertheless, the U.S. remains concerned that Iran and other proliferators are able to obtain items for their WMD/missile programs from Russian entities. In response, the U.S. will continue both to press the Russian Government to improve its controls over sensitive technology and to assist Russia in doing so. Moreover, the U.S. will continue to enlist the help of our allies in this effort, as well as provide alternatives to proliferation activity for key Russian institutes and scientists. Finally, as warranted, the U.S. will continue to impose penalties against Russian entities for engaging in proliferation activity, as we have already done with ten Russian entities involved with Iran's missile and nuclear programs.

PROLIFERATION

Question. China's recent purchase of two $800 million missile destroyers underscores the growing military ties between Beijing and Moscow. What are the implications of this deepening Sino-Russian military relationship for America's security interests? Has the United States expressed to the Russian government opposition to these other sales of military equipment?

Answer. We are well aware of Russia's arms sales to China and have been monitoring closely the development and modernization of China's military and its potential affect on U.S. security. While China's purchase of two guided missile destroyers will clearly improve its naval capabilities, the Department of Defense has indicated that it does not pose a significant military threat to the U.S. military posture in Asia and that it will not fundamentally alter the regional balance of power.

The United States maintains an active dialogue with Russia on the issue of arms sales, reflecting our concern about proliferation and regional stability. We will continue to monitor closely Russian arms sales to China and will raise them with the

Russian government in a manner consistent with our overall nonproliferation and security interests.

NORTH KOREA

Question 1. Have we committed to, or are we considering, removing North Korea from the terrorist list? If so, how can this be justified in light of recent CIA testimony that North Korea is now the world's largest weapons proliferator and that North Korea's missile development program continues, despite last year's flight-testing pledge?

Answer. We have made no commitment to the DPRK to remove it from the list of state sponsors of terrorism.

We have conducted several rounds of bilateral talks on this issue, the most recent in New York in March.

In those talks we again raised with the DPRK our concerns regarding terrorism and described to the DPRK in detail what steps it must take to be removed from the list.

The objective of the talks was to ensure that the DPRK addresses our concerns-removal of the DPRK from the list is not the priority rather, our goal is to get the DPRK out of the terrorism business.

We will not remove the DPRK from the terrorism list until it takes actions necessary to meet our concerns.

The issue of the DPRK's missile program is of serious concern to us and the international community and is itself a subject of bilateral discussions aimed at stopping the DPRK's missile evelopment and export activities.

We expect to continue bilateral missile talks to achieve the important goals laid out by Dr. Perry in his report.

We have already obtained a suspension of the DPRK's flight testing of long-range missiles while high-level talks to improve our bilateral relations are underway. We are seeking to clarify and extend the suspension in our ongoing high-level talks.

Question 2. It has come to my attention recently that seven North Korean UNHCR recognized refugees, including a 13-year-old boy, made their way from North Korea to Russia, across Chinese territory. Despite pleas from the UNHCR and South Korea, Russian authorities deported the seven back to China, which then regrettably had the refugees sent back to North Korea. What is the status of the seven refugees? What steps has the Administration taken to halt such repatriations? What does the future hold for other North Koreans seeking to escape persecution?

Answer. Estimates of the number North Koreans in northeastern China vary widely. Most of them are migrants who intend to stay temporarily and then return voluntarily to North Korea.

The PRC office of the U.N. High Commissioner for Refugees—the recognized lead international agency for such issues—and various NGO's have been able to assist some needy North Koreans in China. We have been told that these organizations are generally satisfied with their freedom of important UNHCR activities in China which aid these migrants.

Regarding the seven refugees who were returned to the DPRK from China in January, we are working closely with the office of the UNHCR, which has raised this issue with the PRC, to ensure that the needs of the asylum seekers are met. We support the position of the High Commissioner on refoulement, which opposes the forcible return of persons to a place where they face persecution.

It is not possible for the administration to ascertain directly the status of these individuals because we have no embassy or official presence in North Korea. We take this case very seriously and expect all members of the international community to abide by the guiding principles of the U.N. Charter and the Universal Declaration of Human Rights.

We have also kept in close touch with the ROK government, which of course has a strong interest in this case and in the welfare of the North Korean people.

BURMA

Question. If the United States does not place an ambassador in Rangoon, why does the United States continue to allow the Burmese junta's ambassador to stay in Washington?

Answer. In support of our policy objectives—democracy, improved human rights, and more effective counternarcotics efforts—we maintain diplomatic relations with the Government of Burma. This allows us to staff an embassy in Rangoon in pursuit of those objectives. Our unilateral decision to downgrade our chief of mission status from Ambassador to Chargé is a result of the regime's failure to implement the results of the 1990 elections, won by the democratic opposition. This symbolic down-

grading does not, however, impede the efforts of our Embassy to effect change in Burma.

If we required the Burmese to downgrade the status of their chief representative, any retaliatory action aimed at our Embassy in Rangoon could impinge upon the ability of our diplomats to do their jobs, which, in turn, would interfere with our ability to support the democratic opposition, including Aung San Suu Kyi.

PRC SUNBURN MISSILE

Question. What capabilities does Taiwan have to track, lock on to and shoot down the PRC's recently acquired Sunburn anti-ship missile?

Answer. The U.S. has supplied a number of weapons systems designed to provide Taiwan navy ships a limited capability against Sunburn missiles. Perry-class and Knox-class frigates are equipped with the PHALANX Close-In Weapons System (CIWS), which is designed to intercept surface skimming, low-flying anti-ship missiles. Additionally, F–16 aircraft, equipped with the air-launched Harpoon antiship missile, can be used to attack PRC ships before a Sunburn could be launched (the preferred tactic of the U.S. Navy.) However, the Sunburn's terminal flight maneuvers make it an extremely difficult target for any U.S. weapons system, including Aegis, to track and shoot down.

TAIWAN

Question 1. Has the Chinese government been demarched for the threatening statements made by DCM Liu Xiaoming on February 3rd, when he implied that China would initiate military action against Taiwan if Congress passed the Taiwan Security Enhancement Act?

Answer. Yes. Assistant Secretary of State for East Asian and Pacific Affairs, Stanley Roth, called Chinese Ambassador Li Zhaoxing personally, shortly after Mr. Liu's remarks were made public. Assistant Secretary Roth also called the Senate Foreign Relations Committee, to inform them of the substance of the demarche.

In his call to the Chinese Embassy, Assistant Secretary Roth told Ambassador Li that Mr. Liu's remarks were inappropriate, needlessly provocative, and contrary to China's stated policy of seeking "peaceful reunification" with Taiwan.

Question 2. Has the State Department or the White House taken any steps to induce the government of Taiwan to make negative statements about the Taiwan Security Enhancement Act?

Answer. No, we have not taken any steps to induce the Taiwan authorities to make negative statements about the Taiwan Security Enhancement Act (TSEA).

The administration's reasons for opposing the legislation are well known. We believe it would seriously diminish Taiwan's security and undermine the important U.S. objective of stability in Asia.

We remain firmly committed to fulfilling our commitments under the Taiwan Relations Act, including the security and arms transfer provisions.

VIETNAM

Question. I understand that the Refugee Resettlement Unit at the U.S. Consulate in Saigon has begun processing "Priority One" cases. How many cases have been received and processed thus far? Of those cases, how many refugees have been admitted to the United States?

Answer:. The Refugee Resettlement Section (RRS) in Ho Chi Minh City has not yet begun to process "Priority One" (P1) cases. Since November the program in Vietnam has been in transition with the close out of Orderly Departure Program (ODP) operations in Bangkok and the expansion of RRS operations in Ho Chi Minh City. This month the RRS initiated interviews for the small number of residual ODP cases. Concerning the P1 program, we are currently in the process of implementing procedures for the new program and expect that the program should be in place by early April. Later this month we intend to contact your staff and the staff of other interested Members of Congress to offer a briefing on the process.

COSTA RICA

Question. The Committee continues to receive regular requests for assistance from U.S. (and other) citizens with squatter-related property and security issues in Costa Rica. How many of these cases is the USG aware or what is being done to assist these U.S. citizens? What more could be done?

Answer. The United States Embassy in San Jose, Costa Rica, does not maintain an historic roster of squatter and security cases. We are aware that many of the cases that arose in Pavones, Costa Rica, late in the previous Costa Rican adminis-

tration, have been resolved. At the present time, the Embassy is actively tracking one squatter case and one security case.

The police in Costa Rica have recognized the issue and have increased their presence in Pavones, as well as increased police presence for the active security case upon the request of the U.S. citizen involved and the Embassy.

The Government of Costa Rica recognizes the importance of public security to further development. The Penal Code and the court system were significantly amended in January of 1998, making them similar to the penal code and court system of the United States. We are working with the Government of Costa Rica to strengthen the professionalism of the police force and Costa Rican law mandates that one-quarter of the Public Security force be kept on with each new administration.

The Department of State has no greater purpose than the protection of the security of Americans living and traveling abroad. The Bureau of Consular Affairs as well as our Embassy in San Jose stand ready to assist American citizens in any way they can, including but not limited to liaison with the police, provision of information regarding the Costa Rican legal system and legal remedies, and advocacy with the government in egregious cases.

COUNTER-DRUG FUNDING

Question. What is the Department of State doing to resolve overflight issues in South America so that counter-drug funds and the FOL investment in Manta can be most effectively used?

Answer. Overall, we are extremely pleased with the level of cooperation and support that South American and Caribbean governments have provided for our aerial interdiction efforts in the Western Hemisphere. In 1999 we sealed a ten-year agreement with the Government of Ecuador permitting the U.S. to operate regional counter-narcotic detection and monitoring missions from an Ecuadorian air force base in the city of Manta. We also reached an interim agreement with the Netherlands Antilles to permit similar missions throughout the Eastern Caribbean region, with negotiations currently underway to extend operations into the next decade.

Regarding the issue of overflights by U.S. counterdrug aircraft, all countries involved in regional counter-drug operations recognize that sovereignty concerns must be respected and addressed. In particular, we are engaged actively in discussions with the Government of Venezuela to reach a mutually agreeable resolution of the issue that respects the sovereignty concerns of the Venezuelan Government.

HAITI: FORMER PRESIDENT ARISTIDE

Question. In your view, to what degree has Jean Bertrand Aristide (both in office and out) frustrated U.S. efforts to bring democracy, economic reform, and rule of law to Haiti since he was returned by U.S. troops?

Answer. In September 1994, the UN sanctioned, U.S.-led Multinational Force restored elected government to Haiti, which for three years had been under the brutal dictatorship of the de facto military regime. Then- President Jean Bertrand Aristide, who had been elected in 1990 in elections widely regarded as free and fair, returned from exile in 1994 to assume his duties in Port-au-Prince. President Aristide subsequently dismantled the Haitian army and oversaw the establishment of a professional civilian police force. Although he had been in exile for much of his term, President Aristide stepped down from power when President Rene Preval assumed office in January 1996. This was the first peaceful transition from one elected president to another in Haitian history.

Former President Aristide continues to be an important political figure in Haiti, as head of the Famni Lavalas (FL), the country's largest political party. In December 1999 at the FL party conference, he denounced violence in the lead up to the upcoming legislative, local, and regional elections and called on his party to respect political pluralism. Some 9,000 FL candidates have registered to compete in the elections at all levels, and the FL was the first to sign the code of ethics committing the parties to non-violence during the electoral process. We are concerned by a recent rise in elections-related violence, including the killings of a prominent journalist and an opposition party activist, and the burning down by agitators of the headquarters of an opposition political party. Some of the violence has been perpetrated by self-professed supporters of former President Aristide, although the FL leadership has publicly condemned the violence. We called on the Government of Haiti to restore a climate of security and ensure that the perpetrators of violence are identified and brought to justice. Additionally, we believe the leaders of all Haitian political parties, including former President Aristide, have an obligation to use all means possible to dissuade their followers from engaging in violence or other actions that could call into question the integrity of the electoral process.

HAITI: ELECTIONS-RELATED VIOLENCE

Question. Has the USG received information that suggests, indicates, or otherwise links Aristide or individuals associated with him with disruptions in election-related activities, including the registration process? Are you prepared to use your authority to pull the visas of individuals involved in these activities?

Answer. Some four million Haitians registered to participate in upcoming legislative, regional, and local elections, and we are continuing to urge the Haitian government to ensure these elections are held rapidly in an atmosphere of nonviolence. While in some areas the registration process unfolded in a peaceful manner, several areas experienced localized disturbances or violence, primarily related to the selection of electoral personnel at a local level. Also, some protests directed against the Provisional Electoral Council (CEP) occurred because of the CEP's failure to ensure adequate registration supplies in some locations and the timely opening of some registration sites. We are concerned, however, by an increase in the demonstrations and violent acts carried out by supporters from range of political sectors—including the pro-Aristide Famni Lavalas (FL) movement—in the early weeks of April, 2000. The FL party has publicly denounced the violence and called for an atmosphere of calm.

Special Haiti Coordinator Donald Steinberg, in a press statement in Haiti in December, stated "the U.S. Government has the right to deny entry into the United States by individuals who violently disrupt political rallies; attack election registration sites; or attack and intimidate the Haitian National Police, electoral officials, voters, or candidates." We are prepared to use this authority as appropriate to promote U.S. interests in ensuring the continued consolidation of Haitian democracy.

A significant international observer presence is absolutely critical to deter potential fraud and violence during the upcoming elections. A hold by the Senate Foreign Relations Committee on $1.3 million in U.S. funding for OAS elections observers has greatly jeopardized the ability of the international community to provide adequate observation for this critical vote.

HAITI: OBJECTIONABLE POLITICAL FIGURES

Question. We know from testimony by State Department officials that members of President Aristide's security forces were implicated in political assassinations committed by hit squads run out of the national palace. The leadership of these forces included longstanding Aristide confidants, Dany Toussaint, Medard Joseph, and Fourel Celestin, individuals Ambassador Swing has testified were chosen because of their personal loyalty to Aristide. Do these individuals maintain an association with Jean Bertrand Aristide? Does the Department of State share the Committee's concern that the same individuals who led the security forces during the period of the assassinations will be returned to the National Palace along with Jean Bertrand Aristide if he is re-elected?

Answer. We have made consistently clear to President Preval, as we did to former President Aristide, our concern that individuals placed in key government positions, particularly those related to security, demonstrate a high level of integrity and respect for the law. We have also made clear that continued U.S. assistance for developing the Haitian National Police (HNP) would be jeopardized if individuals believed to have been involved in human rights abuses or illegal activity were placed in positions of responsibility over the HNP.

Dany Toussaint, Medard Joseph, and Fourel Celestin are presently candidates in the impending senate elections under the Famni Lavalas (FL) banner. They continue to associate with former President Aristide.

HAITI: "POLITICAL" KILLINGS

Question. With regard to political assassinations in Haiti since President Aristide was returned, State Department officials have briefed Committee Staff that "no one believes that anyone will be prosecuted for these crimes" and that maintaining an investigative advisor to the SIU is really about having some sort of "deterrent or prophylactic" effect on potential murders. Why has the State Department concluded that no one will ever be brought to justice in these cases? Why is it apparently no longer the State Department's objective to see that the murderers are brought to justice for these crimes?

Answer. The Department of State and Embassy continue to urge the Government of Haiti to ensure progress on investigations of politically linked killings that took place before and after the 1994 restoration of elected government. The continued poor state of the Haitian judiciary remains a major impediment to the resolution of these cases. We are encouraged by recent movement towards a trial for the 1993

killing of innocent citizens by security forces near the town of Raboteau. We are also encouraged by swift moves by the Haitian National Police (HNP) to arrest and detain its own members responsible for the killing of 11 individual in the Port-au-Prince borough of Carrefour-Feuilles. We hope these positive developments will increase confidence within the HNP Special Investigative Unit (SIU) and judiciary and lead to results in the investigations of other outstanding cases.

HAITI: ATTACKS ON POLICE

Question. Recent months have seen attacks on individuals associated with the police and on the institution of the police itself, with some evidence that Jean Bertrand Aristide or partisans are the source of these assaults. Does the Department of State share the Committee's concern that an effort is underway to politicize the Haitian National Police?

Answer. In the period leading up through October 1999, a series of violent incidents targeted at the Haitian National Police (HNP) leadership—including the killing of a senior police advisor—raised deep concerns of attempts by some sectors to politicize the five year-old force. The security situation since that time has been relatively calm, and HNP actions on the ground have indicated a general respect for political pluralism and support of the democratic process. The HNP has provided a level of protection at key political rallies, developed a security plan for elections, and improved coordination with the Provisional Electoral Council and a range of political parties. HNP Director General Denize has told us publicly that politically-related pressure on him and others in the police leadership has greatly diminished.

We continue to make clear to Haitian leaders the importance of a professional and apolitical police force to the development of Haitian democracy, and we continue to watch closely new appointments of key security officials. The biggest challenge is that the HNP remains an extremely small force, with fewer than 5,500 members for a country of roughly seven million people. The U.S. continues to provide bilateral and multilateral assistance to develop the HNP. We are working closely with other donors and the UN in building up the new International Civilian Mission for Support in Haiti (MICAH) which began operating March 16 with the mandate of providing technical assistance to the police, judiciary, and human rights sector. We would reevaluate current U.S. assistance levels if it appeared at some point that Haitian leaders had abandoned their commitment to the HNP's political neutrality.

HAITI: ARISTIDE FOUNDATION

Question. What has been done to determine the degree to which the Aristide Foundation for Democracy is involved in destabilizing campaigns against economic and fiscal reform, against U.S. organizations like IRI, and against the institution of the Haitian National Police? What has been concluded?

Answer. We have received no credible information and have no reason to believe that the Aristide Foundation for Democracy has been involved in destabilizing campaigns against economic or fiscal reform, against U.S. organizations, or against the Haitian National Police.

HAITI: REPATRIATION AGREEMENT

Question. Has the GOH re-signed the bilateral Repatriation Agreement with the United States? Has the U.S. requested that they do so? When? What was the response? Has the text of such an agreement been drafted and presented to the GOH?

Answer. All migrant interdictions at sea and subsequent repatriations are handled in accordance with Executive Order 12807. The Order signed by President Bush on May 24, 1992 provides authority for the United States Coast Guard to interdict undocumented aliens on the high seas and to arrange for their repatriation to the country from which they came or another country.

In a letter dated March 14, 1994, then-President Aristide gave notice to President Clinton of Haiti's intention to terminate the 1981 Repatriation Agreement. Pursuant to the Agreement's terms, the termination became effective six months following that notification—on September 14, 1994. The letter claimed that Executive Order 12807 violated the terms of the Agreement by requiring the summary return of all Haitians interdicted at sea without consideration of their eligibility for refugee status.

Notwithstanding the termination of the Repatriation Agreement, the United States has continued to interdict Haitians on the high seas and to repatriate them as appropriate under Executive Order 12807 with the cooperation of the Government of Haiti under the same procedures as under the Repatriation Agreement. Since the termination of the Agreement the Coast Guard has repatriated more than

5000 Haitian migrants. We do not, at this time, and the Coast Guard concurs, see a need to seek to negotiate a new agreement with the Haitians.

PANAMA: ACCESS TO FORMER U.S. FACILITIES

Question. Has the United States requested Panamanian officials since the inauguration of President Moscoso to consider an arrangement affording U.S. law enforcement or military officials access to former U.S. bases or port facilities in Panama for the purposes of mutually beneficial missions, including counterdrug operations? If not, please provide a detailed explanation.

Answer. No, the United States has not made such a request to the Government of President Moscoso. The failure of negotiations for a Multilateral Counter-narcotics Center (MCC) and the subsequent public statements by leaders from across the political spectrum in Panama demonstrate a lack of credible political support for an agreement to reestablish a U.S. military or law enforcement presence there.

Even if there were greater Panamanian receptivity to such an offer, U.S. facilities in Panama have already been dismantled and transferred to the Government of Panama in accordance with the 1977 Panama Canal Treaty and most are being converted to other uses. Therefore any such a presence would require that facilities be re-established there. Re-establishment would only be viable if such facilities were to offer a complete range of activities. However, the present political climate in Panama will not support the establishment of a significant U.S. military or law enforcement presence.

While the Department of State has not requested from the current Panamanian Government an arrangement to provide U.S. military or law enforcement officials access to former U.S. bases or port facilities in Panama, it is acutely aware of the needs for Panamanian security and to continue efforts to interdict shipments of illicit narcotics headed for the United States.

Accordingly, the U.S. Departments of State and Defense have begun a series of high-level bilateral security and law enforcement consultations with the Panamanian Government, aimed at creating a new Panamanian security strategy and at seeking areas where the United States and Panama can cooperate to strengthen Panamanian security and counterdrug capabilities. The first round of these consultations was held in Washington in November, 1999, and another round is planned for Panama in May, 2000. Additionally, following the cessation on May 1, 1999, of counterdrug air operations at Howard AFB, and in order to continue uninterrupted source and transit zone counterdrug operations, the Departments of State and Defense have established Forward Operating Locations (FOLs) at existing airports in Manta, Ecuador and Aruba/Netherlands Antilles (Curacao). These FOLs will eventually be capable of supporting continuous aerial operations 24 hours a day, 7 days a week. A long-term FOL agreement has already been reached with the government of Ecuador and we expect to sign a long-term agreement with the Netherlands very soon to replace the interim FOL agreement now in effect. We also plan to establish a third FOL site at an appropriate location as conditions warrant and as funding permits. Once infrastructure improvements are accomplished at the FOLs, U.S. counterdrug assets previously based in Panama will operate from these alternative locations continuously.

Until FOLs become fully operational, the Department of Defense will rely on a combination of interim sites in Puerto Rico and the continental U.S., as well as the FOL sites mentioned above, from which to run its counterdrug missions. An initial, but minimal degradation in our baseline counterdrug aerial interdiction coverage will gradually improve as FOLs become fully operational. With the addition of a third FOL, the Department of Defense is confident that counterdrug detection and monitoring coverage will exceed Howard AFB capabilities at a cost well below what would have been needed to maintain that multipurpose military facility. We believe that with a concerted U.S. effort over the near term, we can maintain adequate support to the National Drug Control Strategy as we re-establish our regional counterdrug support infrastructure. With the conclusion of long-term agreements with FOL host nations, we hope to receive the authority and budget to carry out necessary overseas military construction/upgrades that will allow us to maintain the continuous commitment of U.S. air assets and personnel in the counterdrug effort. The Secretary of Defense has given his full commitment to bringing the FOLs to full operational status. Other U.S. agencies involved in counterdrug activities have likewise given full support to the FOL plan. We therefore have every reason to believe the FOL concept is the most promising and cost-effective alternative to counterdrug operations previously conducted at Howard AFB.

PANAMA: TELCON TO U.S. AMBASSADOR SIMON FERRO

Question. On September 28, 1999, Mr. John Keane told staff of the Foreign Relations Committee that on or about June 7, 1999, Mr. Keane, upon instructions of then Deputy Assistant Secretary of State John Hamilton, called U.S. Ambassador to Panama Simon Ferro to instruct him not to go forward with the Embassy's plan to revoke the visa of a Panamanian official. Mr. Keane further confirmed that on June 9, 1999, the Embassy did revoke that visa. Ms. Susan Jacobs, Deputy Assistant Secretary for Legislative Affairs, attended that briefing. On November 2, 1999, and January 2000, the SFRC staff sent two (2) separate memoranda to DAS Jacobs requesting her assistance in obtaining affidavits to substantiate these alleged events. To date, these affidavits have not been produced. Could you explain the unwillingness of Mr. Keane, Ambassador Ferro, and/or Ambassador Hamilton to cooperate with this request of the Committee? Please append to your reply to this question the requested affidavits, to wit:

- Of Mr. Keane substantiating the date and content of that telephone call, including any phone logs or cables documenting that phone call.
- Of Ambassador Hamilton substantiating that he instructed Mr. Keane to make that phone call and what actions he took upon finding that Ambassador Ferro did not follow the instructions provided by the Bureau.
- Of Ambassador Ferro substantiating his recollection of that phone call and explaining why he did not follow the instructions allegedly conveyed in that phone call.

Answer. The above referenced call from Mr. Keane to Ambassador Ferro took place on the afternoon of June 7, 1999, at the request of Ambassador Hamilton, who instructed Mr. Keane to ask Ambassador Ferro if he had consulted with the Department or other Washington agencies prior to his meeting with Panamanian President Perez Balladares during which the revocation of the Panamanian official's visa was discussed. The focus was on consultations about the subject matter with Washington prior to discussions with Panamanian officials. In addition, Mr. Keane asked Ambassador Ferro not to go forward with the revocation of the Panamanian official's visa, if it had not already been done, until he received instructions from the Department. However, the Embassy made its finding of inadmissibility against the Panamanian official and entered the name into the computer lookout system on June 7, 1999. The Panamanian official was advised of this inadmissibility via correspondence dated the same day.

As stated in Department correspondence to the Senate Foreign Relations Committee Chief of Staff, Mr. Stephen Biegun, dated January 11, 2000, the requested affidavits are not and have not been provided because the Department regards the normal channels of oral and/or written communication with the Congress to be the appropriate means of providing and exchanging information. We do not believe that affidavits from Department officers are necessary in order for the Department to provide credible and reliable information to the Congress.

The Department of State is and has been fully prepared to cooperate with the Committee concerning this matter and to make Department officers available to the Committee in any reasonable manner in order to be responsive.

CUBA: VISA FOR FERNANDO GARCIA BIELSA

Question. I have written you regarding the Department's decision to grant a visa to Cuban intelligence officer Fernando Garcia Bielsa, however, the Department's reply failed to address my concerns. U.S. federal agencies have documented the direct role that Cuban officials have played in supporting terrorist attacks by Puerto Rican "nationalist" groups on U.S. soil. Cuban spies are on trial in U.S. federal court at this very moment, their illegal activities abetted by Cuban "diplomats" at the UN. Has the Department been informed by any U.S. agency that Fernando Garcia Bielsa has met any time, including in the last three years, with associates of the Puerto Rican terrorist groups FALN or Macheteros? If so, why has the Department chosen to disregard contact between this Cuban intelligence officer and members of associates of terrorist groups in granting that intelligence officer a visa to work in the United States?

Answer. We did not disregard the information the FBI provided us concerning Garcia Bielsa. The FBI did share certain information with the Department. The FBI withdrew its initial objection to Garcia Bielsa's posting to the Cuban Interests Section in Washington; the visa was issued with the FBI's concurrence.

CUBA: FAILURE TO EXPEL TWO OFFICERS

Question. Please explain in detail why the Department has failed to expel from the United States two Cuban officers who the FBI informed the Department played a role in the spy ring that was discovered in September 1998.

Answer. Those diplomats at the Cuban Mission to the United Nations in New York who the FBI was able to identify as having direct links to the captured spies either departed voluntarily from the United States before we could expel them or were expelled by the State Department. No one whom the FBI could document as having direct contacts to these spies is in the United States.

CUBA: POSTING OF OFFICERS IN U.S. TERRITORIES

Question. Will you assure me personally that the Department will not allow the posting in U.S. territory of any Cuban diplomat or Cuban intelligence officer who is known to have had direct contact with associates of the Puerto Rican terrorist groups FALN or Macheteros? If not, please explain your decision to disregard this threat.

Answer. All applications for diplomatic visas are reviewed to determine whether the applicant is ineligible under the terrorist and other security provisions of the Immigration and Nationality Act, and visas are only issued after any ineligibility issues are resolved.

CUBA: GRANTING NONIMMIGRANT VISAS TO OUR INTERESTS SECTION

Question. In 1996, sec. 102(e) of P.L. 104–114 stated the sense of the Congress that, "The President should instruct the Secretary of State and the Attorney General to enforce fully existing regulations to deny visas to Cuban nationals considered by the Secretary of State to be officers or employees of the Cuban government or of the Communist Party of Cuba, consistent with executive Proclamation 5377 of October 4, 1985, pursuant to section 212(f) of the Immigration and Nationality Act of 1952, as amended. In recent months, Cuban government officials at the Vice Ministerial level have been granted visas to enter the United States. When questioned by Committee staff Department officials blamed these decisions on a new procedure intended to increase the issuing of visas in Havana. Please explain in detail the new procedures for granting nonimmigrant visas to Cubans from our Interests Section Havana. Has the President rescinded Proclamation 5377 of October 4, 1985? Please provide a detailed explanation of the procedure for granting visas to senior Cuban government officials.

Answer. The President has not rescinded Proclamation 5377 of October 4, 1985. However, the application of the Proclamation was modified to carry out President Clinton's January 5, 1999, announcement expanding people-to-people contact between the United States and Cuba, particularly in the educational, cultural, scientific, athletic, professional and religious areas.

New procedures effective May 17, 1999, generally provide for the more expeditious processing of the visa applications of persons resident in Cuba and subject to the Proclamation. Six categories of employees or officers of the Government of Cuba or the Communist party of Cuba are exempt from the new procedures, however:

1. The President and Vice President, a minister or vice minister of the Government of Cuba;
2. The President and Vice President of the National Assembly of Cuba;
3. A politburo member, central committee department head or provincial first secretary of the communist party of Cuba;
4. A senior military, intelligence, or police official;
5. A Cuban Government or communist party officer or employee determined by the U.S. Interests Section to be a person of potential foreign policy concern to the United States; and
6. A Cuban government or communist party officer or employee whose application is opposed by an interested USG agency within ten days of the submission of the case to Washington.

These new procedures implemented the President's policy to promote people-to-people contact while still restricting Cuban officials who might pose a threat to national security or be a foreign policy concern. While senior government officials, including vice-ministers, are subject to INA 212(f) sanctions imposed against Cuban Government officials, 212(f) sanctions are not used to deny visas when visa issuance is in the national interest and/or required by our international commitments.

CUBA: TDY OF OFFICIALS TO U.S.

Question. How many Cuban officials have been admitted to "temporary duty" (TDY) in the United States in the last two years? How many U.S. officials have been granted TDY visas to enter Cuba in the same period? What procedure exists for ensuring that Cuban officials entering the U.S. on TDY visas are not intelligence officers before granting them TDY visas? What procedure exists for informing the FBI of the entrance into the U.S. of Cuban officials on TDY visas? What purpose is served for allowing Cuban officials to enter the U.S. on TDY visas? What procedure exists for ensuring the timely departure of Cuban TDY visitors from U.S. territory? How many Cuban officials on TDY visas have stayed beyond their departure date? What is the penalty for Cuban officials overstaying their departure date?

Answer. In the last two years (March 2, 1998–March 2, 2000), approximately 140 visas have been granted to Cuban officials for temporary duty assignments in the United States at the Cuban Interests Section. In addition, some 380 visas have been granted to Cuban officials for temporary assignment to the UN Mission in New York for temporary assignments. We estimate that at least 150 U.S. officials have traveled to the U.S. Interests Section in Havana for temporary assignments. (We do not have precise date because of a computer malfunction that damaged our database.) Decisions to issue visas to Cuban officials are made in accordance with applicable laws, reciprocity, and the needs of the U.S. Interests Section. In general, requests for visas for Cuban officials are evaluated to determine whether the proposed representative is subject to any grounds of inadmissibility and if so, whether a waiver of inadmissibility is legally available. The issuance of bilateral diplomatic visas (A–1 and A–2 visas) is also subject to acceptance by the Secretary of State.

All visa applications are reviewed by appropriate law enforcement agencies as provided for by law prior to issuance or denial.

Temporary duty officials from Cuba and the United States are issued visas for the purpose of performing work internal to the mission. The agreement establishing the two Interests Sections provided for personnel ceilings. The Cuban Interests Section is permitted 25 permanent officials and 10 long-term duty persons. The U.S. Interests Section in Havana has a total of 26 permanent positions, 5 long-term duty positions and an additional 20 permanent positions for the consular section to implement the Migration Accords. Long-term temporary support officers are permitted a total of a one-year stay in the host country. Short-term temporary support officers may stay in the host country for nine months.

Last year two individuals had overstayed their visas in the United States and were asked to leave the country promptly. The Department of State has implemented procedures in coordination with the Federal Bureau of Investigation to monitor Cuban Government compliance with the staffing and length of stay limits noted above.

CUBA: FUGITIVES OF JUSTICE

Question. The Department of State has provided the Committee a list of several dozen fugitives of justice granted sanctuary by the Cuban government. Please document the date and circumstances when the Department last asked the Cuban government to surrender any of these fugitives to justice in the United States?

Answer. The Department of State raises this issue periodically with the Cuban government. However, We have not recently sent a formal diplomatic note on this issue.

Past Cuban responses and recent journalistic reports offer no encouragement that the Castro government will treat as serious any request to extradite fugitives from justice.

Nonetheless, we will continue to insist that the Cuban government extradite individuals indicted for crimes in the United States.

UNCHR PLANS

Question. What specific steps is the Department of State taking to ensure the passage of a resolution on human rights in Cuba at the upcoming meeting of the UN Commission on Human Rights in Geneva?

Answer. The U.S. has agreed to co-sponsor the resolution on Cuba that the Czech Republic and Poland introduced at the UN Commission on Human Rights on April 11, 2000. We stand ready to help the Czechs and Poles in their valiant efforts to keep the world focused on the deplorable state of human rights in Cuba.

CUBA: FUGITIVES AND ELIAN GONZALES

Question. Did any official in the Department of State (including any in the U.S. Interests Section in Havana) or, to your knowledge any other U.S. official, suggest to any Cuban official a quid pro quo by which Cuba would receive fugitives from St. Martinville, Louisiana, in exchange for the repatriation of refugee Elian Gonzales?

Answer. No. The Cubans did not suggest a quid pro quo nor did we offer one. There is no connection between these two cases.

CUBA: SOL MELIA CUT UNDER TITLE IV

Question. What is the status of the inquiry into the Sol Melia case under Title IV of the Libertad Act? When will the Department make available to the Committee the documents requested regarding this case?

Answer. On July 1, 1999, we contacted Sol Melia by letter and telephone to advise the company of the potential application of Title IV to certain of its activities in Cuba. This case continues to be of the utmost concern to the Department. We are working on this matter assiduously and have been in regular contact with all parties involved. Because this case is still under review by the Department, we are not in a position to release documents or publicly discuss the status of the investigation.

CUBA: A-A/S ROMERO RECUSED FROM TITLE IV

Question. What U.S. official is responsible for making final determinations under Title IV of the Libertad Act? Please provide the Committee with the document by which Acting Assistant Secretary Peter Romero recused himself from such decisions.

Answer. The statute places this responsibility with the Secretary. On May 1, 1996, the Secretary's authority under this provision was delegated to the Assistant Secretary for Western Hemisphere Affairs. However, the Secretary, the Deputy Secretary, and the Under Secretary for Political Affairs may exercise any function delegated by this delegation. Since July, 1999, Acting Assistant Secretary Peter Romero recused himself from Title IV matters to avoid the appearance of conflict, given his pending confirmation before this committee. There was, however, no document to bring this about.

CUBA: STATE DEPARTMENT TESTIMONY BEFORE CONGRESS

Question. Please describe the policy under which Acting Assistant Secretary Peter Romero has repeatedly refused appearing before the Foreign Relations Committee while making himself available on a number of occasions to other Congressional committees.

Answer. Acting Assistant Secretary Romero was nominated by the White House to be the Assistant Secretary for Western Hemisphere Affairs on September 10, 1998. To date the Senate Foreign Relations Committee (SFRC) has declined to invite Ambassador Romero for a confirmation hearing, at which he would be able to address issues of interest and concern to the Chairman and Members of the Committee.

It is the practice of the Department of State not to offer for testimony before the SFRC those senior-level officials who are awaiting confirmation hearings by the same Committee.

As of this writing, Ambassador Romero has executed the duties of the office of Assistant Secretary in an acting capacity for almost 18 months. In the course of those duties and in an effort to better inform Congressional members in their legislative and oversight capacities, Ambassador Romero has appeared before Congressional committees to offer testimony on key events and USG activities in the Western Hemisphere. The Department would welcome and encourages the SFRC to extend to Ambassador Romero an invitation to participate in a confirmation hearing.

ASSISTANCE TO CUBA

Question. The Department has recently decided to post at the U.S. Interests Section in Havana a U.S. Coast Guard officer to share information with Cuban authorities on suspicious flights over Cuban territory, notwithstanding the fact that Cuba does not meet the requirements of 22 U.S.C. sec. 2291–4(a) (2) that, inter alia, "the country has appropriate procedures in place to protect against innocent loss of life in the air and on the ground in connection with interdiction." Please provide the Committee a copy of the legal opinion on that decision. What Department officials took part in making that decision? Has each of these Department officials been informed of their potential liability under held criminally liable under 18 U.S.C. sec. 32(b) (2) and 18 U.S.C. sec. 2(a)? If not, why not? Who made the final decision to

post this Coast Guard officer to share information with Cuban officials? Does not due diligence require that officials of the Department of State, before facilitating the exchange of information on suspicious flights over Cuban territory, first clarify with Cuban officials their government's policy with respect to the destruction of suspicious aircraft in its territory? Please explain the date and circumstance under which that clarification was sought or the decision not to seek such clarification.

Answer. I can confirm that the U.S. Coast Guard has recently assigned one of its officers to work at the U.S. Interests Section in Havana on maritime issues and Coast Guard activities such as narcotics interdiction, safety at sea, search and rescue, and repatriations. The assignment was made with the approval of the State Department and in consultation with other U.S. Government agencies.

In a letter to Chairman Helms dated December 17, 1999, Office of National Drug Control Policy Director McCaffrey addressed on behalf of the Administration the question of whether Cuba has a policy of shooting down civil aircraft suspected of involvement in drug trafficking, for which U.S. provided information would be relevant. As indicated in that letter, Cuban officials have never used U.S. provided aircraft position information to shoot down civil aircraft, and we have no indications that Cuban officials intend to use future position information to shoot down aircraft suspected of narcotics trafficking.

We continue to monitor carefully our counterdrug information sharing programs with Cuba. Should we see any evidence of a Cuban policy or intent to shoot down civil aircraft suspected of narcotics trafficking, we will certainly take appropriate action under U.S. law.

The discussion and information provided in Director McCaffrey's letter to Chairman Helms continues to represent the Administration's position on this subject.

CUBA: SECTION 109 OF THE LIBERTAD ACT

Question. Do you believe that it was proper for Counselor to the Department Wendy Sherman to question former Cuban Affairs Coordinator Michael Rannenberger as to why so many "Cuban-American groups" had received support under Section 109 of the Libertad Act? What steps will you take to ensure that these alleged comments do not result in, as stated, in USAID regulations, "any U.S. citizen or legal resident (being) . . . excluded from participation in, (being) . . . denied the benefits of, or (being) . . . otherwise excluded from discrimination on the basis of race, color, national origin, age, handicap, or sex?

Answer. As part of her responsibilities as Counselor, Ambassador Sherman has generally reviewed the implementation of the program grants funded under Section 109 of the Libertad Act. I know Ambassador Sherman would characterize such alleged comments as inappropriate, unwarranted, and wrong and, therefore she would not and, in fact, did not make such comments. Ambassador Sherman and all my colleagues in the Department of State support the strict implementation of the program in conformity with USAID regulations.

SCHOOL OF THE AMERICAS

Question. As the person who speaks for the Executive Branch on foreign policy matters, would you please explain the contribution made by the U.S. Army School of the Americas (USARSA) to U.S. interests in Latin America? How would you rebut the claims of USARSA critics that the school has trained persons responsible for human rights violations or coups? Do you personally believe the school should remain open?

Answer. The U.S. Army's School of the Americas can play an important role in developing civil-military relations, consolidating democracy, promoting regional stability, and pressing for the highest standards in respect for human rights.

Much of the controversy about the School stems from human rights abuses committed by some of its past graduates. Clearly, there have been abuses, which we condemn.

But the School's curriculum has been revised to strengthen and accentuate training and instruction on civilian control of the military, the promotion of democracy, and respect for human rights, so that these abuses have less likelihood of occurring in the future.

The School also encourages regional stability and cooperation through training in peacekeeping, demining, counterdrug operations, medical assistance, leadership development and military justice.

These goals are in our national interest, and we should support the efforts of the School of the Americas to help achieve them.

COLOMBIA SUPPORT

Question 1. The Administration has unveiled a plan of extraordinary support for Colombia. Despite our support for Colombia in the last several years—approaching a-half-a-billion dollars—U.S. estimates of cocaine and heroin production have more than doubled in that period. How will the $1.3 billion aid plan produce a marked decline in the production of cocaine and heroin from Colombia?

Answer. While total production in Colombia has increased at an explosive rate (with a 20 percent increase last year alone), those increases have, as a general rule, occurred outside of the areas of our focused efforts. That is why this package is so important. It will allow for the expansion of counternarcotics eradication operations into areas that are beyond the reach of current efforts without sacrificing performance in current areas of operations. In addition to expanding current eradication efforts to new areas, the supplemental will improve Colombia's interdiction capabilities, allowing Colombia to overlay the coca fields with aerial and riverine interdiction of the movement of coca and precursor chemicals, and give new impetus to alternative development and other social programs to cement the eradication gains.

Expectations are positive for the programs supported by the package, in part, because they are based on the lessons learned in our counternarcotics cooperation with the governments of Peru and Bolivia. Since 1995, despite the explosive growth in Colombian coca cultivation, regional cultivation has declined because of the successes in those two countries. Over that time period, Peru has reduced its coca crop by 66 percent and Bolivia by 55 percent. Colombia hopes to match that performance.

Question 2. What specific activities are Colombian guerrillas engaging in that make them complicit with the illegal drug trade? If they are, making a fortune trafficking drugs, why would anyone think they are committed to the peace process?

Answer. Guerrilla and paramilitary leaders have publicly admitted to taxing the narcotics trade. Additionally, there is evidence that they are more actively involved: providing protection for crops, encouraging cultivation, etc. We would be happy to arrange a classified briefing to discuss details of this.

A key objective of counternarcotics efforts in Colombia is to break the financial nexus between the guerrilla and paramilitary groups and the narcotics trade. Narcodollars are the single biggest source of funds for these groups. The Government of Colombia believes that disruption of this income will deal a severe blow to the groups and encourage their participation in the peace process.

Question 3. Why does the supplemental request for Colombia not include increased aid for Bolivia, Peru, Ecuador or Panama to which the illegal cocaine trade will spill as we help Colombia crack down on illegal activities in its territory? What additional programs or funding could be responsibly used in those neighboring states (above already what is programmed in the Administration's 2001 request)?

Answer. That is an oft-stated misconception. In reality, there is $70 million dollars in the proposal specifically designated for those very countries. These funds are in addition to the regular FY 2000 and FY 2001 requests and will enhance interdiction in those countries to prevent spillover while simultaneously expanding development and social services to provide licit alternatives to the narcotics trade.

PERU

Question 1. Do the decisions of President Fujimori to seek a third term and his maneuvers to fire constitutional court judges and electoral tribunal members and harass media opposed to his third term hurt or harm the institutionalization of democracy in Peru? Why has our Embassy in Peru failed to speak out clearly on these issues of human rights and democracy in Peru? Please provide examples of Ambassador Hamilton's statements on these subjects.

Answer. We have repeatedly expressed our concern over the longstanding problem of weak democratic institutions in Peru. We have told the Government of Peru publicly and privately that an independent and transparent judiciary and freedom of speech are essential elements to any democratic government, and we have pointed out actions which threaten to undermine these fundamental rights. Our Country Report on Human Rights Practices concludes that the government's record on protection of political and civil rights was poor over the last year, and thoroughly documents the problems we believe must be corrected.

Ambassador Hamilton has spoken out on these issues from his arrival in Lima last September. On the presentation of his credentials September 6, his remarks (quoted extensively in the press) stated that "foremost among the challenges" in our bilateral relations is "the deepening of Peru's democratic process . . . to find effective ways of encouraging the promotion of competitive and transparent electoral processes, respect for human rights, a vigorous free press and effective, independent leg-

islative and judicial branches." When the U.S. House and Senate passed separate resolutions on democratic freedoms in Peru in October 1999 (HR 57 and SR 209), Ambassador Hamilton went to the Peruvian Congress, where he told the press that these were "the considered opinions of friendly institutions" and urged all Peruvians to study them carefully, emphasizing their bipartisan nature. In a nationwide radio interview January 8, the Ambassador highlighted our concern that the Peruvian elections be fair to all participants. Echoing recommendations from the pre-election observation mission from the National Democratic Institute and Carter Center, the Ambassador in a February 23 interview in "Caretas" magazine highlighted the problems of opposition access to the media and use of state resources for partisan ends. At a speech before the American Chamber of Commerce in Peru on February 24, the Ambassador reported that "our bilateral relations have not yet reached their full potential" because GOP restrictions on democracy and human rights "limit what could otherwise be a robust and healthy relationship." He urged the GOP to "take concrete and rapid measures" to implement the NDI/Carter Center recommendations in the days remaining before the April 9 elections.

Question 2. Under what specific terms did the U.S. decide to provide funding to the OAS for an electoral observation mission in Peru? What steps will the Department take to ensure that the OAS electoral mission complies with these commitments? Will the Department insist that the OAS mission document the anti-democratic maneuvers by which President Fujimori is seeking a third term?

Answer. We authorized $275,000 in support of an OAS electoral observation mission, which was invited by the Government of Peru to monitor the April 9 elections. The mission has fully complied with all the conditions of our funding. The team, led by former Foreign Minister Eduardo Stein of Guatemala, established a presence in Peru in March, well in advance of the April 9 elections. Under Stein's leadership, the Mission coordinated with independent domestic and international observers of the pre-election phase to build on and reinforce the work done by those groups. Stein issued numerous reports in advance of the elections, highlighting the deficiencies identified by other observers in the pre-election phase and recommending measures to improve the technical as well as substantive aspects of the electoral process.

On election day, the OAS fielded a team of 90 observers throughout the country to monitor the vote and conduct a "quick count" sample of returns. Stein has led other observers in expressing concern over the discrepancies between official government results and the independent quick counts, and spoken out sharply on irregularities in the balloting and tabulation process. While reserving final judgment until complete, official results are available, Stein has warned that a first round victory for President Fujimori would not be an acceptable result, as it would contradict the independent findings.

VENEZUELA—FLOOD ASSISTANCE

Question. In light of President Chavez' rejection of U.S. military personnel on Venezuelan territory, why do U.S. helicopters and personnel remain in Venezuela today? Does the Executive branch plan to expend any additional sums from the DOD "drawdown" in Venezuela in light of that government's rejection of U.S. military personnel? Please explain in detail.

Answer. The Government of Venezuela welcomed USG flood relief assistance, including a sizable deployment of military personnel to help with search and rescue, airlift of relief supplies and other emergency tasks. Shortly thereafter, the Venezuelan Minister of Defense requested U.S. and Brazilian military engineering assistance for roadclearing. On January 13, the GOV indicated that Venezuelan engineers had achieved better than expected progress in opening the roads and notified us they no longer believe the deployment is needed. The USG accordingly canceled the projected deployment (Brazil cancelled its project as well). The very late decision by Venezuela that it no longer needed the assistance surprised us, but we respect it.

Although an initial press report on Venezuelan President Chavez's press statements indicated a rejection of foreign military personnel on Venezuelan territory, Chavez and members of his government quickly clarified they were referring only to the road clearing projects planned by the USG and Brazil. They believed the situation had changed and that the Venezuelan military and private sector could handle the task. President Chavez and the Foreign Minister expressed again their great appreciation for the USG's contribution to the assistance effort, which has included assistance in the search and rescue efforts, airlift support, water purification units, hazardous material management technical assistance and a variety of relief supplies.

On February 6-8, three USG military planes transported donated Swedish equipment and personnel to help control and suppress any future fire from the chemical spill at La Guaira port. The decision to proceed with this assistance was made after it was determined that no commercial or other donor sources of transport was available for this urgently needed equipment.

The DOD operation was phased down as planned, and ended in mid-March with an estimated total cost of $9.3 million.

ECUADOR

Question. Did the events of January in Ecuador effect a coup, in light of the fact that the democratically elected president was toppled from power and did not resign voluntarily? What decisions have been made regarding Ecuador's continued eligibility for U.S. foreign Aid? Why did the U.S. fail to invoke the "Resolution 1080" mechanism at the OAS in light of events in Ecuador?

Answer. On January 22, 2000, Vice President Gustavo Noboa succeeded President Jamil Mahuad in a series of events which were strongly influenced by the Ecuadorian armed forces but which did not constitute a "military coup" in the sense of a planned and sustained military seizure of power. While a number of military officers took actions that were intended to achieve an extra-constitutional change of government, at no time did the military assume control of the government. Furthermore, constitutional government was reconfirmed by the Vice President's assumption of the presidential mantel when President Mahuad publicly proclaimed his inability to exercise his presidential duties. Accordingly, the U.S. Government did not suspend assistance to Ecuador and Ecuador remains eligible for assistance.

The United States did not invoke the "Resolution 1080" mechanism at the January 21 emergency meeting of the OAS Permanent Council because President Mahuad was still in office at that time. Though the demonstrators and their "junta" were receiving extensive publicity and some declarations of support, they had no control of the government. The OAS passed a strong resolution condemning actions against President Mahuad and his government and instructed the Secretary General to report on the situation. This OAS declaration helped preserve constitutional rule by warning plotters that an illegitimate government in Ecuador would be unacceptable to the hemisphere. The U.S. and other OAS members were preparing to take action under "Resolution 1080" if the situation warranted.

STATE DEPARTMENT PERSONNEL POLICIES

Question 1. Within your Department, what is the status of AFSA's request?

Answer. AFSA's request is currently being reviewed by the Department.

Question 2. Do you believe you have legal authority to grant each of AFSA's 13 separate proposals? If not, which proposals are beyond your authority?

Answer. We do not believe that we have the legal authority to grant each of AFSA's 13 separate proposals. We are not aware of any current authority that would permit us to accept the following proposals: access to post medical facilities; access to government contract airfares; and the employment preferences granted to American family members.

Question 3. Do you intend to act on AFSA's request unilaterally? If so, what do you intend to do?

Answer. The Department does not intend to act unilaterally to implement changes that are beyond its statutory authority. The remainder of AFSA's requests are under review.

Question 4. Within your Department, what is the status of the organization of Gays and Lesbians in Foreign Affairs Agencies (GLIFAA)? Does the organization receive any public funds from your Department or from other governmental organizations? Besides the meeting of January 22, 1999 with Director General Gnehm, have you or any other official of the Department met with GLIFAA to discuss its agenda? In the meetings with GLIFAA, what has the Department agreed to do? Have any of GLIFAA's proposals been rejected?

Answer. GLIFAA has no official or formal relationship with the Department and receives no public funds from the Department or other government agencies. It is a recognized organization for purposes of use of public space and Department bulletin boards. The Department has generally granted requests for meetings to specialized employee groups such as GLIFAA, HECFAA (Hispanic Employees Council of the Foreign Affairs Agencies) and BIG (Blacks in Government). At such meetings participants share their views on issues of interest to the group. (AFSA is the exclusive representative of covered Foreign Service employees and as such is the organization with which the Department negotiates conditions of employment).

I have not met with GLIFAA. Other officials of the Department have met with GLIFAA. All of these meetings have been informational in nature. The Department has not formally accepted or rejected any of GLIFAA's proposals.

Question 5. Within your Department, what is the status of GLIFAA's request?

Answer. GLIFAA's request is not under formal consideration from the Department. The requests submitted by AFSA are being considered since AFSA is the official bargaining unit for Foreign Service employees in the Department of State. The Department's willingness to meet with AFSA on their proposals is in the context of our normal labor-management relationship with them.

Question 6. Do you believe you have legal authority to grant each of GLIFAA's separate proposals? If not, which proposals are beyond your authority?

Answer. Since we have no official bargaining relationship with GLIFAA, we are not formally considering any of their proposals.

Question 7. Do you intend to act on GLIFAA's request unilaterally? If so, what do you intend to do?

Answer. Since we have no official bargaining relationship with GLIFAA, we are not formally considering any of their proposals.

Question 8. In June 1999, Moscow requested the Department's guidance with respect to an employee and the employee's partner (Moscow 014507). In its response (State 177246 11), the Department said:

> Currently, no published Department of State guidance exists regarding support for unmarried partners of the same or opposite sex. While we understand the difficulties the current situation presents to unmarried partners residing at our overseas missions, the Department has not authorized official action on behalf of partners who do not have a legally recognized relationship with a U.S. Foreign Service employee. . . .

Does this statement still represent the policy of the Department of State? If so, does the Department plan to make any change in that policy? If the quote stated is not Department policy, please provide the Committee with a copy of the Department's current policy and tell us when the new policy took effect and under what circumstances.

Answer. This statement still represents the policy of the Department of State. Any future change to this policy would be consistent with our statutory and regulatory authority.

Question 9. AFSA stated that, "The Board was concerned with what appeared to be [as stated in State 177246] a change in the previous practice of allowing chiefs of mission flexibility in dealing with this issue and of advancing 'family friendly' policies in general" (State 211732-2). Do you agree with AFSA that the policy stated in State 177246 was new? If so, please explain the change; if not, please summarize the history, of the policy.

Answer. We do not agree with AFSA that the policy outlined in State 177246 is new. Chiefs of Mission have always been given wide latitude (while adhering to all legal and regulatory constraints) to establish personnel practices at their missions, in response to circumstances in each country.

Question 10. If you believe the policy stated in State 177246 was, indeed, new (see above), do you believe that the change was mandated by the Defense of Marriage Act, I U.S.C. § 7 (Supp. 111 1997)? (The pertinent part of the Defense of Marriage Act was quoted in paragraph 2 of State 177246:

> In determining the meaning of any Act of Congress or of any ruling, regulation, or interpretation of the various administrative bureaus and agencies of the United States, the word "marriage" means only a legal union between one man and one woman as husband and wife, and the word "spouse" refers only to a person of the opposite sex who is a husband or a wife.)

Answer. We do not agree with AFSA that the policy outlined in State 177246 is new.

Question 11. In summarizing the effect of the Defense of Marriage Act, State 177246 paragraph 2 said, "The Defense of Marriage Act of 1996 generally constrains the Department from interpreting the word 'marriage' or 'spouse' to include same-sex partners." What does the Department mean by the term "generally constrains"? Under what circumstances might the Department be freed from the express and unambiguous terms of the Defense of Marriage Act? Is it the position of the Department of State that the Defense of Marriage Act "generally constrains" a redefinition of "marriage" and "spouse" or that the Act flatly excludes such redefinitions?

Answer. The term "generally constrains" in paragraph 2 of State 177246 means that the Department is currently constrained by the Defense of Marriage Act from interpreting "marriage" or "spouse" to include same-sex partners. The Department would be freed from the terms of the Defense of Marriage Act only if the Act were altered or amended by Congress. It is the position of the Department that the Defense of Marriage Act flatly excludes any definition of "marriage" and "spouse."

Question 12. In its memorandum of September 23, 1999, GLIFAA "propose[d] that the Department, in coordination with the civilian agencies with employees covered by the Foreign Affairs Manual, expand the definition of Eligible Family Member (EFM) to include the partners of gay and lesbian employees" (page 1). By what authority do you believe you have the ability to redefine the term "family" or "Eligible Family Member"? Section 311 of the Foreign Service Act, 22 U.S.C. § 395 1 (1994), provides a hiring preference for family members of government employees assigned abroad. Do you believe you have lawful authority to define "family members" for purposes of section 311 to include persons who are related neither by blood, nor marriage, nor adoption? Do you have authority to extend the hiring preference for "family members" to persons who are dear friends or sexual partners of the government employee?

Answer. In light of Department regulations and the Defense of Marriage Act, the Department is not intending to extend hiring preferences. With respect to Section 311 of the Foreign Service Act, pursuant to the Department's regulations and the Defense of Marriage Act, the Department only has the legal authority to extend hiring preferences to persons who are either a U.S. citizen spouse or dependent.

Question 13. Article 37.1 of the Vienna Convention on Diplomatic Relations (entered into force with respect to the United States on Dec. 13, 1972) says, "The members of the family of a diplomatic agent forming part of his household shall . . . enjoy the privileges and immunities specified in Articles 29 to 36." In turn, the provisions of Article 37 have found their way into the United States Code, e.g., 22 U.S.C. § 254a(2) & § 4304a(c)(2) (1994). What are the international diplomatic implications of redefining "family"?

Answer. Sending States generally defer to the discretion of the Receiving State in defining "members of the family forming part of the household" for the purposes of granting family member status, and attendant privileges and immunities, under the Vienna Convention on Diplomatic Relations.

Question 14. GLIFAA's memorandum of September 23, 1999 says the following:

> President Clinton's Executive Order 13087 of May 1998 mandates nondiscrimination on the basis of sexual orientation in Federal agencies. This provision has been incorporated into the Foreign Affairs Manual as 3 FAM 1511. Statements by Secretary Christopher (1994) and Secretary Albright (1997) similarly prohibit discrimination on the basis of sexual orientation in the Department. Nonetheless, the Department continues to deny the partners of gay and lesbian employees the benefits, privileges and immunities accorded to the spouse of heterosexual employees.

Does the Department believe that marriage (together with its accompanying benefits) constitutes invidious discrimination? Does the Department believe that Executive Order 13087 requires the Federal Government to eliminate all preferences for, or benefits to, married persons? Does the Department believe that E.O. 13087 requires a redefinition of "family"? As noted above, 22 U.S.C. § 3951 (1994) provides a hiring preference for "family members of government employees assigned abroad." Is this preference "discrimination on the basis of sexual orientation" which is unlawful under E.O. 13087?

Answer:

Does the Department believe that marriage (together with its accompanying benefits) constitutes invidious discrimination? *No*

Does the Department believe that Executive Order 13087 requires the Federal Government to eliminate all preferences for, or benefits to, married persons? *No*

Does the Department believe that E.O. 13087 requires a redefinition of "family"? *No*

As noted above, 22 U.S.C. § 3951 (1994) provides a hiring preference for "family members of government employees assigned abroad." Is this preference "discrimination on the basis of sexual orientation" which is unlawful under E.O. 13087? *No*

Question 15. AFSA says that its proposals can be implemented "at little or no budgetary cost" (State 211732-19). What is the Department's estimate of the cost of implementing AFSA's proposals?

Answer. The Department is not contemplating incurring any budgetary costs relating to AFSA's requests.

Question 16. It has been said that AFSA's proposals will make a difference only at overseas posts. This cannot be true inasmuch as the proposals themselves speak of "appropriate training opportunities at the National Foreign Affairs Training Center" in Virginia. If adopted, what effect would AFSA's proposals have within the United States?

Answer. Consistent with current law, regulations and practice, the Department is not extending training opportunities at the National Foreign Affairs Training Center.

Question 17. What is the Department's estimate of the cost of implementing all of GLIFAA's proposals?

Answer. The Department is not considering the GLIFAA proposals, and therefore no estimate of costs has been made.

Question 18. Under GLIFAA's proposal, benefits would be available to same-sex partners when the employee and his/her partner executed an affidavit "testifying they are of legal age, are not blood relatives, are not married to anyone else, are mentally competent, share a domicile and agree to notify the Department if they terminate their relationship" (Memorandum of Sept. 23, 1999, pp. 4-5, "Eligibility"). Under AFSA's proposal, benefits would be available "only in cases where the employee has certified that he/she and his & her domestic partner have been each others sole domestic partner for at least six months and intend to remain so indefinitely, are at least 18 years of age, unmarried, and mentally competent to consent to contract, and are jointly responsible for each other's common welfare and financial obligations" (State 211732-15). GLIFAA's definition says nothing about "sexual orientation." Would the Department accept GLIFAA's definition or AFSA's definition or is there another definition that the Department prefers? Does the Department of State have any expertise in defining a relationship which is not marriage but which involves two persons sharing living quarters who want to be treated in some aspects as if they were married?

Answer. The Department of State has no expertise in defining a relationship which is not a marriage, but which involves two persons sharing living quarters, who want to be treated in some aspects as if they were married. The Department has not accepted either the GLIFAA or the AFSA definitions for purposes of establishing a partner's, eligibility for the privileges accorded to legal spouses of our employees. There is no other definition the Department prefers.

Question. Effective security for our diplomatic missions and personnel abroad is essential. Did any personnel security issues develop for State Department officers as a result of the arrest of Mir Aimal Kansi in June 1997? If so, how were they resolved? Do any issues remain unresolved? What lessons in the Kansi arrest might apply now in the search for Osama bin Ladin?

Answer. I take personnel security issues for all State Department officers very seriously. Effective security for all or missions and people is one of our highest priorities. We took the appropriate security measures deemed necessary to address the general security issues surrounding the case of Mir Aimal Kansi in June 1997.

Not all issues from this case have been resolved. Because the details of this case pertain to intelligence matters and could still affect the security of official U.S. personnel, additional information should be provided by the agencies directly involved in a classified session.

The success of the Kansi rendition was due to intensive and effective coordination by U.S. government agencies, and concerted diplomatic efforts to gain cooperation against terrorism. These are among the key elements in our approach the we hope will bring Usama bin Ladin to justice.

PROPOSED CHANGES TO THE EXPORT ADMINISTRATION ACT

Question 1. I am concerned that the standards for setting controls on commodities are established at a high and unreachable level. Section 201, for instance, restricts end user and end use controls to only those commodities which "could materially contribute" to WMD. Do you agree with this standard (e.g., only those dual use commodities that are considered a "material" risk should be controlled)? How would such a standard affect technologies and know-how?

Answer. The Administration has been working with Senate staff on a number of proposed amendments to the text of S. 1712, as it was reported out of the Senate Banking Committee. Some of these amendments would affect the standards for imposing sanctions. The Administration has supported deletion of "materially" in section 201(c) and will continue to work with Senate staff on this and other issues.

Question 2. Section 212 creates exemptions from export control unless the President decides that the lack of controls "would prove detrimental to the national secu-

rity" and there is a "high probability" that the U.S. can achieve multilateral controls on the item. It appears to me that "would" requires a specificity of information indicating definite knowledge that a commodity will be misused. Do you agree that the appropriate standard should be whether a commodity, if uncontrolled, could harm national security to the agreement of other nations to control the commodity? Does this approach make sense in light of how some foreign nations refuse to constrain WMD-related exports to Libya, Iraq, and Iran, or the controversy over proposed exports to Saddam Hussein under the oil for food program?

Answer. The Administration still has concerns about this provision (Sec. 212). We have seen proposed amendments addressing some of our concerns. We will continue to work with Congress to ensure that the bill provides adequate protections and set-asides to address our national security concerns.

Question 3. Section 213, relating to foreign availability, again sets its criteria at a very high level. Moreover, even if a commodity is not exempted by 213, it still can be rapidly decontrolled pursuant to a non-stop 6 month review period. What are your views on this section?

Answer. The Administration has had questions about the mass market exemption (Sec. 213) similar to those we have had with the foreign availability exemption (Sec. 212). The mass market set-aside is less onerous than the foreign availability set-aside, but still could be improved. We have been evaluating proposed amendments to this section that would address our remaining concerns.

Question 4. Section 301 would seem to impose unreasonable standards for policy controls. It is not enough that a commodity might pose a threat to the U.S. It must pose a serious threat. And the foreign policy controls proposed must be 100 percent guaranteed to be effective, or they cannot be implemented. 303 is likewise configured. Do you, Madame Secretary, accept these guidelines for the conduct of U.S. foreign policy, or do you continue to believe—as you have often said—that the "perfect should not become the enemy of the good"? If so, how would you restructure Section 301?

Answer. The Administration believes that, in general, the foreign policy controls in this bill provide sufficiently broad authority to successfully implement our export control policies. The bill sets a standard that the controls are "likely to achieve" the relevant foreign policy objectives, which is acceptable. The standard of a "serious" threat only applies to contract sanctity. The Administration's main objection to Title III is the exception for components as stated in section 301(c). This concern has been transmitted to Senate staff, and we have seen amendments addressing the issue. We will continue to work with Senate staff on the issue.

Question 5. Many sections of the bill seek to put commercial interests at the same level, or an even higher level (in the case of proposed review boards), as national security. Section 202, for example, requires that "national security" be balanced against "economic costs." We all agree that commercial interests are important, and that the strength of the U.S. economy is a core national security concern. But do you agree with S. 1712's effort to put commercial interests on the same footing as the nation's security concerns?

Answer. The Administration agrees that commercial concerns must be balanced with national security. However, national security can not be compromised in the name of economic gain. We have worked with Senate staff to ensure that no provision of this bill will force any President or Administration to make decisions that jeopardize our national security.

Question 6. Numerous sections of the bill provide authority to the Secretary of Commerce with no offsetting authority to those agencies that are responsible for safeguarding national security. Section 211 is a good example. The determinations regarding "foreign availability" and "mass market status"—two categories designed to create loopholes in the control lists for commodities—fail to mention specific agencies beyond DOD only provide for "consultation" (e.g., Commerce can ignore the views of other Departments). Do you agree that the State Department should be involved, and that concurrence be required?

Answer. The State Department has an essential role to play in the national security, foreign policy, and foreign commerce matters addressed in this legislation. We in the Administration believe that questions of consultation within the Executive Branch are best left to the President's discretion and direction. However, if legislation specifies roles for individual agencies in particular matters, it is important that State's key role not be overlooked.

Question 7. S. 1712 explicitly does not include, as a reason for controlling an item, the fact that the U.S. has numerous multilateral commitments (such as the Australia Group and the MTCR) and bilateral commitments that require export con-

trols. Section 212, for example, does not take this into account. Do you agree that the bill should be amended to add these international commitments as a legitimate basis for controlling an item? Do you also agree that the bill should take into account the fact that sometimes the U.S. must "go it alone" to make a point, to achieve an objective, or to bring other nations along?

Answer. This remains a matter of concern for the Administration. We have discussed with Senate staff our multilateral nonproliferation and export control commitments in reference to sections 212 and 213. We have been evaluating proposed amendments to these sections that would address our concerns. We agree that it is essential to protect the vitality of the multilateral export control regimes. It is also important that the Administration be able to set unilateral export control policies in some instances to achieve important national security and foreign policy objectives. This bill provides authority to impose controls where necessary to achieve our objectives.

Question 8. Numerous other Departments and agencies have provided comments and specific amendments to S. 1712 via their oversight committees. The Foreign Relations Committee, however, has not heard any formal views from the Department of State. Nor has it received any suggestions or amendments to improve the bill or resolve matters of concern, despite numerous entreaties by Committee staff. Madame Secretary, would you please direct the Department to prepare formal, views and suggestions for the Committee's use?

Answer. We appreciate the opportunity to address your questions on S. 1712. This bill would form the basis of our commercial export control system and be a crucial component of our continued efforts to safeguard national security. The Administration has been working closely with staff from the Senate Banking Committee to address the concerns of all affected agencies. In response, the Committee has made important changes. However, some important concerns remain unresolved. The State Department will continue to discuss with you our views concerning this important legislation.

DOD GLOBALIZATION INITIATIVES

Question. What role did the Department of State play in the recently concluded MOU with the United Kingdom concerning defense cooperation principles?

Answer. The Department of Defense initiated the dialogue with the British MOU, which led to the recent signing of the Declaration of Principles. The Department of State played no role in the exchanges, which resulted in the conclusion of this nonbinding mutual statement of aspirations. It imposes no legal obligations on either government, although it commits to entering binding agreements in the near future. It provides DOD's vision for trans-Atlantic defense industry cooperation, and as such, contains some basis for future reflection.

The Declaration recognizes however that it does not affect the prerogatives of other agencies, particularly State, which has jurisdiction over certain matters addressed therein.

In this regard, the Departments of State and Defense are actively engaged in developing enhanced trade initiatives to benefit NATO countries and certain other allies. The Department of State remains committed to preserving a strong and comprehensive defense trade controls system that supports the foreign policy and national security interests of the United States. We seek to establish an Administration position on commercial defense industry trade that will facilitate transnational cooperation, in accordance with U.S. law and regulation, while preserving the strength of our current controls.

Question. What has been the Department's role in the discussions with other countries (Australia, Netherlands, France, and Germany) referred to by DOD spokesmen in their February 8, 2000 press briefing?

Answer. The Department of State has not been party to the discussions referred to by the DOD spokesman on February 8, 2000. We are working within the interagency arena to ensure that a U.S. Government position on defense industry cooperation, which encompasses trade controls and security procedures, is established before consultations with foreign governments are initiated.

Question. With respect to the so-called "Canadian exemption," Section 38 of the Arms Export Control Act was crafted at a time when it was not the case (or not understood) that terrorist organizations or front companies might utilize license-free exemptions to acquire restricted commodities. Under these circumstances blanket exemptions—even for Canada—may be seen as dangerous loopholes in U.S. nonproliferation efforts. One would hardly wish to see nations such as Russia, or even Israel or Turkey, engage in parallel behavior with their neighbors. How is U.S. pol-

icy on exemptions under Section 38 evolving? Are you prepared to allow, Madame Secretary, the exemption under Section 38 to be expanded to encompass license-free trade to nations such as Australia? If so, given that friendly countries, and even NATO allies, have been caught transferring U.S. weaponry to rogue regimes, what would the arms control and nonproliferation consequences be from such a decision? How would U.S. efforts to strengthen the export control policies of other nations be affected?

Answer. The Department of State has subjected the Canada ITAR exemption to extensive scrutiny because of, among other things, enforcement and diversion concerns. As you know, due to those concerns, the Department amended the exemption in April 1999, making it much more restrictive and subject to further review.

Since April, the Department has been engaged in a constructive dialogue with Canada concerning the appropriate scope of the exemption, and possible changes to Canada's export controls. We expect to conclude negotiations with the Canadians in due, course, at which time I believe we will have developed an exemption that serves both the unique needs of our only contiguous NATO ally, with whom our defense industries enjoy a unmatched degree of integration, and our commitment to foreign policy and non-proliferation objectives.

Question. Will you assure the Committee that the Department not liberalize the International Traffic in Arms Regulations (ITAR) during the Presidential election campaign or before the current Administration leaves office?

Answer. The Department of State remains committed to preserving a strong and comprehensive defense trade controls system that supports the foreign policy and national security interests of the United States. In accordance with State's primary legal and policy authorities and responsibilities for all defense military assistance, as well as the President's Conventional Arms Transfer Policy, we will facilitate transnational defense cooperation in support of our national security and foreign policy objectives.

As is our normal practice, we would plan to consult with the relevant committees prior to any ITAR changes.

TRIPS AGREEMENT

Question. As a strong advocate for intellectual property protection worldwide, you are aware that the World Trade Organization Agreement on Trade Aspects of Intellectual Property entered into force for major developing countries in January 1, 2000. The TRIPS Agreement serves as an important standard for ensuring that countries recognize and provide full protection for intellectual property rights for innovation from pharmaceuticals to software to music to books.

It is my understanding that several countries, including Argentina, Brazil and India have failed to meet their TRIPS Agreement deadline.

In light of this fact and given the importance of TRIPS implementation to American companies, do you support use of the WTO dispute settlement process against countries that have failed to meet their TRIPS obligations?

What steps would the State Department consider to complement enforcement of TRIPS obligations through the WTO dispute settlement process to ensure that TRIPS Agreement will be implemented in these countries?

Answer. Of course we support the rapid implementation by developing countries of their responsibilities under the TRIPS Agreement. We will encourage them by any and all appropriate and effective means.

In some cases this will clearly mean that we will consider action in the WTO under the Dispute Settlement Understanding (DSU), as we have already done in past intellectual property disputes (e.g. our action against India regarding implementation of their "mailbox" requirement).

It is crucial that TRIPS implementation proceed smoothly. We are meeting our own commitments, and in case of outright refusal by other governments to honor their commitments we will not hesitate to use the DSU to enforce compliance.

At the same time, we must recognize that agreements such as TRIPS are complex. Some countries have genuine difficulty implementing them despite making sincere efforts to do so. In such cases, our preferred approach is to work through the problems with them on a constructive and pragmatic basis. That is the best way to ensure that we address the fundamental concerns countries have and preserve the integrity and the balance of rights and obligations all of us have taken up.

Question. Several private relief organizations and some individual constituents have recently contacted my office to express their concerns about the current humanitarian situation in Iraq. The United Nations "oil for food" program, they suggest, does not provide the Iraqi population, particularly the most vulnerable includ-

ing children, with sufficient food and medicine. Death and starvation are the result. I recognize the continuing need to maintain international sanctions on Iraq until it has fully complied with all relevant United Nations resolution. However, two questions come to mind.

First, are you aware of the alleged shortcomings of the "oil for food" program and do you see any possibility to ensure the timely delivery of humanitarian goods to the Iraq people?

Answer. The humanitarian impact of oil-for-food has been dramatic and measurable. Conditions are improving all the time.

- Last year, oil revenues reached $11 billion. This year, they're projected at $20 billion.
- The UN reports that average per capita caloric intake has increased from around 1,275 to over 2,000 calories per day.
- Food imports are now just about at pre-war levels.

Nonetheless, we are always looking at ways to improve the program to better meet the needs of the Iraqi people. UNSCR 1284, adopted in December, permits Iraq to export as much oil as required to meet humanitarian needs, and calls for a number of procedural reforms which should streamline the program.

The resolution also calls on Iraq to ensure timely and equitable distribution of goods and to address the needs of Iraq's most vulnerable populations—including children and the elderly.

Question. Second, how do you evaluate proposals to put the United Nations in charge of the distribution of food and medicine in southern Iraq, similar to the situation in the Kurdish areas in the North?

Answer. The oil-for-food program would certainly be more effective if the UN could administer it in the south and center as it does in the north.

Last year a UNICEF study found that child mortality in the north was lower than in the early 1980's, long before sanctions were imposed. In contrast, child mortality in the remainder of the country—where the UN must manage oil-for-food through the Iraqi government—is now more than double the level, recorded in the early 80's.

However, the UN could not take such a step without the concurrence of the Iraqi Government. Therefore, we will continue to try to find ways to improve the program despite the regime's obstruction.

Question. Could you tell the committee the current status of the initiative identified with Christine Gosden, the British geneticist who has fought to gain funding, a U.S. commitment and access to the town of Halabja, Iraq to conduct research and dispense medical advice and treatment to victims and the environment stemming from the chemical attack by Saddam during the Iran-Iraq war? Can you provide me with the level of funding provided, the terms of the agreement, other country participation, and other relevant information on this important project?

Answer. The Washington Kurdish Institute, the organization with which Dr. Gosden has implemented the project has established the Halabja Post-Graduate Medical Institute (HMI). The U.S. provided a grant of $235,000 to conduct a medical survey of the population in northern Iraq exposed to chemical and biological weapons attacks. The survey will establish a base line of the long-term effects of these agents on the population and environment. The grant also provided funds for an international advocacy campaign to publicize the human rights abuses by the regime and to generate additional support for the treatment and research project.

WKI and Dr. Gosden have successfully completed the first phase of the project. Four HMI centers were established in Halabja, Suleymaniyah/Kirkuk, Dohuk and Erbil. Ten percent of the population of northern Iraq has been surveyed. With funds provided for advocacy work, the grantee has been able to garner financial and other support from several other countries, including the Swiss, British and Italian governments; WKI is currently in consultations with the Kuwaiti government. Additionally, they have received significant contributions from non-governmental organizations based in northern Iraq.

We are pleased with the results of the initial grant and are working with WKI now to provide additional funding for the next phase of this project.

Question. Madam Secretary, corn and soybean farmers in my state are in the process of making final planting decisions for the Spring's planting. What assurances can you give corn and soybean growers in my state that the U.S. Government is going to successfully resolve the biotech trade dispute with the EU prior to this Fall's harvest?

Answer. The U.S. Government can give no assurances that the market access problem with the EU will be resolved this year. We have had a number, of discussions with the EU over the past year to try to resolve this problem. President Clin-

ton and EC President Prodi discussed the problems when Prodi visited Washington on October 27, 1999. The issue was also discussed at the December 19 U.S.-EU Summit, and will be on the agenda again for the next U.S.-EU Summit.

Following these discussions, a high-level group, led by Under Secretary Larson on the U.S. side, was formed to intensify our efforts to find solutions. The State Department has made extensive outreach efforts to U.S. farmers, and other interested parties, on biotech issues. We will continue to work diligently to resolve the market access problems with the EU and help disseminate information on biotech agriculture.

Question. As you know, the EU has not approved any agriculture biotech products since the Spring of 1998. This has led to U.S. corn farmers losing $200 million for each of the last two years due to the EU's unwillingness to address approvals of new agriculture biotech products. More recently, the EU has threatened to limit imports of other U.S. corn-based products, such as corn gluten feed, which totals $800 million a year, because they may contain GMO varieties unapproved in Europe. Given the significance of this issue for U.S. agriculture, does the Administration have a short-term game plan to resolve this issue?

Answer. Agricultural use of biotechnology is extremely politicized in Europe. Consumer and environmental groups have effectively joined together to raise public concerns about food safety and environmental aspects of the technology. The EU also brings into the debate vague socioeconomic issues associated with agricultural production.

Some Member states have indicated that they are waiting for a revised environmental regulatory system to be put into place in 2001 before granting new approvals. The current approval system is therefore not sanctioning. The new regime could include a requirement for each biotech trait to be tracked through the commercial stream, "from farm to fork," which would be extremely onerous.

Given this highly-politicized environment, our short-term "game plan" consists of finding areas of mutual agreement with EU officials in order to allay consumer anti-biotech fears. We will look for opportunities to leverage in already approved varieties. Last November, pursuant to an agreement between President Clinton and European Commission President Prodi, we initiated a High-Level Dialogue with members of the European Commission to attempt to break the market access impasse. This Dialogue includes senior-level government-to-government discussions, as well as the establishment of a consultative forum, composed of eminent scientists, industry leaders, and members of civil society to address the major public concerns. Our differences are sufficiently deep that even with these mechanisms progress is likely to be slow.

Question. Who in the Administration is taking the lead on developing and implementing the plan to resolve this critically important trade issue with the EU?

Answer. The State Department has taken the lead to coordinate the High-Level Dialogue on a bilateral basis with the EU. Additionally, the U.S. Trade Representative's Office has the lead to engage the EU in the Transatlantic Economic Partnership (TEP) Biotechnology Working Group, established in 1998 to develop common data elements in our respective application process for new biotech seeds. USDA has the lead on our on-going multilateral work in the area of food safety, at the Codex Alimentarius Committees on General Principles and Food Labeling, and at the OECD.

The State Department has also taken the lead on coordinating an aggressive public diplomacy campaign, which we believe is the key to debunking the misinformation that has circulated. We are undertaking outreach to foreign press and interest groups, and have our Embassies doing yeoman's work to help raise awareness on this issue around the world. We are using websites and interactive video-conferencing to deliver our message is that we seek a balanced approach to fair market access while addressing consumer and environmental concerns. Embassy Hague sponsored a conference with top scientists and industry leaders, and our International Visitors programs have brought skeptical but key European constituencies to the U.S. to learn more about biotechnology.

We are encouraging an awareness of the current and potential benefits of this promising technology, stressing that we seek to ensure that the concrete benefits of biotechnology agriculture are shared worldwide. We believe many consumers are not aware of these benefits. European consumers have been enjoying domestic beer, cheeses and dairy products produced through biotech processes for some time. Three of the five biotech seed companies in the world are European, and have developed new strains of corn, rapeseed, potatoes, and sugar beets. The EU has created a $14 billion venture capital fund for new biotech R&D.

Consumers are also largely unaware of the environmental benefits of biotechnology. In addition to the new plant varieties that are resistant to pests and

to disease, reducing the amounts of chemicals needed, some farmers are reporting increased yields and a reduction in the need to farm new or marginal land which is too environmentally fragile to cultivate. Cotton crops enhanced by biotech production processes reportedly reduce the need for chemical fertilizers by one-third. We hope to meet the challenges of food security by requiring less land and water and far fewer chemicals to achieve increased food supplies for the growing global population.

Additionally, biotech plants are being developed to replace petroleum as a source of plastics. Only further research will reveal the many positive applications of biotechnology to agriculture, industry, and medicine. And there are already enhanced health-related benefits for consumers from "nutriceuticals." Through biotechnology, vitamin A can be added to rice to combat blindness created by a vitamin A deficiency, which afflicts millions of children in Asia. A malaria vaccine embedded in bananas is also being tested, which could reduce time and cost of refrigerating and distributing life-saving medicines.

RESPONSES OF SECRETARY OF STATE MADELEINE K. ALBRIGHT TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR RICHARD LUGAR

EXPORT LICENSE REPORT

Question. Part of the study involved providing data on the time it took in 1999 to process the major categories of license, staffed and not staffed to other agencies. While I recognize the amendment suggested six months as a reasonable time frame to look at all the issues, I would appreciate an effort to provide a printout of that statistical data, which I understand is readily available. This will help me and other members put the concerns expressed by our constituents and other interested parties into some perspective. Would it therefore be possible to have such a printout in the next several weeks?

Answer. Unfortunately, we do not maintain the complete data that you seek in a readily available format, but I believe the chart below will be of some assistance while we work to produce the report required by legislation and help address some of your constituents' concerns about license processing times.

At Present Staff Level [1]	Not Staffed Interagency	Staffed Interagency
FY 1996	18 days	74 days
FY 1997	14 days	69 days
FY 1998	21 days	[2] 86 days
FY 1999	24 days	98 days
Projected with Full Use of $2 Million for Additional FTE		
(By mid 2000, 9–12 month phase)	10–12 days	60–65 days

[1] Start to finish in calendar days (i.e., date received to date closed).
[2] Incorporates increase in review period at DOD from 41 to 54 days (FY 1997 vs. FY 1998).

On average, approximately 25-30 percent of the annual volume of 45,000 munitions authorization requests are staffed inter-agency, chiefly to the Defense Department (DTRA, formerly DTSA). The average times reflected include all Congressional notifications and other significant cases (e.g., those where missile technology assurances are required from the recipient government).

Seventy to 75 percent are decided by DTC without referral to other agencies or other State offices.

In FY 1999, the average processing times for license applications not staffed to other agencies was 24 calendar days and 98 calendar days for cases staffed to other agencies.

14,686 cases were staffed in FY 1999 out of 45,000 received (13,382 were staffed to DOD).

Given Congressional and industry interest in the handling of communications satellite (comsat) cases since the transfer of jurisdiction to State from Commerce, it may be interesting to note that State licensing from March 15, 1999 through the end of February 2000 included 902 interagency staffed cases that took an average of slightly more than 80 calendar days to process. The average time out with DOD was 36 days and with State, including the time to obtain MTCR assurances, 44 days. There were 296 non-interagency staffed cases, the average processing time for which was 25 days. Fourteen comsat notifications were made to Congress.

With the change of comsat jurisdiction, State's annual licensing workload may increase by 1500-2000 cases.

In my January 1999 report to the Congress concerning implementation of the National Defense Authorization Act for FY 1999, State and Defense established a goal of "90 working days" for acting on satellite-related munitions export requests, exclusive of cases raising substantial policy issues or major sales requiring notification to Congress, and assuming the availability of additional financial and personnel resources. The above data suggests that the "90 working day" goals has been generally met or exceeded, even in those cases requiring notification to Congress.

SANCTIONS REFORM

Question. I am confident the Congress will consider some form of sanctions reform this year. It has never been clear where the Administration stands on sanctions reform, whether it is the comprehensive reform proposals in S. 757 which I and others have championed or the more limited sanctions reform proposals involving food, agriculture, and medicine. Could you clarify the administration's view on sanctions policy and sanctions reform? Is the Administration prepared to sit down and negotiate the language in the sanctions reform bill?

Answer. The Administration is committed to a rational, consistent and effective sanctions policy that is carefully targeted, truly advances our foreign and security policy goals, and avoids damaging other interests. Moreover, we must take account of the burdens sanctions impose on U.S. business and financial interests and their costs in terms of jobs and exports.

We have carefully studied the proposals submitted last year by Senators Lugar, Ashcroft, Hagel and others and have worked with Chairman Helms on this issue. We share the desire to improve the way we develop and use sanctions, and to make them better serve the national interest. We support some aspects of each of these initiatives.

Sanctions reform should include procedures to analyze the impact of sanctions in a systematic way, including potential costs and benefits as well as to improve discipline on their use by both Congress and the Executive Branch. As part of our need for Presidential flexibility, we also support a national interest waiver as a key element of any reform package.

We share the goal of exempting some agricultural products as well as medicine from sanctions. Indeed, the Administration last year exempted agricultural products and commodities, medicine, and medical products from sanctions for humanitarian reasons.

The State Department welcomes the opportunity to work with Congress, which shares these overall objectives and concerns, to try to craft comprehensive legislation on which we can all agree.

RUSSIAN AND UKRAINIAN BUSINESS SKILLS TRAINING

Question. Last year, I proposed legislation, the Russian-Ukrainian Business Management Education Act, which was enacted in the State Department authorization bill and the omnibus spending bill, but no funding earmark was provided for implementation. The initiative provides authority to train Russians and Ukrainians in fundamental business skills and to do the training in the two countries. This would be done in collaboration with the private sector here and in the two countries. I understand that the administration believes this program and the objectives it seeks to accomplish are a high priority.

Can you tell us how much funding the Administration is allocating to this initiative through the Freedom Support Act in order to achieve the objectives of this legislation? Is there an Administration game plan for this program? What can I expect on this program?

Answer. The Russian-Ukrainian Business Management Education Act underscores one of our shared priorities in the region—increasing understanding among young people in Russia and Ukraine of important economic and business concepts and enhancing their ability to apply these concepts in a practical way. In FY-00, we expect to exceed our FY-99 level of support by funding over, $15 million worth of programs directed at strengthening business, accounting and other management skills in Russia. We anticipate spending over $18 million in Ukraine.

In Ukraine, the Next Generation Initiative launched this year reaches out to young Ukrainians by doubling some of our most successful exchange programs and expanding educational opportunities for undergraduate and graduate students to study in Ukraine. It includes additional support for university partnerships, distance learning, and the Economics Education Research Consortium at the Kiev-

Mohyla Academy, which trains the best and brightest in Ukraine in graduate-level economics. We have redirected funds from other programs to support this initiative.

In Russia, the Department will support internship programs for Russian entrepreneurs, university linkages and specialized English training in support of the Presidential Management Training Initiative. The Library of Congress Russian Leadership Program will bring over 1400 young leaders from the regions. USAID is reaching out to Russia's regions with numerous training programs, intervening early with new curricula in the high schools through Junior Achievement, and building a core of specialists in International Accounting Standards.

With increased funding in FY-01 we could do still more.

RESPONSES OF SECRETARY OF STATE MADALEINE K. ALBRIGHT TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

NIGERIA

Question. Overall, I am pleased by the Administration's efforts to support the new democracy in Nigeria. But despite the many encouraging signals sent by the Obasanjo Government, some of the government's actions in the Niger Delta and elsewhere echo some of the unfortunate choices of the past. In our efforts to be encouraging, does the U.S. risk sending a signal that "anything goes" with this new government?

Answer. We are providing strong support to the Obasanjo Government, but we are also very concerned about the numerous outbreaks of communal violence that have caused hundreds, if not thousands, of deaths since this government was inaugurated. We are very troubled by the use of the military to restore order in such trouble spots as Odi in the Niger Delta; our Country Reports on Human Rights describes the destruction of this town by troops sent in to restore order. We have made clear that brutality and violations of human rights are not acceptable, and we have strongly urged all Nigerians to respect each other and to resolve differences peacefully.

By no means are we sending a signal to this government that "anything goes," and we have underscored our concerns publicly and privately to Nigerian Government officials. We believe that the Government of Nigeria, the general population, and even the military understand that brutality and repression should not be tolerated. Unfortunately, previous military rule decimated political, economic, and social institutions in Nigeria, and the police and the judicial system were among the institutions most adversely affected.

Years of authoritarian rule repressed expression of political views and legitimate grievances. Now that Nigerians have the freedom to express themselves, unresolved social, religious, and economic conflicts have started to surface and cause very serious outbreaks of violence. Poorly trained and equipped police are often incapable of restoring order once violence starts, and the state governments have had to ask the Government of Nigeria to bring in the military to deal with criminality or to restore order. The long-term solution requires rehabilitation of Nigeria's political, economic, and social institutions, particularly the police and judicial system. We are supporting this effort with more than $2 million in assistance this year to help train judges, and police and law enforcement officials. Finally, and most importantly, sustained investment and economic growth are needed to create opportunities for all Nigerians to prosper and to work together for the common good of their country.

INDONESIA

Question 1. As the power struggle between the military and the newly elected government continues in Indonesia, it seems to me that it is critically important that the U.S. offer strong support for the forces of reform. I can see that the Administration intends to do that. But I also believe that it is equally important to send strong signals about what the international community will not tolerate. How does the Administration plan to keep the pressure on the elements of the Indonesian military who are challenging President Wahid's authority and continuing to fail in their duties to protect civilians?

Answer. We are optimistic about the progress of Wahid's efforts to reform the military and establish civilian control. In the earliest stage, it may have been accurate to speak of a "power struggle" between the Wahid government and elements of the military. However, subsequent developments indicate that Wahid's power is unlikely to be challenged by the military in the short or medium term. As you know, Wahid successfully removed General Wiranto from his cabinet position in January.

Wahid has since embarked on an ambitious reshuffling of his military leadership, replacing Wiranto supporters and opponents of reform with his own allies and supporters of military reform. The U.S. welcomed these steps in the context of our strong support for military reform.

It is important to note that President Wahid possesses the legitimacy of having been democratically elected and enjoys the clear support of the Indonesian people. Most members of the Indonesian military recognize this and support President Wahid. The potential challenge lies in a relative minority of disaffected military officers rather than the military institution as a whole. The United States has been very clear about the consequences to Indonesia's international reputation, political stability, investment climate and economic recovery of any attempt by elements of the military to seize power.

Any Administration plan to resume military-to-military relations with Indonesia would be a step-by-step effort undertaken after careful coordination with President Wahid to ensure that it unequivocally reinforces Wahid's reform agenda.

Question 2. Please elaborate on the Administration's proposals for East Timor. In light of the devastating scorched-earth campaign waged by militias, with the backing of elements of the Indonesia military, the needs in East Timor are extraordinarily great. What are the key priorities that the U.S. intends to address, and what is the absorptive capacity of East Timor today?

Answer. After the devastation in East Timor in 1999, and given the challenges inherent in transforming a poor, small territory to into a democratic, economically active, independent nation in a few years, the needs of the East Timorese people are indeed extraordinarily great. The UN (UNTAET) and World Bank—with strong support from the U.S. and many other donors—are leading the international effort of reconstruction, capacity-building, and development in East Timor.

The U.S. contribution is substantial and covers a wide range of needs. Our first priority has been the humanitarian needs of refugees and internally displaced persons. The U.S. spent some $20.5 million in 1999 on relevant humanitarian assistance. In 2000, we expect to spend an additional $49.0 million in multilateral and bilateral humanitarian assistance, including some for East Timorese refugees still in camps in West Timor. This humanitarian assistance would come primarily from the State Department's Department of Population, Refugees, and Migration (PRM) and USAID's Office of Foreign Disaster Assistance.

In FY 2000, we are also supporting the multilateral effort in East Timor with contributions to the UNTAET Trust Fund ($4 million) and to the World Bank Reconstruction Trust Fund ($500,000). The UNTAET Trust Fund is vital to ensuring that basic public services are fully restored in East Timor and that East Timorese develop the skills to provide them on a continuous basis. Most of the UNTAET Trust Fund (and thus most of our contribution) will be used to benefit East Timorese immediately and directly by paying salaries for public workers, most of them teachers or health care workers. Some of the fund will go to critical projects that support democracy and governance. The World Bank, working through its Trust Fund, is the main coordinating body for the multilateral effort to rebuild East Timor into a self-sustaining economy over the long-term. We are enthusiastic about the World Bank's coordinating role and programs, but most U.S. assistance to support similar objectives in East Timor will be provided on a bilateral basis.

Specifically, the U.S. will spend about $20 million in FY 2000 to expand existing USAID and USAID Office of Transition Initiatives (OTI) bilateral projects in East Timor. We expect that USAID's $8.1 million project to assist coffee farmers will have a particularly rapid and positive impact on the East Timorese economy (a priority need that all agree upon) as coffee is East Timor's most viable export product. Our goal is to provide income-generating employment for 220,000 East Timorese. USAID and OTI will also assist in providing quick employment in community projects to East Timorese. Quick employment opportunities will help stabilize urban and village populations by increasing the purchasing power of the, population, stimulating economic activity, and reducing unrest. The U.S. objective in most OTI projects (about $10 million in programs and $1.4 million more in administrative support) will be to encourage the growth and development of local civil society and other institutions that will be critical to democratic governance in East Timor.

Other U.S. programs will address East Timor's urgent need for assistance on forensics and human rights training. East Timorese responsible for documenting past human rights abuses on the ground in East Timor (both UNTAET officials and NGO workers) lack the specialized training needed to conduct such investigations, have little access to forensic expertise, and possess little to none of the specialized equipment. We expect to spend about $1.4 million in FY 2000 to address these skill and equipment gaps and to assist East Timorese to monitor current human rights

abuses (for example, by establishing a position of human rights ombudsperson) and to prevent future abuses.

In addition, we expect to expend about $1 million for judicial training, justice sector institution building and promotion of the rule of law in East Timor, another priority need. These funds will support the training of judges, prosecutors, and public defenders; the revision of the legal code, and overall planning for the development of an independent East Timorese judiciary.

Internal security is another immediate priority in East Timor. The U.S. will increase its civilian police (CIVPOL) contingent in support of UNTAET and, consistent with what is permissible under U.S. law, help to establish a local police force capability and critical judicial functions. These last activities will require expenditure of about $8.5 million in PKO funds in FY 2000.

The U.S. also has a small, non-combat U.S. military presence (USGET) in East Timor to coordinate a program of U.S. military medical, humanitarian and civil engineering assistance to the East Timorese people to be provided by appropriate units deployed from ships temporarily stationed off shore. This U.S. military presence and assistance is not part of the UNTAET peacekeeping operation. A good estimate on the monetary worth of this in-kind military assistance is not yet available.

The East Timorese are talented, resourceful people but nobody doubts that they and the international community face a daunting challenge to bring into existence an economically active, independent East Timor after 2-3 years of transition under UN auspices. UNTAET, the World Bank, and major donors, including the U.S., have from the beginning given great consideration to the real problem of absorptive capacity in East Timor, and have sought to address it in the design of their assistance programs. A donor coordination mechanism has been established that will help donors to balance regularly the needs for urgent assistance against the constraints of absorptive capacity.

A REVIEW OF U.S. FOREIGN POLICY PRIORITIES

WEDNESDAY, FEBRUARY 9, 2000

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:34 a.m. in room SD–419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Biden, and Kerry.

The CHAIRMAN. The committee will come to order. Yesterday this committee, the Committee on Foreign Relations, heard from the distinguished Secretary of State, Hon. Madeleine Albright. She testified regarding the Clinton administration's foreign policy priorities for the year 2000. The committee engaged in a good debate of issues with Secretary Albright, and she fielded questions very well. She is very competent.

Now, today we are going to continue to explore the same subject in this session. We are so fortunate to have with us today a panel of particularly distinguished Americans and experts in foreign policy. Today's panel consists of a long-time friend, Hon. R. James Woolsey, a partner in Shea & Gardner, and a former Director of the Central Intelligence Agency.

We have Hon. Robert B. Zoellick, a former Under Secretary of State, and Hon. William J. Perry, the Berberian professor and senior fellow at the Institute for International Studies at Stanford University.

Now, these gentlemen, I will say to the young people here, are distinguished Americans, and Secretary Perry was Secretary of Defense when he was in the Government. Now, I am going to pause and give us a chance to be joined by the ranking member and other Senators.

I will make the comment for the record, in defense of members who cannot make it, that every committee is meeting this morning and every Senator belongs to two or three committees. I belong to three myself, so sometimes they have to make a call on which one they are going to, because all of us are meeting at the same time. We will stand at ease until a few more minutes have elapsed.

[Pause.]

The CHAIRMAN. I am going to proceed. The record will be available to all Senators, and we will make it available to the public as well.

Gentlemen, I hope that you will provide oral statements so that we can engage with you in an exchange regarding foreign policy

issues that will be confronting the United States in the coming year, and let me thank you again for your willingness to appear here this morning. I know that you have 10,000 things to do, and as a rule I would be calling on Senator Biden, the ranking Democrat on the committee.

Senator BIDEN. You call and I answer, Mr. Chairman.

The CHAIRMAN. Great. I will present to the witnesses and to the general public Hon. Joseph Biden of Delaware.

Senator BIDEN. Mr. Chairman, in the interest of hearing what our panel has to say—I know they are all busy men—I will ask unanimous consent that my statement be placed in the record as if read.

The CHAIRMAN. Without objection.

Senator BIDEN. Thank you.

[The prepared statement of Senator Biden follows:]

PREPARED STATEMENT OF SENATOR JOSEPH R. BIDEN, JR.

Mr. Chairman, I commend you for convening this hearing to hear the views of a distinguished panel of witnesses about American foreign policy priorities.

To state the obvious, this is an election year. This is a time when the American people should debate the great issues of the day.

As we begin the new century, we face many serious foreign policy questions—even if they have not, so far, become major issues in the campaign.

Among the many questions we face are these:

- How do we help Russia consolidate democratic rule after centuries of misrule from czar through commissar?
- How do we best reduce the large nuclear arsenals still possessed by Russia and the United States?
- How do we manage the emergence of a great power in China?
- How do we counter the proliferation of weapons of mass destruction and the means to deliver them?
- How do we counter the threat of international terrorism and international organized crime, including narcotics smuggling?
- How do we address other transnational threats of environmental pollution, deadly disease and refugee and migration flows?
- How do we best advance human rights and expand the community of democratic nations?
- How do we continue our economic success at home, and help advance economic opportunity and stability abroad?

These are just a few of the questions that the United States will continue to confront in the coming decades.

To help us answer these and other questions, the Committee has been fortunate to obtain the advice, if only for a couple of hours, of a distinguished panel of witnesses.

We have managed to invite not only a group of great stature, but a group that is evenly balanced—quite a feat given that there are three witnesses.

Bill Perry was President Clinton's second Secretary of Defense, who managed the Pentagon with great distinction.

Robert Zoellick was an Under Secretary of State and Counselor to Secretary of State Baker in the Bush administration.

And Jim Woolsey has served under both Democratic and Republican Presidents—including as President Clinton's Director of Central Intelligence, and as negotiator of the Conventional Forces in Europe Treaty under President Bush.

I join the Chairman in expressing my appreciation to our witnesses, who, though they have left government service, continue to give their time and energy to the public good.

I am especially grateful that Secretary Perry accepted my invitation to leave sunny California to come to snow-covered Washington in the month of February.

Gentleman, welcome.

The CHAIRMAN. All right. Let's see, left to right. You are on, sir.

STATEMENT OF HON. ROBERT B. ZOELLICK, FORMER UNDER SECRETARY OF STATE, WASHINGTON, DC

Mr. ZOELLICK. I thank you very much, Mr. Chairman, Senator Biden. It is a pleasure to be with you both today, and since I suspect that the committee is most interested in having time for an exchange, I will keep my opening remarks very brief.

I would like to thank the committee on both sides of the aisle for taking the time to review America's foreign policy strategy. Today, the vitality of the United States private economy is unmatched. America's military power is preeminent, and the appeal of American ideas around the world is unparalleled, but good times do not last forever. Therefore, the United States should be using this special period to our advantage for the future.

We should be building public support at home, and laying the foundation abroad for a strategy that will shape the world so as to protect and promote American interests and values for the next 50 years. We need to find a modern American internationalism for a very different era.

This morning, I will list six priorities for this new strategy. First, America is most effective when it can extend its influence by leading coalitions. Therefore, the United States needs to overhaul its ties with its primary partners and allies so as to adjust to changed circumstances and meet new challenges.

We should not take our relationships with these traditional partners for granted. These are the countries to which the United States is most likely to turn for help, whatever the problem. If we are not careful, a pattern of competition and conflict could lead to acrimony and even alienation, but if we lead wisely, with a good sense of America's key objectives as well as the points that are subject to compromise, the United States should be able to get its allies and other partners to bear a fair share of responsibilities.

Our partnerships start at home, in the neighborhood of our hemisphere. If North America is strong, the United States will be free to pursue its aims around the world. But if our continent, the Caribbean, and South America are troubled because of economic, political, narcotics, environmental, or immigration problems, the United States will be preoccupied at home and handicapped abroad.

America's allies across the Atlantic and the Pacific are at the core of America's vital interests. They secure the U.S. position in the Eastern and Western regions of Eurasia, the world's largest land area, which has the people and resources to either shape or shake the world, and these allies can enhance America's ability to deal with the great uncertainties of China's and Russia's future.

America's NATO and Pacific allies should also be stronger partners in dealing with dangerous states and new security threats, including terrorists with terrible weapons, and the market democracies of the European Union and East Asia must help contribute to an international economic environment hospitable to dynamism, creativity, and the energy of the private sector.

Second, the United States faces the challenge of the three other large powers of Eurasia, a China that has been rising, a Russia that has been weakening, and an India that has been reassessing its outlook and place in the world.

These are the big ones. If we handle these relationships wisely, America may be able to establish a sound basis for a peaceful and prosperous future. If we mishandle them, the benign assumptions of today could be quickly replaced by the dangerous realities of tomorrow.

Today, China and Russia are certainly not strategic partners, or even friends, but they need not become enemies. The United States should seek to draw these states into the economic, political, and security arrangements that America and its allies have sponsored, yet the United States needs to be prepared to shield against these powers if peaceful integration is not possible.

Third, North America, the European Union, and Japan need to reach out to the next group of potential partners. In varying degrees, countries in Central and Eastern Europe, Latin America and East Asia have been turning to private markets, building middle classes, and developing representative democracies that respect individual liberties, but these countries have faced enormous stresses.

We need to buttress their home-grown efforts to embrace competitive markets and representative Government through closer economic integration, security ties, and support for democracy, and if we succeed, these democracies should be able to help America address the next generation of challenges.

Fourth, the United States must counter those dangerous recidivist states that threaten America's closest friends, such as Israel, or America's vital interests, such as maintaining access to the energy resources of the Persian Gulf. In particular, the United States will need to be able to develop theater and national missile defenses to intercept missiles that might target U.S. conventional forces overseas or paralyze America if it intervenes to resist their threats.

Fifth, in this information age, the United States needs to be able to promote open economic architecture that will enable the private sector to unleash productivity, innovation, and a free flow of ideas. Communities or private groups, whether organized for business or social events, can achieve results far beyond the reach of governments and international bureaucracies.

Given America's strong and diverse private sector, the United States can gain from the widening influence of American citizens, businesses, associations, and ultimately our ideas. The United States should link itself to the private agents of change around the world through new networks of free trade, information, and investment.

At the same time that we secure the benefits of dynamic intervention, however, the United States needs to be able to deal with the inevitable stresses of capitalism on a global scale. To have support at home for a successful foreign policy abroad, the United States must help its citizens to adjust to and benefit from new possibilities, including through superior education, portable benefit plans, low taxes that reward work and risk-taking, and secure savings and pensions.

Sixth, the United States needs to transform its defense capabilities to ensure America's military remains unmatched well into the future. To do so, the United States should align its military power

with the strengths of America's society. America's skilled people, its advanced technology, and Americans' proficiency at integrating interactive, fast-paced systems into potent networks.

I would like to close with a final point about how the United States pursues these strategic goals. In recent years, the conduct of America's foreign policy has prompted too many countries, even France, to pull back from or even resent the United States. Too often, they have perceived U.S. actions as combining the arrogance of might with inconsistency and unreliability.

That is an unnerving combination. America's power is obvious to the world, but we can extend that reach and influence further, and we can do it for much longer, if the United States speaks softly while acting with clear purpose and conviction.

Which brings us back to the topic of strategy. If the United States asserts that it is committed to do everything, its commitment to everything will be suspect. To have a clear purpose, to have a sense of what is most important, to be able to weigh what ends warrant which means, to have the capabilities to integrate policies across issues in time, to do these things, the U.S. Government needs a strategic vision for the future, and this strategy can be the cornerstone of a modern American internationalism.

Thank you, and I would be pleased to try to answer any of your questions.

[The prepared statement of Mr. Zoellick follows:]

PREPARED STATEMENT OF HON. ROBERT B. ZOELLICK

Chairman Helms, Senator Biden, Members of the Committee:

It is a pleasure to be with you today. Since I suspect the Committee is most interested in having time for an exchange, my opening remarks will be brief. I also have submitted, for your record, an article that I recently published in Foreign Affairs that covers today's topic in greater detail.

I would like to thank the Committee, on both sides of the aisle, for taking the time to review America's foreign policy strategy. Today, the vitality of the U.S. private economy is unmatched. America's military power is preeminent. And the appeal of American ideas around the world is unparalleled.

But good times do not last forever.

Therefore, the United States should be using this special period to our advantage for the future: We should be building public support at home, and laying the foundation abroad, for a strategy that will shape the world so as to protect and promote American interests and values for the next 50 years. We need to define a modern American internationalism for a very different era.

This morning I will list six priorities for this new strategy.

First, America is most effective when it can extend its influence by leading coalitions. Therefore, the United States needs to overhaul its ties with its primary partners and allies, so as to adjust to changed circumstances and to meet new challenges.

We should not take our relationships with these traditional partners for granted. These are the countries to which the United States is most likely to turn for help, whatever the problem. If we are not careful, however, a pattern of competition and conflict could lead to acrimony and even alienation. If we lead wisely—with a good sense of America's key objectives, as well as of the points that are subject to compromise—the United States should be able to get its allies and other partners to bear a fair share of responsibilities.

Our partnerships start at home, in the neighborhood of our hemisphere. If North America is strong, the United States will be free to pursue its aims around the world; if our continent, the Caribbean, and South America are troubled because of economic, political, narcotics, environmental, or immigration problems, the United States will be preoccupied at home and handicapped abroad.

America's allies across the Atlantic and Pacific are at the core of America's vital interests: They secure the U.S. position in the eastern and western regions of Eurasia, the world's largest land area, which has the people and resources to shape or

shake the world. These allies can enhance America's ability to deal with the great uncertainties of China's and Russia's futures.

Over time, America's NATO and Pacific allies should also be stronger partners in dealing with dangerous states and new security threats, including terrorists with terrible weapons. And the market democracies of the European Union and East Asia must help contribute to an international economic environment hospitable to the dynamism, creativity, and energy of the private sector.

Second, the United States faces the challenges of the three other large powers of Eurasia: A China that has been rising, a Russia that has been weakening, and an India that has been reassessing its outlook and place in the world. These are "the big ones." If we handle these relationships wisely, America may be able to establish a sound basis for a peaceful and prosperous future; if we mishandle them, the benign assumptions of today could be quickly replaced by the dangerous realities of tomorrow. Today, China and Russia are certainly not strategic partners, nor even friends, but they also need not become enemies. The United States should seek to draw these states into the economic, political, and security arrangements that America and its allies have sponsored. Yet the United States needs to be prepared to shield against these powers if peaceful integration is not possible.

Third, North America, the European Union, and Japan need to reach out to the next group of potential partners. In varying degrees, countries in Central and Eastern Europe, Latin America, and East Asia have been turning to private markets, building middle classes, and developing representative democracies that respect individual liberties. But these countries have also faced enormous stresses. We need to buttress their homegrown efforts to embrace competitive markets and representative government through closer economic integration, security ties, and support for democracy. If we succeed, these democracies should be able to help America address the next generation of challenges.

Fourth, the United States must counter those dangerous, recidivist states that threaten America's closest friends, such as Israel, or America's vital interests, such as maintaining access to the energy resources of the Persian Gulf. In particular, the United States will need to develop theater and national missile defenses to intercept missiles (perhaps carrying weapons of mass destruction) that might target U.S. conventional forces overseas or paralyze America if it intervenes to resist their threats.

Fifth, in this information age, the United States needs to promote an open economic architecture that will enable the private sector to unleash productivity, innovation, and a free flow of ideas. Communities of private groups, whether organized for business or social ends, can achieve results far beyond the reach of governments and international bureaucracies. Given America's strong and diverse private sector, the United States can gain from the widening influence of American citizens, businesses, associations, and ideas. The United States should link itself to the private agents of change around the world through new networks of free trade, information, and investment.

At the same time that we secure the benefits of dynamic integration, however, the United States needs to be able to deal with the inevitable stresses of capitalism on a global scale. To have support at home for a successful foreign policy, the United States must help its citizens to adjust to and benefit from new possibilities, including through superior education, portable benefit plans, low taxes that reward work and risk-taking, and secure savings and pensions.

Sixth, the United States needs to transform its defense capabilities to ensure that America's military remains unmatched well into the future. To do so, the United States should align its military power with the strengths of American society: America's skilled people, its advanced technology, and Americans' proficiency at integrating interactive, fast-paced systems into potent networks.

I would like to close with a final point about *how* the United States should pursue these strategic goals. In recent years, the conduct of America's foreign policy has prompted too many countries, even friends, to pull back from, or even resent, the United States. Too often, they have perceived U.S. actions as combining the arrogance of might with inconsistency and unreliability. That is an unnerving combination. America's power is obvious to the world. But we can extend the reach of that influence much farther and for much longer if the United States speaks softly, while acting with clear purpose and conviction.

Which brings us back to the topic of strategy: If the United States asserts that it is committed to do everything, its commitment to everything will be suspect. To have a clear purpose, to have a sense of what is most important, to be able to weigh what ends warrant which means, to have the capability to integrate policies across issues and time, the U.S. Government needs a strategic vision for the future. This strategy can be the cornerstone of a modern American internationalism.

Thank you and I would be pleased to try to answer any questions.

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CAMPAIGN 2000

A REPUBLICAN FOREIGN POLICY

(By Robert B. Zoellick)

AN ERA OF CHANGE

At the opening of the twentieth century the United States began a quest similar to today's. The rise of American power, revolutions in technology, and great clashes abroad set the stage for a historic transformation. Theodore Roosevelt and Woodrow Wilson dominated the age, as they debated and labored to promote their visions of America's role in a new international system. In 2000, the world is again in an era of rapid change, reminiscent of a century ago. The vitality of America's private economy, the preeminence of its military power, and the appeal of the country's ideas are unparalleled. But as former British Prime Minister Margaret Thatcher cautioned her colleagues, we must "expect the unexpected." A primary task for the next president of the United States is to build public support for a strategy that will shape the world so as to protect and promote American interests and values for the next 50 years.

At the end of the Cold War, President George Bush built on Ronald Reagan's legacy by beginning to adapt American foreign policy to the challenges of changed circumstances. Recognizing the importance of economic ties, his administration negotiated the North American Free Trade Agreement (NAFTA), supported a free-trade agreement with Chile as a step toward free trade throughout the western hemisphere, and promoted the Asia-Pacific Economic Cooperation (APEC) group to bind U.S. economic interests across the Pacific. The United States then employed these regional initiatives to bring the global trade talks of the Uruguay Round to the edge of conclusion. Those initiatives have created the most powerful movement toward free trade in history.

The United States also took advantage of its preeminent position to push hard for peace in a number of vital areas. In the Middle East, the United States used its standing after the Cold War and the Gulf War to break old deadlocks at the Madrid Conference and to push the Arab-Israeli peace process to a totally new plane. The Bush administration sought to reshape the strategic landscape across Europe and Russia by uniting Germany within NATO in 1990, defining a new strategic concept for NATO in 1991, opening the alliance to former enemies in 1990 and 1991, and negotiating landmark conventional and nuclear arms reduction agreements to underpin the new security framework. U.S. ties with Russia reached an impressive level of effectiveness, as demonstrated by their cooperation in the Gulf War. U.S. links with China were also slowly improving after the Tiananmen Square tragedy, as the Bush administration handled sharp differences in a way that still enabled it to foster positive change. By the end of its term, the administration had created a climate of cooperation among the world's major powers.

CLINTON'S FLAWED APPROACH

President Bill Clinton's intelligence and his ability to synthesize policy and politics at home held out the prospect that he could build on Bush's initial efforts to redefine America's position in the world. Unfortunately, the Clinton administration never adopted a guiding strategy or even demonstrated a sustained commitment to foreign policy. As a result, Clinton has failed to define a new internationalism for the United States, thus letting historic opportunities slip away.

Clinton's foreign policies have been stymied by five flaws. The first, an unwillingness to remain committed to his own priorities, has been demonstrated by his drift on international trade. Clinton started with an encouraging emphasis on trade, perhaps because he inherited a signed NAFTA deal and a partial Uruguay Round agreement that he could not abandon easily. But after 1994, the Clinton administration changed its course: it made pledges for free trade, but the reality of its policies did not match the rhetoric. Instead, the United States demanded managed-trade quotas with Japan—precisely the wrong remedy for a country needing deregulation—until it was compelled to retreat. Fearful of alienating protectionist political constituencies, Clinton was unwilling to build on NAFTA or even to defend it. After deferring to the new economic isolationists, Clinton seemed surprised in 1997 when he could muster only about 40 out of 200 members of his own party in the House of Representatives to support his forlorn search for the authority necessary to negotiate additional trade agreements.

These mistakes have had lasting consequences. In the early 1990s, countries throughout Latin America were competing to negotiate free-trade agreements with the United States. Recognizing the strategic value of NAFTA, they wanted to connect their economies, societies, security, and even political systems to America. Today, no one in Latin America or elsewhere expects the current administration to follow through on its statements. Latin Americans proceeded with their own customs union, which has been negotiating new trade ventures with the European Union (EU) and Japan. When East Asian economies faced their greatest financial shock in generations—creating possibilities for structural reforms but also a need to fight protectionism with mutual liberalization—U.S. trade negotiators stood on the sidelines. Without the initiative and leadership of the United States, all participants involved in launching the global trade talks in Seattle last November approached the meeting defensively. So the new trade round was stymied by stalemate. Washington has the power to shape global economic relations for the next 50 years, but it has marginalized itself in this crucial area.

The White House's second flaw has been to erode its credibility by offering words that are not backed by actions; this has taken a special toll with U.S. allies. It is ironic that an administration that came into office proclaiming "assertive multilateralism" has dissipated America's energies as a coalition leader. The Gulf War coalition is in tatters, not surprisingly, after years of strong language about the dangers of Saddam Hussein's machinations, followed by only tepid and reflexive actions. Despite the American military's overwhelming superiority in Kosovo, at the end of the bombing its European allies concluded that they needed to create their own alternative to U.S. political and security leadership. After China harshly criticized Japan for agreeing to new defense guidelines with the United States, Clinton could not find one minute during his nine-day trip to China to stand by his struggling Japanese ally. The administration managed to boot out a U.N. secretary-general, but it has never developed a sustained, consistent strategy toward the organization that would serve U.S. ends. (Only a few years earlier, America had proved that a more constructive approach to the U.N. was possible when it built the Gulf War coalition and organized the repeal of the "Zionism is racism" resolution.)

The Clinton administration's third flaw is its inability to frame strategies supported by operations, which has particularly damaged its dealings with China and Russia. Neither one is the "strategic partner" that Clinton proclaimed. In fact, the distrust created by the administration has made it hard for the United States to cooperate with either country on long-term mutual interests. Sadly, the Clinton legacy with both China and Russia—the two great powers whose future paths remain uncertain and potentially unstable—is one of tense and suspicious relations that have been getting worse.

In the case of China, at first the administration linked human rights to normal trading relations, but it later backed down—a clear sign of weakness. Clinton then mistakenly promised the Chinese that the United States would not grant a travel visa to the president of democratic Taiwan, Lee Teng-hui; his subsequent reversal of that decision generated distrust and counterreactions that have increased dangers between Beijing and Taipei. During Clinton's high-profile trip to China in 1998, he neglected to explain serious security differences, ultimately misleading China and failing to prepare the American public for China's missile buildup, its nuclear espionage, and its crack-downs on democracy. Next, Clinton prodded Chinese Prime Minister Zhu Rhongji to offer the United States concessions in exchange for Chinese membership in the World Trade Organization (WTO) but then inexplicably spurned Zhu's proposal during a high-profile visit, thereby weakening China's reform efforts. The agreement with China on the WTO in November 1999, although welcome, only underscores that Clinton could have cut a deal earlier that was as good or better—avoiding a crisis that left unnecessary scars.

Clinton's Russia policy has discredited free-market economics, squandered money from the International Monetary Fund (IMF), and generated widespread anti-Americanism. His "Monroeski doctrine" and his comparison of the battle in Chechnya to the U.S. Civil War have encouraged both a view of state power that conflicts with a modern, democratic Russia and a revival of Russian imperialistic attitudes. The administration's indifference to Yeltsin's shelling of the Russian legislature, among other autocratic measures, revealed a blind spot in the importance of Russia's rule of law and democratic process. Clinton has never seemed to grasp the costs of embracing an elected czar, one who oversaw a privatization drive that turned into massive theft and who now presides over pervasive corruption. Not surprisingly, this system has failed to improve the livelihood of average Russians, setting the stage for future trouble.

A fourth flaw has been Clinton's uncertainty on when and how to use American power—frequently hesitating, then overcommitting, and regularly failing to match

means with ends. This weakness has shadowed his initiatives to resolve humanitarian and ethnic strife with military intervention. His "nation-building" failure in Somalia was costly in terms of lives, the reputation of the United States, and America's confidence that it can deal effectively with such problems. The U.S. invasion of Haiti and its multi-billion-dollar effort to bring "democracy" turned out to be an unhappy reminder that supposedly good intentions cannot save a flawed policy. The United States continued to be drawn into miniwars in the Balkans without clarifying its goals or being honest about the ongoing commitment of human and material resources these U.N. "colonies" would require. The history of false starts and missteps was captured well by Clinton's own new "doctrine" on intervention in such conflicts: his words were at first stunning in their reach but were then quickly reinterpreted, leaving the world to conclude that America is confused, cynical, or both.

Finally, many of Clinton's ventures have the disquieting feature of being driven significantly by political polls and calculations; this perception has made it exceedingly hard for him to call credibly for bipartisan foreign policies. As Clinton's ad hoc foreign policies have frayed, the administration has lashed out at its critics, calling them isolationists. In fact, Clinton's inability to develop a foreign policy disciplined by sustained priorities, reliability, strategy, selectivity, and frankness has squandered opportunities. The president's mistakes have made it harder for him to complete work in areas—such as the Middle East and Northern Ireland—where he has invested considerable effort in bringing parties together for peace processes. The Clinton foreign policy style has also taken its toll abroad. The administration has caused too many countries to be weary, and even resentful, of the United States. The power of the United States is obvious to the world, but Clinton has failed to use that power wisely or diplomatically. His rhetoric has contained much hubris but little credibility. America is more influential if it speaks softly, but with firm conviction. If it asserts that it is committed to do everything, its commitments to everything are suspect.

REPUBLICAN PRINCIPLES

Five principles distinguish a modern Republican foreign policy. First, it is premised on a respect for power, being neither ashamed to pursue America's national interests nor too quick to use the country's might. By matching America's power to its interests, such a policy can achieve its objectives and build credibility both at home and abroad. U.S. policy should respect the histories, perspectives, and concerns of other nations, but it should not be paralyzed by intellectual penchants for moral relativism. All States do not play equally important roles. Given America's responsibilities in the world, it must retain its freedom to act against serious dangers.

Second, a modern Republican foreign policy emphasizes building and sustaining coalitions and alliances. Effective coalition leadership requires clear-eyed judgments about priorities, an appreciation of others' interests, constant consultations among partners, and a willingness to compromise on some points but to remain focused on core objectives. Allies and coalition partners should bear their fair share of the responsibilities; if they do, their views will be represented and respected. Similarly, to have an effective U.N., the key nations that compose it must recognize that their actions—not their speeches and posturing in an international forum—will determine whether problems can be solved.

Third, Republicans judge international agreements and institutions as means to achieve ends, not as forms of political therapy. Agreements and institutions can facilitate bargaining, recognize common interests, and resolve differences cooperatively. But international law, unlike domestic law, merely codifies an already agreed-upon cooperation. Even among democracies, international law not backed by enforcement mechanisms will need negotiations in order to work, and international law not backed by power cannot cope with dangerous people and states. Every issue need not be dealt with multilaterally.

Fourth, a modern Republican foreign policy must embrace the revolutionary changes in the information and communications, technology, commerce, and finance sectors that will shape the environment for global politics and security. Because of these changes, people's aspirations—to exercise their free will and transform their lives—are rising in all corners of the globe. Communities of private groups, whether organized for business or social ends, will achieve results far beyond the reach of governments and international bureaucracies. The United States can leverage this dynamism to open minds and markets. America's foreign policy must promote these global trends. It must take practical steps to move the world toward greater freedoms and human rights. It should link itself to the agents of change around the world through new networks of free trade, information, and investment.

Finally, a modern Republican foreign policy recognizes that there is still evil in the world—people who hate America and the ideas for which it stands. Today. we face enemies who are hard at work to develop nuclear, biological, and chemical weapons, along with the missiles to deliver them. The United States must remain vigilant and have the strength to defeat its enemies. People driven by enmity or by a need to dominate will not respond to reason or goodwill. They will manipulate civilized rules for uncivilized ends.

POWER AND ECONOMICS

A modern Republican foreign policy should apply these principles within a long-term strategy to promote peace, security, and liberty. America must capture the dynamism of the era and transform its new elements into the economic and security foundations for a future system. The United States and its partners need to link the world's continental regions within a global economic system that secures the benefits of integration while coping with the inevitable stresses of capitalism. Looking at the twentieth century, it is clear that peace is not ensured through closer economic ties alone; so the United States must navigate changing great-power relations, strengthen its alliances, and maintain unquestioned military superiority over dangerous regimes.

In the information age, America should promote an open architecture in order to capitalize on its greatest assets: a vibrant, innovative economy and a society that continually reinvents itself: American concepts of corporate governance, shareholder value, benchmarking, and the "value chain" are now discussed in executive offices around the globe. By incorporating advances in information and communications technologies into business processes, U.S. corporations have triggered gains in productivity similar to those achieved when companies learned how to reengineer their businesses using electrical power 100 years ago. The surge in e-commerce, already a $500 billion activity, is transforming business models again. Governments everywhere are turning to privatization and deregulation to help their countries keep pace. The American entrepreneur commands an awe that matches the respect accorded the American military.

The American private sector is a powerful, attractive magnet. But the U.S. government has not used this energetic force to transform others in ways that enable America to build on its successes. Instead, growth and market imbalances have led to the largest trade deficits in American history. Although U.S. markets are generally open to the world, too many others remain closed to the United States. Countries should embrace changes that will tap the vitality and genius of people around the world, improve their livelihood and health, and open doors to freedom. Government efforts to turn back the clock, even if well-meaning, will end up hurting people. Instead, governments and societies should help people adjust to and benefit from new possibilities. Therefore, a successful U.S. foreign policy must also be based on superior education at home, low taxes that reward work and risk-taking, and secure savings and pensions for retirees.

The United States needs a strategic economic-negotiating agenda that combines regional agreements with the development of global rules for an open economy. To link up with Latin America and the Asia-Pacific region, the United States should propose free-trade agreements, with either individual countries or regional groups. If India continues its reforms, the United States should offer it a new economic partnership beginning with those Indian sectors that are open to the world or can offer large public gains through deregulation. As a new generation of leaders gains authority in the Middle East, possible peace agreements can be buttressed by drawing these societies into information-age economics and integrating their economies into world markets. African countries seeking to abandon the old, failed state controls need the incentive of open U.S. and world markets for their emerging enterprises, as well as financial backing for serious reforms. The EU and the United States should follow the lead of their increasingly integrated businesses by opening even more sectors to cross-investment and greater competition, with the aim of achieving transatlantic free trade.

These agendas should be ambitious—ranging from farm products to e-commerce. Tariffs should be cut further. The United States should support innovative business ventures to streamline common standards. It should promote the deregulation and opening of vast new global markets for services—in areas such as energy, airlines, finance, and entertainment. The United States should apply successful regional precedents in economic and trade liberalization to other regions or to global negotiations through the WTO. By operating at the center of this changing network, the United States-the one economy with a truly global reach—should promote openness among regions.

If some regions are too slow to open their markets, the United States should move on to others. America should spur a competitive dynamic for openness and transparency. Competition can work wonders: when the United States pursued NAFTA and APEC, the EU finally felt the pressure to complete the global Uruguay Round trade negotiations. If others hold back in the new WTO round, the United States should repeat this strategy of regionalism with a global goal in order to break the logjam.

This modern Republican design recognizes the benefits of regional integration and seeks to harness it for global purposes; regional integration can help countries deal more effectively with transnational problems, such as the environment or narcotics trafficking. The practice of joint action within regions, especially by private-sector groups, can be expanded to deal with common political and even security issues. The history of U.S. foreign policy is full of examples of private parties—from missionaries to engineers—who forwarded America's belief in the future by helping others face the challenges of the day. The very nature of the "new economy"—with its rapidly adapting technologies, fast-paced change, and innovative spirit—will elevate the role of private parties; they will often surpass the government in their ability to resolve inevitable disputes. These parties are not zero-sum thinkers. The U.S. government should create a climate in which citizens can serve both the private and the public good. Prosperity with a purpose is an idea that reaches far beyond U.S. borders.

If America links its economy to those of key regions, it can also promote its geopolitical agenda. Deeper integration with Latin America, Europe, and East Asia will support U.S. security commitments as citizens of these regions recognize their common interests. At best, economic interdependence will be a new glue that draws partners close together. More modestly, creating common rules for open economies will connect private sectors and help manage a combination of cooperation and competition.

This blueprint expands on America's political and economic principles. It promotes open markets and open societies, the free flow of information and ideas, and the development of the private sector—all of which contribute to the growth of economies, middle classes, and liberties. If China, Russia, India, and others want to keep up, they will have to open up. This plan offers a positive program around which internationalists of both parties can rally to counter protectionists and isolationists. It also challenges America to sustain its openness, a feature that attracts great thinkers and doers from all over the world. It creates a dynamism that gives its diverse society cohesion and a shared purpose; and it safeguards liberty and freedom.

The public international financial institutions—especially the IMF and the World Bank—also need to be overhauled to match the demands of the information age and the globalization of financial markets. Considering how private-sector financial firms have changed in recent years, it is understandable that the Bretton Woods institutions of 1944 require major reengineering. First, the operations of the IMF and the World Bank must be more transparent, on-line, and real-time. They should fight corruption, which can drain both money and confidence. But they should not, out of technocratic hubris, usurp the proper roles of either creditor or debtor governments or of the private financial sector. A dependency on international bureaucracies for solutions to tough problems will dissuade national governments from taking responsibility for their countries' futures and will ultimately erode the legitimacy of both governments and international financial institutions.

The IMF still has a role to play in buffering national financial markets against shocks that threaten global stability, until self-help rebalances the capital movements. But the IMF must exercise this role in a fashion that does not add to long-term financial instability by encouraging risks for which investors are not willing to pay. Furthermore, since today's global economy (different from what it was 50 years ago) rests on private capital flows, the IMF must "bail-in" creditors, not bail them out. Private creditors must play a financial role in restructuring "national bankruptcies," just as when they have loaned money to companies in trouble; creditors can reschedule loans, take discounts, and extend more money during workouts. The World Bank should concentrate on helping people adjust to change. In poor countries, this agenda may involve improving basic health and subsistence needs while creating economic opportunities. In other low-income countries, the World Bank can assist in developing markets that will enable people to benefit from self-help.

ALLIES, ENEMIES, AND IN-BETWEENS

In pursuing a reinvigorated foreign policy, the United States first needs to overhaul ties with its partners and allies: its North American neighbors and its two pri-

mary partners abroad, Europe and Japan. Mexico, Canada, and the United States share an interest in building on their common democracy and prosperity by addressing problems that require greater regional cooperation—such as narcotics, the environment, and illegal immigration. To operate effectively overseas, the United States must ensure that it has a strong neighborhood at home. Transatlantic and transpacific alliances can go a long way toward ensuring security in the eastern and western parts of Eurasia, where in the past dangerous powers have threatened the United States. These partnerships can enhance America's ability to address the uncertain futures of China and Russia. The EU and Japan are also important colleagues in ensuring an international economy hospitable to growth, dynamism, and the creative spirit.

The United States should not be complacent about its allies' roles. Europeans say they want to shoulder a greater defense responsibility—and they should—especially when it comes to policing their own continent. But a wide gap still separates Europe's defense oratory and its actual spending on the necessary capabilities. The United States should encourage its NATO allies to face this reality and to recognize the mutual benefit in having European defense forces operating in close concert with the U.S. military through coalitions. Ultimately, an effective European defense arm will require serious participation by British, French, and German troops.

Japan should evolve gradually toward assuming more responsibility for East Asian security, in concert with America and its allies. Only the United States can help Japan's neighbors accept this historic adjustment, which is the key to transforming Japan's domestic opinion. As a start, Japan, the United States, Korea, and Australia should form closer defense ties. Over time, Japan's forces should be more closely integrated to support the U.S. military in Asia. These steps will strengthen the posture of the Pacific democracies toward North Korea, demonstrate to China that it should seek security cooperation (and not competition) with the Asia-Pacific democracies, and channel any increased Japanese capabilities into a reassuring framework.

Second, the United States and its partners face three great challenges in Eurasia: China, Russia, and India. China has been rising, Russia has been weakening, and India has been reassessing its outlook. These are the "big ones," and more mistakes with them could cost America dearly in the future. The United States must be realistic, not romantic, about the prospects for China and Russia. These states should be integrated into the economic, security, and political arrangements that America and its allies have sponsored, although we must be prepared to shield against these countries if integration is not possible. These countries are "works in progress;" they are not yet friends and are certainly not partners, but they need not be enemies. The United States and its allies should explain to both China and Russia the steps that can build on shared interests and lessen differences. Ultimately, America will evaluate its own ability to cooperate—and the world will assess America's willingness to do so—based on concrete actions, not photo opportunities.

India, the worlds largest democracy and before long its most populous nation, will play an increasingly important role in Asia. To grow and prosper, it will need to adjust to the global economy. To contribute to its prosperity and regional security, India will need to lower the risk of conflict with its neighbors. And to have influence with India, America must stop ignoring it. A more open India, possessing a broader understanding of its place in the world, could become a valuable partner of the United States in coping with Eurasia's uncertainties. In addition to proposing trade and investment liberalization, the United States should open a regular; high-level security dialogue with India on Eurasia and the challenges to stability.

Third, North America, the EU, and Japan need to reach out to the next group of potential partners. In varying degrees, moving at different paces, countries in central and eastern Europe, Latin America, and East Asia have been opening private markets, building middle classes, and developing representative democracies that respect individual liberties. But these countries have been subject to enormous stresses. With Latin America in particular, the United States has resumed its old, bad habit of overlooking its neighbors until problems compel it to pay attention. Resistance is slowing the momentum for democracy and free markets that Latin America kicked off a decade ago. More debt defaults, rising populism, frustrations with the lack of tangible results from economic reforms, and narcotics traffickers seeking to control governments all threaten to eclipse the movement toward what should be a historic and strategic achievement: a fully democratic and prosperous western hemisphere.

Fourth, the United States must counter those dangerous states that threaten its closest friends, such as Israel, or its vital interests, such as maintaining access to oil in the Persian Gulf. In dealing with the likes of Iraq and North Korea, the United States needs to offer consistent long-term directions to guide coalitions that

will deter and even replace their brutal regimes. Concessions to blackmail and threats, even if they serve as temporary expedients, will exacerbate these problems. The United States must retain the initiative so that its opponents are so worried about what America is planning that they cannot plot attacks or new forms of blackmail. Theater and national missile defenses will let the United States counter missiles carrying weapons of mass destruction from those countries that might target U.S. conventional forces or paralyze the United States if it intervenes against their threats. Time is on America's side—not that of these decaying dictatorships—if the United States has the confidence and determination to stand up to, and if necessary defeat, its enemies.

MILITARY MIGHT

America's leadership in the next century requires a strong military, wisely used. The Clinton administration has too often relied on the U.S. military to bail out speculative diplomatic ventures that turned sour. Concurrently, America's military has been cut back some 40 percent. At some point, doing more with less just becomes doing less with less. Given the current demands on the U.S. military the Pentagon has made the troublesome choice of trying to fund present needs at the expense of future capabilities. This spending improvisation is divorced from the administration's own plans. As the military equipment bought in the early 1980s ages, the armed services are spending more and more funds just to keep old planes, ships, and tanks operating. The administration's undersecretary of defense called this quandary a "death spiral." The chair of the joint chiefs of staff called it a "nosedive." These are strong words. The failure to prepare for the future will become sharply apparent during the next decade, when the wheels start to come off the weapons purchased some 25 years ago. As one Marine general said, "If parents are uncomfortable sending their sons and daughters to college in 25-year-old cars, what will they think about sending them into harm's way in 25-year-old helicopters?"

The challenge for the next president is not just to spend more on defense but to spend wisely. In transforming its defense strategy for the future, the United States should seek to align the military's strength with the nation's strengths: America's people and technology. U.S. companies that have not incorporated the revolutionary advances in information and communications technologies have been swept away by their competition with surprising rapidity. The Pentagon cannot afford to run a similar risk. The United States must invest in a combination of sophisticated sensors, information technology, real-time communications, and precision-guided weapons that will enable the individual services to fight together seamlessly in joint operations. Future networked forces should be smaller, quicker, easier to deploy, more dispersed, and able to destroy targets with fewer sorties and greater "standoff" capabilities. They must be able to act together when executing discrete missions—such as suppressing air defenses, achieving complete air dominance, and destroying small, mobile targets—that will be vital in the new security environment. They will need "more teeth and less tail." At the end of the day, gutsy soldiers in muddy boots will still have to hold ground, but they need to be the fastest to get to decisive points, with the most precise firepower to support them.

This transformation will take time. In many respects, technology is the easy part. The challenge is to integrate technology into new operational concepts, doctrines, and organizational structures—and then to practice them. (In June 1940, the French army had more and better tanks than the German army, but the panzer leaders knew how to use blitzkrieg operations to overwhelm France within weeks.) The experience of the private sector points the way toward a smart, modernized defense for the future. Like private business executives facing new challenges, the next generation of military officers needs clear goals to guide change—and strong support in making the country's forces achieve these goals. Only the president can establish these goals and provide the needed leadership.

The Pentagon can also learn from the private sector about cutting costs. Although the cost of civilian information-technology systems has fallen tremendously, the price of analogous military systems has not. Like other professional organizations, the Defense Department must focus on its core missions and outsource supporting activities. In leading this transformation, the next president must also challenge America's allies to keep up. In critical areas, U.S. allies in Europe and the Pacific can share significant burdens and make major contributions. In order to fight together, their forces must be interoperable. And allies should assume greater roles in peacekeeping operations, supported by unique U.S. capabilities and backed by the hammer of its robust force.

THE RIGHT TRACK

As Americans enter a new century, the history of the last one may inspire a sense of both caution and opportunity. The United States in 1900 seemed to have unbounded potential. But the first half of the twentieth century involved frightful costs. And although America achieved great accomplishments over the past 50 years, these came at a high price of lives, money, and national attention. Now a new generation must chart a course for America amid revolutionary changes in technologies, economies, societies, and weaponry. It is a mistake for the United States simply to react to events. America needs a strategy that blends traditional truths with the opportunities of a networked marketplace and a modernized army. It must be realistic about human nature and conflicting interests while being optimistic about the world's potential. America must deploy its power wisely, selectively, and consistently to mold an international system that will enhance its influence in future events. Drawing on this influence, modern Republicans believe they can work with like-minded Democrats so that America can advance both its interests and its ideals. America's potential is extraordinary, and so is the world's. It is time to get on the right track.

The CHAIRMAN. Thank you, sir. Before we proceed to Mr. Woolsey, Joe, I would note that we have a great many young people here this morning. I am encouraged by that, because they have the most to gain or lose based on what we do here in the Congress of the United States. If you cannot for any reason hear back there, sort of gently wave your hand. Be sure, gentlemen, to have your mike close to you, because they are the ones among us that I especially want to hear what you are saying.

So I say to the young people that this gentleman is the former head of the Central Intelligence Agency of the United States of America. Mr. Woolsey, you may begin.

STATEMENT OF HON. R. JAMES WOOLSEY, PARTNER, SHEA & GARDNER, AND FORMER DIRECTOR OF CENTRAL INTELLIGENCE AGENCY, WASHINGTON, DC

Mr. WOOLSEY. Thank you, Mr. Chairman, Senator Biden. It is an honor to be asked to testify today. I will summarize this 5½ page statement in about 10 minutes, if I might.

Our first priority, in my view, is to take steps in foreign relations that would maximize our ability to defend the American homeland. This is a relatively new concern for the United States in recent decades, because for many years during the cold war the Soviets were the only power really relevant to this. Our relationship with them was complex. It involved our needing to couple our military forces to those of NATO and to deter clearly any conventional Soviet attack in Western Europe.

This led, through a set of reasonings and political realities in the early seventies, to the ABM treaty of 1972. China was not particularly relevant on this issue during the cold war, because it was essentially our tacit partner in containing the Soviets. It has a very elementary ballistic missile capability for much of this period.

Hostile rogue states were not particularly relevant, because states such as North Korea did not have the capability to threaten us here at home, and terrorism, the other threat, I think, to the American homeland, was not really an issue because it had not impinged on the United States within this country in a major way, and certainly not in the form of terrorists looking to possess weapons of mass destruction.

All of these assumptions are now gone with the wind. We will no longer need to concern ourselves with a Russian conventional attack in Western Europe for many years. Russia's strategic rocket forces are not the stable and elite force that once thoroughly and clearly controlled Russian nuclear weapons.

China is no tacit partner of ours vis-a-vis anyone. Indeed, it implicitly threatens us with its rapidly improving nuclear arsenal, principally in order to try to discourage us from fulfilling our pledge to ensure peace in the Taiwan Strait. And not only North Korea, but right behind it Iran and Iraq, will threaten us within relatively few years with the possible deployment of ICBM's capable of reaching the U.S. International terrorists have us very much within their sights, and they can be sure to make a serious effort to acquire weapons of mass destruction.

The shifts in all these strategic tectonic plates in my view call on us to give the very highest priority to homeland defense. Some in Europe would contend that we would be more likely to help defend them if we are ourselves vulnerable. This argument has been advanced in various circles in Europe by the same people for years in attacking a number of American strategic modernization programs. It grows no less ridiculous with repetition.

Arms control has some utility in this overall picture I think, Mr. Chairman, but I do not believe we should let the arms control tail wag the strategic dog. I would be pleased to answer questions about the Comprehensive Test Ban Treaty. On the choice that was faced here in the Senate, up or down on that particular treaty, I believe the Senate acted appropriately.

My own preference would have been for a reservation to be attached to the treaty, forcing its renegotiation to move toward a low yield test treaty. But that was not the course which events took.

With respect to the ABM treaty, I believe we should take whatever steps are needed, hopefully bilaterally with the Russians, but unilaterally if we must, to permit us to defend ourselves against rogue states and China particularly. Kibitzing parties on this treaty who are not parties to the ABM treaty, such as China and France, deserve exactly the degree of attention due kibitzers.

To put it bluntly, we owe Chinese ballistic missiles a free ride across the Pacific to exactly the same degree that we owed it to the Japanese in the 1930's not to build Carl Vinson's two-ocean Navy and thus to permit Japanese aircraft carriers free passage across the Pacific. Or as it might be put in the current argot: Not.

We must insist, I believe in the strongest possible terms, that other nations join us in the struggle against international terrorists.

With respect to Russia and China, Russia is a troubled democracy. We hope it will become less troubled and still remain a democracy. Its economy in major sectors somewhat resembles the Chicago wholesale liquor market of the 1920's: competition based not on price and quality, but on skill in assassinating competitors.

China is still a Communist dictatorship, albeit one with a partially modernized economy and, I would add, some interesting political developments such as elections in villages. It seems, unfortunately, to have chosen the tactic of threatening Taiwan in order to

rally the Chinese people behind nationalism as China's economic change leads to social unrest.

I believe that with both Russia and China we should be cordial, we should be calm, we should be firm. We should be willing, for example, with China to trade, and to see it and Taiwan admitted to the WTO, and still not hesitate to criticize it vigorously for its violations of human rights.

We should be able to help Russia sequester its nuclear warheads and fissionable material under the Nunn-Lugar program, and take other cooperative steps with Russia, but still make it clear that we have no intention to permit it to hinder our ability to protect ourselves from the likes of North Korean and Iranian ICBM's.

The rogue states, principally North Korea, Iran, and Iraq, bear us and our allies and friends particularly ill will. All of them are aided to one degree or another by one another, by other proliferators, and by organizations in or by the governments of—sometimes it is hard to tell the difference—Russia and China in their efforts to acquire ballistic missiles and weapons of mass destruction.

In the case of North Korea and Iraq, I believe our tactic is simply to do what we can to weaken their ruling regimes and keep our powder dry.

With respect to Iran, the situation is more complex. Although the hard-line clerics retain control of the instruments of state power, and they use such instruments especially to support terrorism abroad, they have lost the support of the vast majority of the people of Iran. I believe that Iran's social and political structure holds the promise that if we play our cards right we may in time help encourage that country to move in a constructive direction. With Iran, I think we should bide our time.

Free trade, Mr. Chairman, I believe is our friend as we seek to maintain our own remarkable economic performance and to see prosperity spread around the globe. As a general matter, in my view I think we ought to work to reduce trade barriers through the WTO and otherwise.

There is one area which I will not go into substantially, but I want to mention, where I believe vigorous U.S. Government action is needed to create an alternative to a major product, a major commodity. Today, as oil prices rise, we see the increasing leverage of oil exporting nations. The vast majority of the world's proven reserves are in the Persian Gulf and adjacent areas, a region in which most ruling regimes are either pathological predators or vulnerable autocrats.

The world's transportation systems run on petroleum-based fuels and substitution in a crisis is virtually impossible. I believe it would be most wise for us to take steps to move toward bio-based fuels as a substitute for petroleum-based ones, and to take other steps to reduce the need to rely on oil imports from the Mideast. Senator Lugar, a member of this committee, and I co-authored an article a year ago in *Foreign Affairs* on this subject titled "The New Petroleum."

I want to stress, however, that what I am suggesting is not to move toward the use of grain-derived products such as today's corn-based ethanol. Rather, it is to undertake the research, devel-

opment, and initial steps of commercialization in order to produce ethanol and other useful products out of agricultural and other wastes. Added funds for this purpose are in the President's budget, and Senator Lugar has proposed legislation on this important subject as well.

I believe that only the use of waste products, and of crops such as prairie grass, for feedstocks will lower the cost of alternative fuels to the point that they can compete with fuels derived from Mideast oil.

We need, Mr. Chairman, to maintain our ability to intervene abroad, I believe to be able to fight two near-simultaneous regional wars, and that level of military capability will give us the wherewithal to use force in lesser contingencies as well. I think force should be our last resort, but there are some important criteria to look at, such as whether major economic interests are involved and whether military logistics permit us to operate successfully.

I think it should be a very rare occurrence for us to intervene in a country's internal struggles, but stopping genocide seems to me to present a plausible exception to that rule.

Generally, I think it is important that we limit the use of American forces to cases where our opponent has what Clausewitz called "a center of gravity," that is, a military capability that, if we defeat it, will mean victory. We should not send U.S. forces to hang out in bad neighborhoods looking for something useful to do. Our involvement in the Gulf war met this criterion. Destroying Saddam's command and control and defeating the Republican Guard meant military victory. Our involvement in Somalia did not. There was no center of gravity to defeat.

But it is far from the case that the most important and effective tools we have to influence events always involve force, or threatened force. Both Lech Walesa and Vaclav Havel have said that the most important thing the United States did during the cold war was to operate Radio Free Europe.

Joseph Nye of Harvard, a friend of all three of us, has given the name "soft power" to our influence abroad that is derived from our media, our culture, our economy and the like. Sometimes these influences can be very important, and they are especially important when they augment and magnify the message that our way, the path of political and economic freedom, holds the best promise to improve the lot of the world's people.

I want to make only one final comment, Mr. Chairman. Given the importance of the message that this Nation stands for human freedom, it is especially dismaying when we see our own Government undermining it. Within the last month, the press has had a few reports about a step the administration is taking in negotiations in Vienna that can only be described as despicable.

This issue was first brought to public attention by William Bennett and Charles Colson in a piece in the Wall Street Journal on January 10 of this year. In the negotiations on the U.N. Convention on Transnational Organized Crime, the administration is proposing to define sexual exploitation as being limited to "forced prostitution" rather than simply "prostitution."

This would have the effect of creating a huge loophole for the enforcement of international restrictions against the trafficking in

and the victimization of women. Most traffickers claim that those they have forced into prostitution have made this choice voluntarily. It is virtually never true.

Most nations of the world, and particularly poor nations, which tend to be the homelands of the women who are coerced into prostitution and then transported to wealthier countries, oppose this administration effort to give a free pass to traffickers. The motivation of those in the administration who are instructing our diplomats to join in these negotiations together with The Netherlands and a few other wealthy countries where prostitution is legal, in order to make life easier for predators who export poor women—and to do so against the wishes of the governments of the world's poor nations which are trying to stop this exploitation—is absolutely beyond comprehension.

I know that you, Mr. Chairman, have written to the administration on this matter, as have 32 Members of the House of Representatives. It is an issue in which religious groups have spoken out in dismay and anger, and they have met as their colleagues in this cause, speaking virtually the same language, such individuals as Jessica Neuwirth, Patricia Ireland, Eleanor Smeal, Gloria Steinem and other prominent feminists.

Whatever anyone thinks should be our highest foreign policy priorities, surely removing the international barriers to coercing poor women into prostitution should be nowhere among them. What in the world does the administration think it is doing?

Thank you, Mr. Chairman.

[The prepared statement of Mr. Woolsey follows:]

PREPARED STATEMENT OF HON. R. JAMES WOOLSEY

Mr. Chairman and Members of the Committee, it is an honor to be asked to testify before you on this important subject. I will seek to summarize briefly what I believe our top foreign policy priorities should be.

HOMELAND DEFENSE

Our first priority, in my view, should be to take those steps in foreign relations that maximize our ability to defend our homeland.

This is a relatively new concern for the United States, at least in recent decades, because of the fact that the Soviets' ability to destroy us was subsumed for many years in the question of many other aspects of our relationship with them during the Cold War. NATO, for example, was paramount for us. Thus we bargained away our ability to build ballistic missile defenses against the Soviet threat in no small measure to enhance our ability to have a clearly credible offensive deterrent (thus our desire to ensure low levels of such Soviet defenses); this guaranteed offensive capability, many of us believed at the time, made us better able to deter a conventional attack by the Soviets on Western Europe. Low levels of Soviet defenses had the added advantage of ensuring that our British and French allies also had a strategic deterrent against the Soviets.

China was, for many years, not at all central to our thinking about the need for strategic defenses because, beginning in the early seventies, it was functionally our tacit partner in containing the Soviets. Hostile rogue states such as North Korea did not have the capability to threaten us here at home. Nor was terrorism, then, thought to be able to reach our shores from abroad in a major way—certainly not in the form of terrorists' potential use of weapons of mass destruction.

All these assumptions are now gone with the wind. We no longer need concern ourselves with a Russian conventional attack on Western Europe, and this will probably be true for many years. The once-solid command and control of Russia's nuclear arsenal by elite and well-trained Strategic Rocket Forces troops is no more. China is no tacit partner of ours vis-a-vis anyone, but rather China threatens us with its rapidly-improving nuclear arsenal principally in order to try to discourage us from fulfilling our pledge to ensure peace in the Taiwan Straits. Not only North

Korea, but right behind it Iran and Iraq, will threaten us within a very few years with the possible deployment of ICBM's capable of reaching the U.S. And international terrorists have us very much within their sights; they can be sure to make a serious effort to acquire weapons of mass destruction.

The shifts in all these strategic techtonic plates, in my view, call upon us to give the very highest priority to homeland defense against both ballistic missiles and terrorists, and to take the very important steps in foreign policy needed to implement such strategic steps. With respect to ballistic missile defense, some in Europe contend that we will be more likely to help defend them if we are ourselves vulnerable. This argument has been advanced by many of the same people for years to attack a number of our strategic modernization programs. It grows no less ridiculous with repetition.

Arms control has its utility I believe, in some circumstances, in limiting certain threats—but we should not let the arms control tail wag the strategic dog. This happened in the 1920's and it is not a history we should repeat. I believe that it was far preferable for the Senate to defeat the recent Comprehensive Test Ban Treaty than to approve it, although a reservation amending the treaty substantially and forcing its renegotiation—e.g. to permit low-yield testing—would have been my preference.

With respect to the ABM Treaty we should take whatever steps are needed—bilaterally with the Russians if possible, unilaterally if we must—to permit us to defend ourselves. Kibitzing parties, such as China and France, deserve exactly the degree of attention due kibitzers. To put it bluntly, we owe Chinese ballistic missiles a free ride across the Pacific to exactly the same degree that we owed it to the Japanese in the 1930's not to build Carl Vinson's two-ocean navy and thus to permit Japanese aircraft carriers free passage across the Pacific. Or as it would be put in the current argot: Not.

We must insist in the strongest possible terms that other nations join us in the struggle against international terrorism: if that means adopting policies that anger our allies who like to trade with Iran, or if it means pressing hard for tough action by states such as Pakistan that are close to states harboring terrorists, so be it.

RUSSIA AND CHINA

Russia is a troubled democracy, which may or may not remain such, with an economy in which major sectors resemble the Chicago wholesale liquor market of the 1920's: competition based not on price and quality, but on skill in assassinating competitors. China is still a communist dictatorship, albeit one with a partially modernized economy; it seems to have chosen the tactic of threatening Taiwan in order to rally the Chinese people behind nationalism as China's economic change leads to social unrest. With both Russia and China we should be cordial, calm, and firm. We should be able to trade with China (and see it and Taiwan admitted to the WTO), e.g., and still criticize it vigorously for its violations of human rights. We should be able to help Russia sequester its nuclear warheads and fissionable material under the Nunn-Lugar program, and still make it clear that we have no intention to permit it to hinder our ability to protect ourselves from rogue state ICBM's.

ROGUE STATES

North Korea, Iran, and Iraq bear us and our allies and friends particularly ill will, and show no signs of being limited by any of the normal conventions of international behavior except as they are deterred by military power. All are working hard on ballistic missiles and weapons of mass destruction. All are aided to some degree by one another, or other proliferators, and by organizations in, or the governments of (it's sometimes hard to tell the difference), Russia and China.

In the cases of North Korea and Iraq, the objective seems first and foremost to intimidate their neighbors and to deter us from again intervening to protect South Korea, Kuwait, and other nations near Iraq. Iran is a more complex case: although the hard-line clerics retain control of the instruments of state power—and use such instruments especially to support terrorism abroad—they have lost the support of much of the people of Iran. And the people have some limited ability to make their wishes known, through elections and otherwise. Dealing with Iran requires firmness and we should be wary of moving too eagerly toward resumed relations. But Iran's social and political structure holds the promise that, if we play our cards right, we may in time help encourage that country to move in a constructive direction. With Iran we may bide our time and look for an opportunity. With North Korea and Iraq we should do all that we can to weaken their ruling regimes, and keep our powder dry.

INTERNATIONAL TRADE AND OIL DEPENDENCE

Free trade is our friend as we seek to maintain our own remarkable economic performance and see prosperity spread to the rest of the globe. As a general matter, in my view, we should systematically work to reduce trade barriers, through the WTO and otherwise. But there is one area of the economy where I believe vigorous U.S. government action is needed to create an alternative to a major commodity.

Today as oil prices rise we see the increasing leverage of oil-exporting nations. The vast majority of the world's proven reserves are in the Persian Gulf and adjacent areas, such as the Caspian Basin—a region in which most ruling regimes are either pathological predators or vulnerable autocrats. The world's transportation systems run on petroleum-based fuels, and rapid substitution of other fuels during a crisis growing out of this unstable region is today impossible.

I believe that we have an obligation—for reasons of security, and to promote other goals such as improving the environment and improving our trade balance and rural development—to move toward bio-based fuels as a substitute for petroleum-based ones and to take other steps to reduce the need to rely on oil imports from the Mid-East. I will not dwell on this point since Senator Richard Lugar and I co-authored an article a year ago in Foreign Affairs on the subject: "The New Petroleum." I will simply note that what is at issue is *not* to move toward the use of grain-derived products, such as today's corn-based ethanol, but rather to undertake the research, development, and initial steps of commercialization that are needed to produce ethanol and other useful products out of agricultural and other wastes. Added funds for this purpose are in the President's budget. Only the use of waste products and of crops such as prairie grass (switch grass) for feedstocks will lower the cost of alternative fuels to the point that they can compete with fuels derived from Mid-East oil. Senator Lugar has proposed legislation on this important subject.

INTERVENTION: HARD AND SOFT

We need to maintain the military capability to project power abroad and to fight two major regional wars near-simultaneously. Sliding back from this objective will only encourage, e.g., Saddam to attack his neighbors if we were to become involved in defending South Korea against a North Korean attack. This level of forces will give us the wherewithal to use force in lesser contingencies as well. When should we do so?

Certainly force should normally be our last resort, and indeed we will need to use it less if our reputation for success is solid. Ordinarily such use should be undertaken with our allies, such as the nations of NATO, in defense of allies themselves or to defend weak nations against aggression by powerful neighbors. Important economic interests will often be central to these decisions, as was the case in 1990 when, after seizing Kuwait, Saddam was about 100 miles away from controlling over half the world's proven oil reserves. (As someone put it at the time, our analysis would doubtless have been different if Saddam had threatened to control over half the world's reserves of broccoli.)

Military logistics will always be an important factor: is the proposed intervention in a place that we can readily reach with effective force? Is it near major air bases that we can use, or near the sea so that our Navy and Marine Corps can readily be brought to bear?

It should be a very rare occurrence for us to intervene in a country's internal struggles, but stopping genocide seems to me to present a plausible exception in some circumstances to this general proposition.

We should generally limit the use of American forces to cases where our opponent has what Clausewitz called a "center of gravity," e.g. a military capability that, if defeated, will mean victory. We should not send U.S. forces to hang out in bad neighborhoods looking for something useful to do. Our involvement in the Gulf War in 1990–91 met this test: destroying Saddam's command and control and defeating the Republican Guard meant victory. Our involvement in Somalia in 1992–94 did not: there was no center of gravity.

But it is far from the case that the most important and effective tools that we have to influence events abroad always involve force. Lech Walesa and Vaclav Havel have said that the most important thing the United States did during the Cold War was to operate Radio Free Europe (for much of its existence, I would note, a CIA covert action). The Dean of the Kennedy School at Harvard, Joseph Nye, has given the name "soft power" to our influence abroad that derives from our media, our culture, our economy, and the like. Sometimes these influences may be steered or directed by government action, as in the case of Radio Free Europe, but often not. Given our position as the world's only superpower these influences can be powerful, and they can be especially so when they augment and magnify the message that

our way—the path of political and economic freedom—holds the best promise to improve the lives of the world's people.

A FINAL NOTE

Given the importance of the message that this nation stands for human freedom, it is especially dismaying when we see our own government undermining it. Within the last month, Mr. Chairman, the press has had a few reports about a step the Administration is taking in negotiations in Vienna that can only be described as despicable.

This issue was first brought to public attention, I believe, in a column in the Wall Street Journal on January 10 of this year by William J. Bennett and Charles Colson: "The Clintons Shrug at Sex Trafficking." In the negotiations on the U.N. Convention on Transnational Organized Crime the Administration is indeed proposing to define "sexual exploitation" as being limited to "*forced* prostitution" rather than simply "prostitution." This would have the effect of creating a huge loophole in the enforcement of international restrictions against the trafficking in, and victimization of, women. Most traffickers claim that those whom they have forced into prostitution have made this choice "voluntarily," but in fact coercion of many types is the norm, not the exception.

Most nations of the world—particularly poorer nations, which tend to be the homelands of the women who are coerced into prostitution and transported to wealthier countries—oppose this Administration effort to give a free pass to traffickers. The motivation of those in the Administration who are instructing our diplomats to join in these negotiations, together with the Netherlands and a few other wealthy nations where prostitution is legal, in order to make life easier for predators who exploit poor women—and to do so against the wishes of the governments of the world's poor nations which are trying to stop this exploitation—is absolutely beyond comprehension.

I know that you, Mr. Chairman, have written to the Administration on this matter, as have 32 Members of the House of Representatives. This is an issue in which, also, religious groups have spoken out in dismay and anger—in almost exactly the same language as Jessica Neuwirth, Patricia Ireland, Eleanor Smeal, Gloria Steinem, and other prominent feminists. Whatever anyone thinks should be our highest foreign policy priorities, surely removing the international barriers to coercing poor women into prostitution should be nowhere among them. What in the world does the Administration think it is doing?

Thank you for inviting me to appear today, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Woolsey.

Mr. Secretary.

STATEMENT OF HON. WILLIAM J. PERRY, BERBERIAN PROFESSOR AND SENIOR FELLOW, INSTITUTE FOR INTERNATIONAL STUDIES, STANFORD UNIVERSITY; AND FORMER SECRETARY OF DEFENSE, STANFORD, CA

Dr. PERRY. Thank you, Mr. Chairman.

We are, of course, beginning a new century, and somehow we all survived the dread Y2K bug. And as we define the foreign policy challenges of the 21st century, I think one thing is absolutely clear: We do not want to repeat the tragedies of the 20th century.

Indeed, the 20th century saw four major tragedies: the Great Depression, which was worldwide in scope and unprecedented in depth and duration; the rise of fascism and communism, which resulted in atrocities typified by the gulags and by the concentration camps; two world wars of an unprecedented ferocity, resulting in more than 70 million fatalities; and finally, a cold war, characterized by a balance of terror in which both the United States and the Soviet Union held the other country hostage with thousands of nuclear weapons. As tragic as the world wars were, if deterrence had failed, the cold war would have resulted in the supreme tragedy, namely, the extinction of civilization.

Now we begin the new century on a positive note but still with profound challenges, and I want to speak about some of those challenges.

The first challenge is economic. Instead of a Great Depression, we are in the midst of an economic boom. Some hold that this is only a bubble which will soon burst. I do not agree. Indeed, the stock market may go up and the stock market may go down, but underlying this boom are two fundamental developments. First has been the introduction of free market economies and free markets on a widespread basis in the world. And the second has been the information technology revolution, which is deeper and more profound than the industrial revolution of the last century.

I live and work in Silicon Valley in the midst of this revolution, and I know it is characterized by remarkable new tools, created by the marriage of the computer with communication networks. These allow vastly greater productivity in the work place, the home, and in schools. I believe the economic boom in the United States is driven by these productivity increases as they begin to take hold in the work place.

The good news is that this has a long way to go. We are only seeing today the tip of the iceberg as to what productivity benefits will come from these two technologies. The further good news is that America is the undisputed leader of this revolution and the principal beneficiary of it.

The bad news is that the benefits are not shared much by the rest of the world, and therefore there is a wider gap between the haves and have-nots being created, with attendant sociological and political problems. The challenge to us is to find ways of bringing some of the benefits from market economy and the information technology to the whole world.

The second challenge is political. As the century ended, democracy was on the rise everywhere, especially in Eastern Europe and in Latin America. This is a remarkable development and the most hopeful note on which to begin the new century.

But these new democracies are fragile. No one should underestimate how fragile they are, and nowhere are they more fragile than in Russia today. Russia is undergoing a profound transformation in political, economic, and social. The remarkable thing is it has not resulted in chaos and bloodshed already, but we should understand just how difficult this transformation is they are going through.

A major holdout in this democratic revolution is China. We can hope, however, that as a market economy and free trade becomes established in China, it will create an environment which will allow a flowering of democratic principles in that country.

Our policy should be to encourage and support democracy around the world because I believe that democracy around the world will benefit not only our country, but also promote stability throughout the world.

The third challenge is in the military field. As we begin the 21st century, the good news is that there is no real likelihood of another global war. The bad news is that major regional conflicts are all too likely, and the really bad news is that these regional wars could become much more destructive than in the past as regional powers increasingly gain weapons of mass destruction.

The United States needs three lines of defense against that likelihood.

The first is diplomatic, to create the conditions that make war less likely, and you well know that this committee and Secretary Albright work every day on that problem.

A second, to be done in parallel with that, is to do everything we can to prevent the proliferation of weapons of mass destruction because regional powers become emboldened to start a war if they possess the weapons of mass destruction and, if they do start one, are able to create catastrophic damage. That is why I am working with the President and with the Congress trying to minimize the risk that North Korea will gain a nuclear and missile arsenal.

The third line of defense is maintaining strong military forces. We have today, as has already been said at this hearing, the strongest, most capable military force in the world. The challenge is to maintain that force so that if deterrence fails, our forces will be able to win the resulting war quickly, decisively, and with minimal casualties.

The fourth challenge and what I believe is the primary challenge of our national security policy today is avoiding the reemergence of another cold war. Indeed, this was the subject of a book which I wrote last year called "Preventive Defense," trying to put some focus on this question of preventing the reemergence of a cold war.

As Russia struggles with its economic, its political, and sociological problems and as we decide how to assist Russia in the struggle, we should remember what is at stake because if in Russia's democracy fails, they could easily revert to a military dictatorship or, alternatively, they could descend into anarchial chaos. A military dictator, were there to become one, would have about 20,000 nuclear weapons at his disposal. In the event of anarchy, the country would be divided up among warlords and presumably the nuclear weapons would be divided among the warlords. Any new cold war that resulted from that development could be much more dangerous than the last one.

I do not pretend to have all the answers on how to deal with the difficult and complex problems in Russia today, but I do know how high the stakes are and I believe that we should not wash our hands of the problems of Russia. I believe we should not give Russia the back of our hand, and I believe we should make a best effort to work with their government to try to effect the most cooperative structure we can to help them through this transformation through which they are going.

Finally, I would contend that if we and China mismanage our affairs, there is the potential that we could blunder into a cold war with China. That would be a catastrophe for both countries. Indeed, the leaders of both countries realize that, and therefore I do not believe that this will happen. But there are forces driving the two countries in that direction.

The flash point, of course, is Taiwan. I am personally sensitive to this issue since I was the Secretary of Defense at the time we sent two carrier battle groups to Taiwan during the 1996 crisis. Those were sent not to create a crisis, but to defuse a crisis, and they were successful in doing that. I will remind you that it is now 4 years later. And another election in Taiwan is coming up next

month, and the same conditions which led to that last crisis, it seems to me, are confronting us today.

Again, I do not pretend to have all the answers on how we should deal with our problems with China, but I do fear that if we mismanage those problems, that we will end up with an arms race, first of all, between Taiwan and China, second between the United States and China, and then third between the United States and China and Russia. Such an arms race, if it gets started and if it cannot be moderated, could be the first step in the new cold war.

I would summarize my comments, Mr. Chairman, by saying we are starting the 21st century on a positive note. Our economy, the strength of our military, the state of the world in many respects. The challenge is to keep it that way and not let the 21st century degenerate into the tragedies which we faced in the 20th century.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

We have been joined by the distinguished Senator from Massachusetts, Senator Kerry. I mentioned earlier, John, that when I got to my office a while ago from another meeting, the corridor was full of young people waiting to get into this hearing. It occurred to me that they are perhaps the most vitally interested in what this country is going to be like in terms of our national defense and other matters, of course.

I have even asked them to raise their hands if they cannot hear the witnesses, and two or three of them have and we have moved the mike a little closer.

Let me say to you, the young people, that this lady here is taking down every syllable of every word that these gentlemen are saying, and it will be printed. If you think you might make an A in foreign affairs or some other class when you get back to college or to high school, or wherever you are, and you need a verbatim copy of the testimony this morning, drop me a note, or Senator Kerry, or Senator Biden, and we will send one to you. OK?

Now then, why do we not take about 7 minutes apiece.

Senator BIDEN. Fair enough.

The CHAIRMAN. Jim, Mr. Woolsey, you mentioned the growing terrorist threat. Now, we were all greatly relieved with the stellar work done by the intelligence community and the Customs Service in apprehending a terrorist trying to enter the United States from Canada. That incident underscores how great a threat to the United States citizens terrorism truly is.

Now, how do you assess this administration's battle against terrorism? And what do you think of the proposals being made informally to remove Syria and North Korea from the list designated as "state sponsors of terrorism"?

Mr. WOOLSEY. I think that in terms of the response in the intelligence community and the law enforcement community, as you suggested, Mr. Chairman, there has been a lot of effort and it has gone well. The CIA has had a special effort focused, for example, on Osama Bin Laden and his organization, which is called mainly in the Mideast by its initials MK for Office of Services, which is the organization he ran in Afghanistan during the war against the Soviets. He and that rather loose organization are a huge part of the international terrorism problem. The other major portion I

think is the Nation of Iran and its sponsorship of Hezbollah and other terrorist groups, many of them focused very heavily on Israel.

I think the intelligence work and the intelligence law enforcement cooperation has been good and continues to improve. We should note that the terrorist trying to cross the Canadian border was caught by a regular customs inspector doing her job, just straightforwardly, just as Timothy McVeigh was caught by an Oklahoma highway patrolman just doing his job. So, down there in the ranks of the people who work for the Federal and State Governments, what is really important is that people at that level perform the way those two did and many do.

I think that having a single list for terrorist states is probably a mistake because North Korea, just to take one example, used to sponsor terrorism in some substantial measure. It has kidnapped people in Hong Kong and elsewhere. It has kidnapped Japanese citizens. It was responsible for terrible terrorist incidents against South Korea and the South Korean Government in the past. It is today, more or less, a retirement home for some aging terrorists.

Syria is a far more active terrorist state because it provides sort of the entrepot. It provides the circumstances and the possibility for Hezbollah and other operations to take place on its soil, operating principally against Israel.

I think what we need is a list of states that have something to do with terrorism that is rather heavily footnoted, sort of like an SEC-required report, for which you have to read the footnotes to figure it out. North Korea would go appropriately on, I think, any big list of states that have something to do with terrorism, but unlike Iran or a handful of other states that are quite actively involved, that is more or less a past sin of North Korea's and not the principal present problem that it presents to us. The present problem is the one Dr. Perry is working on.

Syria I think under no circumstances should be regarded as off a list of terrorist-sponsoring states as long as Hezbollah and the Palestinian Islamic Jihad and the others operate from its soil against Israel the way they do.

The CHAIRMAN. Mr. Zoellick, Mr. Perry, do you have a comment on this?

Mr. ZOELLICK. No. I basically agree with what Director Woolsey said.

The CHAIRMAN. Mr. Secretary.

Dr. PERRY. I agree with the assessment that terrorism is going to be a major problem in the coming decades. I believe dealing with it is going to require improved intelligence and, in particular, a coordination among intelligence agencies not used to cooperating, the CIA, the DIA, and the FBI, for example. So, there are institutional barriers set up which make that cooperation difficult. I saw that functioning in real time when we tried to conduct an anti-terrorist operation during the Atlanta Olympics. It was very difficult getting that coordination. This may even require some legislative change.

Also, we need to have improved consequence action, that is, the action we take to respond to a terrorist event that we have not been successful in preventing, and the capability for doing that today resides primarily with the military, but the military has no law enforcement responsibilities. So, it has required bringing to-

gether the capabilities of the military with the law enforcement responsibilities of the Federal, State, and local police authorities.

The CHAIRMAN. Good point.

Dr. PERRY. And in that respect, the posse comitatus law is an issue that I think needs to be reexamined. I am in favor of the principle of the posse comitatus law, but I think it is going to be a problem when we try to develop effective responses to terrorism. If we make any law changes, we ought to do it in calmness and deliberation rather than in hysterical response to an event after it has occurred.

The CHAIRMAN. I tell you I have 1 minute remaining. I am going to pick that up next time.

Senator Biden.

Senator BIDEN. Thank you very much.

I thank all three of you for being here. As the chairman would know, if you were willing and we were able, I would sit here with you over the next 8 hours and ask you questions. There are so many things I want to ask you about.

I might note, Dr. Perry, that we had a major piece of legislation I introduced that you worked with me on back in those days to deal with posse comitatus, and it was attacked very hard from those who felt that it was a violation of the Constitution, the unholy alliance between the far left and the far right. Mr. Woolsey's friends on the right were absolutely opposed to it, and I found it kind of fascinating how we dealt with that issue. It was very difficult. And on the left as well, I might add.

Jim, you have obviously been hanging out with Bill Bennett. You are getting his flair these days.

Mr. WOOLSEY. No, I really have not. I just read his article.

Senator BIDEN. But you are getting the cadence down and the whole works. You know what I mean?

The whole thing on prostitution and all the rest. That is good stuff. But at any rate, let me get to that later. I want to talk to that because it is serious but I think you got some of it wrong. But I am not here to debate. I am here to ask some serious questions.

We all talk about a strategic doctrine. We all talk about having an informed foreign policy that has broad outlines that everyone understands, and I think understandably the last two Presidents have not had one because the world has changed so rapidly. All the smart guys that you and I know, all the talking heads, all the politicians who think they know about foreign policy, all the experts, the more standing they have, the more reluctant they have been to lay out a clear vision of what they thought. Because the world was moving so rapidly, they were not so sure.

Unfortunately, when you ran the agency, Jim, it turned out to be dead wrong on major, major issues in terms of its predictions. Not your fault because I do not think we fully funded it enough. I do not think you had enough resources to make judgments.

So, we are in a period of transition here that really presents great opportunities, to paraphrase Dr. Perry, but also great dangers.

I would like to focus on one in my first round here in the 5 minutes or so I have left, and that is that I for one find the notion of

a national missile defense system appealing. But then I find as I examine it, it is somewhat confusing.

For example, would it make a difference to any of you if, in the abandonment of the ABM treaty, to be able to deal effectively with the North Korean threat, Iranian threat, or Iraqi threat, the three we are most concerned about in terms of rogue states, that the result of that would be—and I do not know if it would be. But would it make any difference if that would force Japan to become a nuclear power? Would that alter your calculation as to whether or not—and the relative risk—is it a safer world for our grandchildren if Japan is a nuclear power and China goes from 18 to 800 or 1,800 ICBM's because they figure, you know, the game is up? Would that make a difference? Is that something I should be asking the agency, Jim, as I make this decision?

What is your assessment of Chinese intentions now with regard to their nuclear capability? And how, if any way, would it be altered if we do deploy, having had to deploy, without an amendment agreed to by the Russians, meaning we abandon ABM? Should I be asking the agency and others who I have great respect for what impact that would have then on Japan?

I am willing to bet you my job—and I have been even more successful at mine than you at yours in terms of getting one back every time. And that is, I am willing to bet it, that if that happens in China, either because we abandon or because we do not abandon the treaty, it is only a matter of time before Japan becomes a nuclear power. I think there is an inevitability to it. I can see no logic that would dictate anything else.

I see no logic that would dictate anything else other than India's proliferation that is, it would go to deployment in a significant way if China, with or without abandonment of the ABM, fundamentally alters its strategic forces.

In turn, that means Pakistan will have moved to deployment.

Now, is it a better world for us, in terms of our overall security, if they are the options? I am not saying they will be, but should we be asking those questions before we make a unilateral decision, if we may have to? And the President is prepared to, as I understand it. I am less sanguine about it than he is. But should we be asking those questions? Do they matter?

Mr. WOOLSEY. They certainly matter, Senator Biden. I think they are excellent questions.

I think the CIA and the U.S. intelligence community's cachet is stealing secrets, and where there are no secrets to steal, where it is a matter of judgment, understanding the culture of, say, a friendly government such as Japan, you might get as good or better a judgment from—although there are some real experts on Japan out at the CIA—people in the State Department or some parts of the academic world.

I will give you my tentative response—I think it is an excellent question—which is that we should try to do this bilaterally with the Russians, but I believe the most important thing is that whatever we propose be militarily effective. And I think that a land-based system with limited numbers oriented toward North Korea is not likely to be particularly effective. It is much harder to hit

a bullet with a bullet, shooting from the earth, than to do this in some other ways.

Now, there is a big dispute in the scientific community. It has gone on for many years about these issues. I have always been, for at least the last number of years, somewhat drawn to the approach called "Brilliant Pebbles" which the Bush administration was interested in rather more than directed energy weapons in space and rather more than land-based systems, the reason being that any ballistic missile is slow and hot and easy to see when it is in boost phase. For an ICBM, that might be until it goes up about 300 miles and is down range 500 or 600 miles. It is much easier to deal with it then. There has been work—Dr. Perry can talk about this better than I—for some of the low earth orbit telecommunication satellite companies, Iridium and others, that have made progress on some of the types of satellite technology that would be relevant to a program like "Brilliant Pebbles."

Senator BIDEN. Jim, let me cut you off there because my time is up.

Mr. Zoellick and I were at a conference where everyone at this conference—you have attended it before—the Wehrkunde Conference in Germany with all our European friends, where we were all trying to tell them, do not worry, this will not affect anything. We are only talking about a limited defense. And they talk about, no, that is not true. The people really pushing this, the Woolseys of the world, if they knew they could only have a limited defense and that would be locked in in an ABM amendment, they would not be for it. They would not be for it. You would not be for it.

But let us be honest with people. The major proponents of a national missile defense system, if given the option of a permanent amendment to ABM that limited only to two sites, land-based, with the capacity only to intercept a handful of missiles from rogue states, and that was the permanent thing we were locking in, you would not be for that, would you?

Mr. WOOLSEY. No.

Senator BIDEN. Right. And no one else would that I had before here, the so-called experts who supported the system.

So, I think it is time for a little truth in advertising here. This idea that this is merely just a desire to have a limited nuclear defense to deal with the rogue states is a way to attract all those kids out there and say, look, do not worry. We are not upsetting the balance here in a major way.

Now, it may be the way to go, but I think we should argue this out honestly here.

Mr. WOOLSEY. Senator Biden, let me just two sentences.

Senator BIDEN. Yes.

Mr. WOOLSEY. There have been a number of proposals from Greg Canavan at Los Alamos and others that earth-orbiting systems, such as "Brilliant Pebbles," but put in orbits below, say, 41, 42 degrees such that they would only be able to intercept launches from rogue states or China and not from Russia. It is conceivable scientifically and technically I think to have an agreement which is early effective——

Senator BIDEN. Oh, no, it is conceivable, but that is not what you want. You said you got to protect against China.

Mr. WOOLSEY. Well, 41, 42 degrees would protect against China.

Senator BIDEN. I am off my time.

The CHAIRMAN. Let him finish.

Senator BIDEN. I am off my time. I will come back to that later.

The CHAIRMAN. Go ahead and finish. Please finish your statement.

Mr. WOOLSEY. Systems in that kind of orbit would protect against the rogue states and China but not against Russia. This might be a very difficult negotiation with the Russians, but I think one could conceive of striking a new type of agreement with them in which—at least as long as Russia is a democracy—we would be willing to have an agreement whereby we were not deploying vis-a-vis them, but we were deploying a space-based effective system against China and the rogue states. I think that is a feasible approach.

The CHAIRMAN. Thank you very much.

Senator Kerry.

Senator KERRY. Thank you, Mr. Chairman.

Gentlemen, thank you for being here and sharing some thoughts with us. Like Joe, I would love to stay and ask a lot of questions, but in fact, I have to go to a meeting on the very topic that Joe was just talking about momentarily with the administration.

But let me ask you a quick question, if I may. There are two things. One, I want to ask you about the direction we are going in in the East China Sea, the Taiwan Strait with the Sunburn missile capacity that comes with this destroyer capacity being delivered to China from Russia within this week or so. While obviously we can find and destroy that level of destroyer very quickly, it begins, coupled with their submarine purchases, to shift the stakes in that relationship. I would like any of you to comment on that.

But the first question I want to ask and pursue is Iraq. Saddam Hussein has been characterized in the most harsh terms by almost everybody in the U.S. Congress and the administration, this one and the prior administration, and the threat of his development of weapons of mass destruction was sufficient for us—it was part. It was not the entire—obviously, the liberation of Kuwait and so forth were critical.

But we saw fit at the end of that war to have a clear mandate by the United Nations with respect to his ability to develop weapons of mass destruction, and we saw fit to prosecute an air war in an effort to enforce that, as well as imposing a sanctions regime on Iraq.

But we are not doing very well at it obviously. The Chinese, the Russians, the French particularly have complicated our efforts to enforce U.N. Security Council Resolutions and find a strong UNSCOM-type of monitoring agency. I do not need to review all of it because you are very familiar with it.

But now we have the New York Times reporting that Iraq has rebuilt the military and industrial sites that were bombed in 1998, and that Saddam is probably rebuilding his WMD capacity. And everybody is quiet. Nothing is going on. So, this demonization and mobilization that took place at one point seems to be running for cover today because of people's lack of a sense of how to get something done with regard to Iraq.

Would you, Mr. Secretary Perry, begin the process of weighing for us where we really are there? Do you see some options other than those that are being employed? Are we stuck? Should we be more worried? What is the reality in terms of our policy with respect to that now?

Dr. PERRY. We should be worried, for openers.

If I could relive history, I would have kept the Gulf war going for a few more days until Saddam Hussein was overthrown. But that opportunity was missed.

Now we are stuck with a much harder problem. We are dealing with a sovereign nation. Saddam Hussein is the ruler. We are trying to prevent the development of weapons of mass destruction through the agency of U.N. inspections, and we have wavering support among key members of the U.N. conducting those inspections in a tough and meaningful way. So, I see this as being a very difficult and probably eventually unsatisfactory way of containing the weapons of mass destruction.

The alternatives are not attractive. The alternative of trying to overthrow Saddam Hussein has been expressed several times, has been attempted several times, has yielded no great success. And I am not at all sure that is likely to lead to success.

So, other than what we are doing, which is frustrating in the extreme, the only clear alternative is to go back to where we were at the end of the Gulf war. I think there is no stomach in this country for doing that. I would not recommend doing that. So, we are just going to have to struggle through the situation the way it is. What we are doing now is frustrating and difficult. I do not see a credible approach, a politically feasible approach that is better than that. I invited anybody to suggest a better approach that we could take that could really be executed.

Senator KERRY. Do you agree, Mr. Woolsey? Are we stuck essentially, which is what the Secretary says?

Mr. WOOLSEY. We are probably stuck in the short run. I think that support for the Iraqi opposition conceivably could bear some fruit, but it would be a matter of probably years. Had we started vigorously with this back in 1991 and supported the Shi'a at the end of the war when they rebelled in the south and had we not been on-again/off-again Finnegans with our support for the Kurds and the others in the north back during the mid-1990's, I think we would be a lot further toward a weakened Saddam regime today.

But one has to start somewhere and sometime, and I think Congress' efforts to move toward a more vigorous support for the Iraqi opposition are wise. It is just that I think we have to have patience that it is going to take some time for them to have some effect.

Senator KERRY. Mr. Zoellick.

Dr. PERRY. Senator Kerry, could I add briefly to that?

Senator KERRY. Yes.

Dr. PERRY. I agree with what Mr. Woolsey has said. We should continue to try those efforts, try harder. I am just saying we should not hold our breath for any results quickly from that.

Second, I believe we should continue the efforts we are doing militarily which are harassing the Iraqis. I do think that should slow down.

Senator KERRY. Would you take that harassment to the higher level if we had intelligence regarding specific sites of development to be preemptive?

Dr. PERRY. Yes.

Senator KERRY. You would?

Dr. PERRY. Yes, but I would require specific intelligence to do that. The goal is slowing down the nuclear development. There is nothing we have underway now that guarantees that it is going to be stopped.

Senator KERRY. Well now, they currently are refusing to comply with Resolution 1284, notwithstanding the way in which the French and the others seem to be indicating that if they did comply, that the sanctions would be very quickly lifted. So, we are better off, in a sense, as long as they remain in noncompliance, are we not, because at least you keep the sanctions in place?

Dr. PERRY. That is a close call. I am not sure of——

Senator KERRY. Secretary Zoellick, you have not had a chance to answer yet.

Mr. ZOELLICK. Yes. You asked if there is a different option. I think there is another option. I do not think it will be an easy option. I regret to say I suspect we may be pushed to it over the next couple years because what I think has happened over a course of time is that Saddam Hussein kept making challenges, moving troops to the south, assassination attempt on President Bush, playing games with the inspectors. And each time he came away a little better, and that has not gone unobserved by everybody in the region. This is one reason why the Saudis, for example, are making their own terms with the Iranians because they are now assuming that the dynamic is that at the end of the day he will be left there standing. That is why I think the coalition has badly frayed.

Now, what this comes down to is at some point do we decide we want to reverse that momentum, so that if he makes a move, which he will again, that we push two steps back as opposed to just meet his forces at each point along the line.

With a leader like Saddam Hussein, the reason I think we may be driven to this is that we have seen that he is willing to use weapons of mass destruction against his own people, against enemies. We have seen that he is motivated by revenge. In a sense, as Jim was saying, as we look at terrorists, he is in a different category than North Korea in my view.

So, I think what the United States needs to start to consider is that at some point when he moves again, whether we want to take a step that would, for example, remove his authority and control in the south of Iraq. We have partly done this in the north of Iraq, and we could probably do more of it in the north of Iraq so that the momentum is shifted. The momentum becomes he moves one step, he gets two steps back, and that we create a true basis for an opposition.

I support Jim's idea of an opposition, but I think we have to be realistic. I do not think that opposition is going to be effective against Saddam Hussein's regime under the current situation.

So, if we are really worried about this guy, if we really see him developing the weapons of mass destruction, if we do not have inspection sites, then we have to ask ourselves, are we willing to take

some actions which would require more military action but still might be limited to a degree because there are points in the south and the north with rather limited troops and air power, we could exercise that control, moving toward the dynamic that ultimately his authority in Baghdad has been linked to his ability to slowly regain his power. And if he starts to lose that, then what effect will it have on the thugs around him? And frankly, what effect will it have on the French and Russians and others that are now assuming that, if they play along, some day they will be the ones that sell the oil? That dynamic has not worked in our direction.

So, I do not mean, by saying this, to suggest this is easy, but I think this is the choice, frankly, Senator, we are going to face in the next year or two. I do not think we are going to face it this year for obvious reasons.

Senator KERRY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

Before we go further, I will say again to the young people that the give and take in debate and questioning does not indicate that there are any hard feelings. As a matter of fact, I expect that every Senator in the Senate will agree that Jim Woolsey was one of the best CIA directors we ever had.

Senator BIDEN. I will agree, Mr. Chairman.

The CHAIRMAN. I feel that way. And if anybody was getting it wrong—I believe that was the expression you used—it was because they were not listening.

But anyway, Mr. Zoellick, I wanted to ask you a question. We all know about NATO and the U.S. security pact with Korea and Japan. Now, how would you assess the current state of U.S. alliances in Asia and in Europe? Specifically, is leadership from the United States as influential and respected within our alliances as it was during the beginning of the last decade? And if not, why? And are our allies still committed in resources and in policies to defending our mutual interests? I put those together so you could address the whole picture.

Mr. ZOELLICK. Well, it is interesting, Mr. Chairman. You and Senator Biden both started a question the same way, which is focusing on allies. I think that is a key question because part of the point of my statement was at a time of flux, we cannot take these relationships for granted.

Senator Biden asked some questions about how the Japan relationship might change. I personally believe, Senator, that the absence of a missile defense is more likely to create the phenomenon in Japan that you are worried about than the presence of one. And then to play it back into our own politics, if we have a theater missile defense for Japan that, in effect, is a national missile defense for Japan, you gentlemen can tell me better than I could how likely we can sell our American public that we are defending Japan but not the United States from missiles. So, these points connect.

And this is a difficult challenge for the United States because working with allies is often a terrible pain. You do not get to do everything the way we want it. My own view is that the United States can extend its influence much further when it works with allies. But the key to that, Mr. Chairman, is having a strong sense

of your objectives, so you know the most important things so you can compromise on the secondary things.

I have to say that I think, to a degree at times in recent years, we have been somewhat ad hoc and reactive, and so we have not had a sense of that strategic objective. We just talked about the Gulf war coalition. That is one example of a form of alliance that is not in very good shape today.

Senator Biden mentioned being in Europe. I personally think that some of the reaction we are getting from the Europeans on national missile defense is that we did not really lay the groundwork in explaining what we think about this and why we think about it. You could even see at this meeting that some of them, when they get the idea that the United States is going to go ahead with this one way or the other—there are differences about timing, when, and others—they are going to adapt to that. But frankly, part of alliance relations is preparing for that.

It goes again to a core issue that Senator Biden raised. The Europeans have come away with the idea that missile defense is to create a fortress America, to delink. I see it as exactly the opposite. I think that if the United States is going to continue to project power abroad, we need to make sure that those theater forces are protected, and frankly, the United States is not vulnerable from a North Korea and Iraq or Iran that might take us on. That is the nature of alliance relations that I think has suffered.

One more example just from Asia, since Secretary Perry is here, he did, I think, an excellent job in starting to overhaul our U.S./Japan alliance relationships after the threat with North Korea and we became aware of the risks that, if there was a conflict, the Japanese might stand on the side and the American public would not be very pleased.

In the aftermath of that, not surprisingly, the Chinese came down on the Japanese like a ton of bricks, and the Japanese—bless their hearts—stood up to the Chinese.

When President Clinton went to China for 9 days, that topic did not come up, and I think that was a mistake because I think that if you have got an ally, you agree on something, it was incumbent on the United States to defend what we worked out with our ally from a security position. And that would be the answer to Senator Kerry as well. What we know is the Chinese have a different view of security in the region than we do. It does not mean we have to be enemies, but we better defend our friends if we agree with something.

So, these become small accoutrements. At the end of the day, the United States is a powerful country. People are not going to abandon us. But there are a lot of issues where, if we do not handle these relationships properly, we are going to make our job a lot tougher dealing with uncertainties.

The CHAIRMAN. You could not see them, but your colleagues were nodding.

Now, you know about the high level delegation from North Korea that was to come to Washington in a couple of months. I believe that was supposed to happen in October of last year, Mr. Secretary. Why do you think it took so long, after we agreed to lift sanctions

on North Korea, for the North Koreans to commit to sending a high level delegation to the United States?

Dr. PERRY. Mr. Chairman, they never gave us a date until the last meeting in Berlin when they indicated that we would have one more preparatory meeting late in February and that the high level meeting would be about a month after that. That is the first time they ever specified a date.

Why did it take so long, though, is your question.

The CHAIRMAN. Yes, sir.

Dr. PERRY. I can only give you my estimate of that. My estimate is that there is a struggle going on within the North Korean Government between those who see the benefit of normalizing diplomatic and economic relations with the United States—and the benefits would be quite real—and those who see the hazards to doing that. The hazard is basically opening up North Korea to Western visitors, to diplomats, to business people. And this is a country that is totally isolated and its people are separated from the rest of the world. I believe many people in the regime fear that this opening up could undermine the regime. So, as a consequence, I believe there is a struggle going on within the North Korean Government, weighing the advantages of opening up versus the disadvantages.

The CHAIRMAN. Plus the fact that they have bad domestic problems, like feeding their people, as you well know.

Mr. Woolsey, a lot of folks in this town are trying to play politics with the CTBT vote. There are commercials being run back home and all the rest of it. You know, they are doing this in spite of the fact that they might undermine the nuclear Non-Proliferation Treaty and the ability of the IAEA to inspect rogue countries.

Now, I have made repeated requests of the administration respectfully for submission of the enhanced safeguards protocol. I want that to come to the Senate, but the administration does not want the Senate to endorse a nuclear Non-Proliferation Treaty at this time—even if it would strengthen the IAEA's ability to inspect dangerous countries.

Now, my question is, how do you assess the value of the NPT and the IAEA, and do you think that the administration or anybody should be playing politics with efforts to sustain and strengthen those efforts?

Mr. WOOLSEY. Mr. Chairman, the NPT and the International Atomic Energy Agency's operations under it, without the enhanced protocol, have some utility, but it is relatively limited. Saddam, after all, complied with Mr. Blix's and the IAEA's inspections and ran several nuclear weapons programs. And it is not because the IAEA inspectors were a bunch of Inspector Clouseaus. It was because they really did not have the authority, I think, to investigate fully what they needed to.

The protocol, as I understand it, permits challenge inspections that cannot be turned down, and that is a big step in the right direction. It would help a lot. It was negotiated—I forget, but it has been a couple of years ago. I do not know what the reason is that it has not been submitted, but it seems to me if one is serious about having the IAEA be effective, you have got to have the protocol that permits inspections of the sort that could not be under-

taken in Iraq back in the late 1980's and at the beginning of the 1990's.

The CHAIRMAN. Good. Thank you very much.

Mr. Biden.

Senator BIDEN. Thank you, Mr. Chairman.

Dr. Perry—and I would like all of you to answer this in any order. You all know a man I think we all respect as well, a heck of a scientist, Richard Garwin. Garwin had an idea for a missile defense system that was limited, that was easier to do and more reliable, but would require some real negotiation, and that is to have a land-based boost-phase defense operation, which is even more reliable than "Brilliant Pebbles," more accurate, able to be done cheaper. But what it requires is you have to have this missile defense system—I know you all know this, but for the record—near the site of the rogue state. So, in the case of North Korea, we would end up having to have that site in Russia, preposterously in China, or in Japan, or in South Korea.

But it seemed to me to be a proposal that—one of my liabilities is—I am sure none of you share it—I have been doing this for so long that as one of my former colleagues said, dealing with the question of nuclear defense and nuclear offense is like reading Aquinas' Summa Theologica and the debate about how many angels can fit on the head of a pin. I mean, we have our nuclear theologians, and I am afraid I may be becoming one of lesser stature, but nonetheless becoming one.

But it seemed a couple years ago this idea was one from a purely scientific standpoint and for dealing with the immediacy of the threat an appealing notion. I am going to ask you just to respond to what I have to say. It seemed as though to me from my perspective that it was abandoned a little bit in the same way that that famous phrase of G.K. Chesterton about Christianity. He said it is not that Christianity has been tried and found wanting; it has been found difficult and left untried. I think that we basically found this difficult and left untried. But I could be wrong about that.

So, my question is this. If you are able and if you would like to, if you could respond to the efficacy of a boost-phase defense system operated near rogue state sites, and two, the politics, the international politics of that. What are the constraints assuming it is efficacious? What are the constraints?

Why are we not talking about this anymore and talking about a considerably more expensive system and a system also that, as Director Woolsey says, you know, a bullet hitting a bullet—we may be able to do it, but still, that is pretty tough stuff. And with a little bit of—not luck. With the good graces of our neighbors, we may succeed in the next test, which is within the next, I guess, 2 months.

But can you talk to me about Garwin's notion of boost phase and proximity?

Dr. PERRY. I have thought a lot, Senator Biden, about how to deal with North Korea's long-range missile threat, and I will summarize my judgment on that.

First of all, the first alternative and, by all odds, the best alternative is to try to influence them not to deploy the damn missiles.

Senator BIDEN. Agreed.

Dr. PERRY. That is what we should be focused on first of all, and that is what we are trying to do.

Senator BIDEN. And we are and you are.

Dr. PERRY. If we are unsuccessful in that, then in my judgment the preferred defense would be to go after the missile during the boost phase. I would do that not from land, certainly not from Russia, but I would do it from sea. An Aegis missile based off the coast of North Korea would have a very easy shot, during its boost phase when it is the easiest target and before it could release any penetration aids or decoys.

The third alternative, which is not competitive, if you're only defending against North Korea, would be a ground-based system in the United States going against the reentry vehicle which is a harder way of doing it by quite a bit.

But let me say clearly that I believe that while there has been much technical debate over the NMD system, whether it can be done or whether it cannot be done, my own judgment is it can be done. It is going to cost more and take longer than most people believe today. But I do have complete confidence that this is technically feasible and that we will be able to do it. But even rather unsophisticated decoys and penetration aids makes the job more difficult. That is the advantage of getting at the missile during the boost phase; it is far better because it avoids the decoys and penetration aids.

Senator BIDEN. Right, if you continue.

Having run the Defense Department, why was this Aegis option basically—that is what I will call it for the sake of discussion here—apparently dismissed? It seemed to me to be so logical. So, from a scientific and an immediacy standpoint, it seems to me that would be discouraging for them to produce. If they knew that all this effort was going to go for naught because we demonstrate that we are capable of doing that and you have Aegises sitting in international waters off the coast, I just do not understand why was it rejected? Why was it not pursued?

Dr. PERRY. I do not believe it has been dismissed, Senator Biden. We are moving full steam ahead to develop a theater missile defense system on the Aegis, which itself would be quite suitable for doing this job. And it is in about parallel development with the national missile defense system.

I would point out, of course, though that that would defend against a Korean attack.

Senator BIDEN. Right.

Dr. PERRY. But you have to have the right kind of geography for a system like that to be effective.

Senator BIDEN. I got it.

Mr. WOOLSEY. There are two points, Senator Biden. Without an amendment to the ABM treaty, a Aegis boost-phase defense against a North Korean ICBM would violate the treaty.

Senator BIDEN. I understand that.

Mr. WOOLSEY. So, you would have to amend the treaty.

The second thing is that North Korea is really the only one of the three rogue states that is geographically situated in such a way that this surface-based, boost-phase intercept might be reasonable. Iran and Iraq I think probably are not unless one has boost-phase

intercept based in Russia again. So, that is what has driven some of us, not any great affection for space, but that is what has driven some of us to this notion of boost-phase intercept with kinetic energy interceptors from space in these inclined orbits that I talked about earlier.

Senator BIDEN. I guess what I am trying to say is—my time is up.

The CHAIRMAN. Go ahead.

Senator BIDEN. The people whose views I respect the most, including yours—and I mean that sincerely—seem to come down in one of two areas. We have to develop a theater nuclear defense anyway, unrelated to the rogue states in my view. I think in terms of our projection of conventional capability, I do not want our forces out in the circumstance where we have them through our significant lift capacity moved 8,000 miles or 12,000 miles from the shore and the proliferation of nuclear capability in a theater range not be able to be at least arguably dealt with. So, I would assume that no one is suggesting if we get a national missile defense land-based system, that we are not going to continue to work on a theater system.

So, it seems to me that the people who I speak to most often—and it is across the lines, Jim, I promise you. I have tried my best. I even asked Richard Perle and Wolfowitz to come and see me. OK? So, you know how open-minded I am.

But all kidding aside. I really am trying to figure this out.

It seems to me, Doctor, that the people who seem to know the most about the best strategic posture either end up where Jim does on "Brilliant Pebbles" in a low or a high altitude in outer space or they are talking about boost phase.

It seems, though, what we have settled on in the Congress, not speaking of you all, is we have settled on the present approach as being required to, if it works basically—if the next test works, with good reason—I am not being critical of people who disagree with me on this—there will be a hue and cry here to immediately commit to that system, the system that just missed and the one that hopefully will hit next time and we will have two successful tests. There will be a political stampede to employ that, which is an incredibly costly system. It seems to be all of the experts' third choice, not first choice. And that is what confuses me about this.

I truly believe that—because I guess if you are here long enough, you begin to think you know some things, which is a dangerous thing. I have spent a lot of time doing what you guys do, writing articles about what should be the broad outlines of American foreign policy, what our strategic doctrine should be. I have thought a lot about it. I have inquired of all of you, and I end up at the same place, which is the combination—you started off, Jim. You said the combination of a defensive capability and an offensive capability. You said ABM and defense, but so everybody understands a defensive and an offensive capability that is agreed to internationally is ideally the best matrix for us to work within. I am with you on that.

I just am expressing my frustration and will stop, Mr. Chairman. I have been a politician too long. I have held public office for 30 years. The Senator and I came the same time. I was a local official

before this. We are going on 28 years. I think the only thing I know as well as anybody but probably the chairman is I can smell the politics. I do not mean partisan politics. I do not mean partisan. I can smell the politics of this place where the horses are about to smell the water, man, and there is a stampede. It is like we are not thinking it through. We, not you. We. So, that is the source of my confusion here.

Mr. ZOELLICK. Mr. Chairman, with your indulgence, could I just make a brief comment on this?

The CHAIRMAN. Certainly.

Senator BIDEN. I would love to hear what you have to say.

Mr. ZOELLICK. I think again, Senator, your opening inclination in your first question is the right way to try to look at this which is let us go back to some of the strategic basics. Before we get into technology, let us ask ourselves here.

People may disagree with Henry Kissinger about a lot, but there is an interesting piece in today's paper I would suggest you look at because it talks about his view of the history of the ABM and the logic. Point one is it was driven by what some people might have an illogic of mutually assured destruction. It even seems more illogical if you do not just have two powers.

So, the starting point is do you really believe in this era we need to defend against missiles and we are willing to devote the resources to do that. Because if you do, my view is the con game here is that eventually you are going to end up having a system that is partly sea-based, you are going to have a system that is partly air-based with lasers, and you are going to have a land-based because the best way to assure protection is multiple tiers. On top of that, you are going to have space sensors, if you believe this is an important aspect to develop because, just as you were doing, you go through each of these options. There is a little flaw here, a little flaw there. And the technological capabilities I believe will be there for these systems, but you have to ask yourself do you believe these are important for projecting power, protecting your homeland, basic strategic decisions.

Now, this leaves one other question, which we all ponder, which is, OK, well, we talk about making amendments to the ABM treaty and how can you talk about making amendments to the ABM treaty, if you are talking about the type of system development that I am talking about.

To me this is why we need to think through these things with a new strategic logic. I think we should go to the Russians and say, look, the ABM model was designed for a different era. We are in an era now where we are concerned about these missiles. Frankly, you in Russia should be too. And we would be willing to work with you on these, but here is the problem we face. We do not know if the information we give you ends up in Tehran. But then that is a modern problem that we can be focusing on about how to stop that as opposed to discussing theory of things that were 30 years ago.

So, I am reinforcing perhaps the nonpolitical instincts here, which is to go back to the strategic purpose, and that is what we as a country have to decide.

Senator BIDEN. No. If I may, Mr. Chairman. I agree with you, and I know for a fact that is the nature of the discussion that is happening right now. That is exactly what Talbott and others are saying right now, what you just said.

I guess if I can say it this way, Mr. Chairman, it will be a very homely analogy. It is clear that if I am a 14-year-old kid left at home and I live in an apartment where there is a guard downstairs—you have to get through the guard to get up to the apartment—and my parents are not going to be home, that is not the safest place for me to be and it is not the best place for me to be, and it is better for me to be at grandmother's house. But if I have to walk through a rough neighborhood to get to grandmother's house, I may get mugged and really hurt much more badly. So, the problem I have here is how do you get to grandmother's house.

I think you are right about eventually where we have got to get. The problem is if in the meantime what we do is we end up not as a desire, but as a consequence of our actions, with the significant proliferation of many more nuclear weapons worldwide, then we have upped the ante in ways that we have to rely upon the certainty that the people possessing them will believe that the defense is of such consequence that they will not have any utility. That is an even harder game for politicians—I know how politicians think—for politicians to calculate than the consequence of I know if I react, I am obliterated. So, there are equally difficult concepts here.

So, I am just figuring out how to get to grandmother's house, and I think it is a really rough neighborhood you got to go through to get there.

The CHAIRMAN. Well, the solution to that is to get grandma to move into the same apartment.

Senator BIDEN. I think you are exactly right, Mr. Chairman.

The CHAIRMAN. We have kept you for 2 hours, but this is probably one of the top 10 hearings since I have been chairman in terms of importance. I want you to know, all three of you, that I appreciate your patience and your willingness to come here this morning.

Now, I am going to get away from the weaponry because I have got friends on both sides, and I try to satisfy my friends, you know. It was a lot easier to be a statesman back when Benjamin Franklin was alive than it is today, because they did not have all these complications.

But seriously—and I am going to direct this to you, Mr. Zoellick. I want to talk about treaty negotiations. Do you have the impression sometimes that our Nation, our Government, is isolating itself in more and more multilateral treaty negotiations?

What I am trying to say is that we end up agreeing to the least bad treaty and then labeling the result as a big victory compared to the treaty that could have been negotiated. Now, that bothers me.

Now, this bizarre measurement of success was used by this administration with the Biosafety Protocol, with which you are familiar, on trade in genetically modified product, which was concluded I believe last month in Montreal, as well as the Kyoto Protocol on

Climate Change, the International Criminal Court, the Ottawa Convention on Land Mines, et cetera, et cetera, et cetera.

My question is what negotiating posture can the United States take to ensure its interests are not eroded in these large multilateral negotiations? And a second part of the question is, should the United States continue to participate in every forum that initiates an international legal process? If you will take that, that will be my end for the day.

Mr. ZOELLICK. Well, I am in the worst position of this because I served in the State Department.

The CHAIRMAN. That is the reason I asked you.

Mr. ZOELLICK. My colleagues to the left—you know, the State Department is always easy on this stuff, compared to the tough guys at CIA and Defense.

Mr. Chairman, we started this conversation, the two of you, with the importance of allies and working with partners. I still believe that is the preferable route for the United States and it is an important way to do it, as we have talked about on national missile defense. It takes a lot of homework. It takes a sense that people will trust your word. It takes a sense that you have your objectives clearly stated so you know where you can compromise. And that is the preferable route.

But I also believe, to be effective as a leader in negotiations or in war coalitions, you have to be willing to demonstrate that you will act alone if necessary. I worked with President Bush and Secretary Baker at the time of the Gulf war coalition. It was an amazing example of using the U.N. effectively for a war-fighting coalition. But I believe we never would have been successful if the United States had not made clear that, one way or another, we were going to reverse this aggression. So, it was the combination of the multilateral action but also the individual will.

You mentioned a couple of cases, and I will just refer to one that troubles me deeply and it goes to this question of the United States putting a marker down. I am deeply troubled with what this Yugoslav human rights court is doing in terms of the investigation of NATO forces. I think this is the worst case of moral equivalency. I believe that there are plenty of thugs and human rights violators that need to be hunted down without doing phoney investigations of U.S. forces.

And my real concern here is that this is the type of real-life example that the discussion about the International Criminal Court brings to light. You gentlemen would know this better than I do, but my concern is if the families of American soldiers feel that they are not only going to put their lives on the line in terms of peacekeeping or peace enforcement missions, which they may question in the first place, and then on top of that, they are going to have lawyers second guessing what NATO forces do, I suspect the willingness to engage in these forces is going to be less and less.

So, this frankly is one where if I were in the administration today, I would be making crystal clear that we do not accept this process, and if people want to go forward with it, then the lawyers can pick up the guns and our guys can come home because I think this is a bad way to approach an issue where the United States has demonstrated leadership abroad dealing with human rights atroc-

ities. So, sometimes you do have to make clear your view, and that is one I would make it clear on.

The CHAIRMAN. Very well. Do you have any comment?

Mr. WOOLSEY. Only, Mr. Chairman, once when fighting in Spain, the Duke of Wellington said that he was not sure whether his forces frightened the enemy, but he said, "by God, sir, they frighten me."

And I think if we had a force of lawyers, as Mr. Zoellick hypothesized, that would definitely be the consequence.

The CHAIRMAN. Mr. Secretary.

Dr. PERRY. I am also in favor of drafting all the lawyers.

Senator BIDEN. Mr. Chairman, may I make one point?

The CHAIRMAN. Sure.

Senator BIDEN. I know Mr. Zoellick knows this. The prosecutor who unfortunately said that has walked away from her own statement. Nobody—nobody—nobody in the alliance said that was any part of the war crimes tribunal. She has stepped back from it. She has said that is not what we are going to do. She did say it, and within 48 hours she backed away from it more rapidly because people like me and a lot of other people deeply involved in the issue immediately said, wrong, that is not in it. That is not part of the deal. So, that is not the official position.

Mr. ZOELLICK. Well, with respect, Senator, as I understand it—and mine comes from the New York Times. You have better sources. She has not dropped this, and I think that she ought to make clear that this is off and it will not be done again. You would be the first to know that——

Senator BIDEN. I absolutely, positively agree with you. My understanding is that it is off, but whatever it takes to make sure that is done, I assure you I for one will weigh in on that point.

I too want to thank you all very, very much.

I want to recommend one thing for the students who are here.

And I want to thank you. You have all come a distance, but particularly Dr. Perry came from California for this hearing and I understand it is basically the only reason you are here. I cannot tell you how much we appreciate your making the effort to be here.

Further, I reveal my prejudice. I think your book on preventive defense is one of the finest expositions that I have read, and I have tried to read every damn important book that has been written in the last 15 years on strategic doctrine and on our defense posture. And I would recommend it. It is called "Preventive Defense" and it is written by Secretary Perry and Ashton Carter for those of you who are students. Whether you agree with the position or not, it will give you the most articulate case, I think, for the case for prevention that I have ever read, and I think you do it extremely well.

Dr. PERRY. Thank you, Senator Biden. I hope that is in the transcript.

Mr. ZOELLICK. It needs to be in a book blurb is what it needs.

The CHAIRMAN. In capital letters.

I imagine that requests for printed transcripts of this hearing are going to be greater than we have had in a long time. Therefore, on behalf of the Senators who had obligations on other committees and who were not here, I am going to keep the record open for a

couple of days so that they can submit questions in writing. I know this is a burden, but I hope you will favor us with your responses.

Thank you again and I thank the people who have been here as visitors.

The CHAIRMAN. There being no further business to come before the committee, we stand in recess.

[Whereupon, at 12:13 p.m., the committee was adjourned.]

[Responses to additional questions for the record follow:]

ADDITIONAL QUESTIONS FOR THE RECORD

RESPONSES OF HON. R. JAMES WOOLSEY TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

Question. I have supported a policy of trying to replace aggressive regimes which sponsor terrorism, proliferate the most deadly weapons, repress their people, and have designs on repressing their neighbors' people. Iraq, Serbia, and North Korea are all examples of states where the best policy, in my mind, would be for the United States to aid opposition forces and broadcast uncensored news—to help change the regime, as the heart of the problem.

- How would you assess the performance of the Clinton Administration in pursuing this simple idea?

Answer. With respect to Iraq, I believe the Administration's policy has been almost uniformly feckless and flaccid. With respect to Serbia, I believe that there was a long delay in challenging the Milosevic regime with respect to its activities in Bosnia, and an unwise limitation on the use of force once the decision was made to challenge it in Kosovo. With respect to North Korea, I believe the opportunities for regime change are quite limited. But in all three cases, I would strongly support aid to opposition groups, where possible, and in any case the broadcasting of uncensored news.

Question. Where the Clinton Administration has said it supports a regime-change policy—as in Iraq and Serbia—is it following through?

Answer. With respect to Iraq the Administration's actions have been particularly weak in terms of supporting a change of regime. It seems to be principally interested in postponing any outbreak of conflict, or even tension, with Saddam until after January 20 of next year. It has not followed through even fmancially with what the law requires. With respect to Serbia, the Administration did at least take military action in Bosnia, although after several unproductive years of trying to make the UN dual-key system of control work. It took action after a time in Kosovo (a much more difficult case, politically, because Kosovo had been recognized as a part of Serbia), but by declaring that ground forces would not be used and by limiting air action to high-altitude bombing it unnecessarily prolonged the use of force.

Question. Has it followed through when urged on by Congress, as in the case of the Iraq Liberation Act?

Answer. No. The Administration's implementation of the Iraq Liberation Act has been reluctant, formalistic, and minuscule.

Question. Another foreign policy tool for dealing with rogue states is economic sanctions, the application of which a number of legislators seek to "reform."

- How important a tool are sanctions for either facilitating regime change, urging a regime to alter behavior threatening our interests and principles, or highlighting the importance the United States places on a problem such as terrorism, arms proliferation, and political repression?

Answer. As a general proposition I believe that the United States over-uses the tool of economic sanctions. They are rarely effective unless they are multilateral and thoroughly enforced, and often they are employed against regimes which care little or not at all about economic deprivation of the people they rule. Having said that, however, I believe we should persist with the economic sanctions in effect against Iraq. A very fine piece by Patrick Clawson in the Washington Post on Sunday, February 27 ("The Numbers Don't Lie. Saddam Does") sets out the reasons for maintaining these sanctions quite well.

Question. Do you agree that we ought to take care not to too narrowly constrain the ability of the Executive Branch and Congress to implement sanctions against rogue states, and specifically countries on the State Department list of sponsors of terrorism?

Answer. Yes. If the government makes a decision to implement sanctions, we should do everything we can to make them effective. I believe, however, that the State Department list needs to be made more precise in its description of state sponsors of terrorism. Some states that are on it (e.g., North Korea and Cuba) have ruling regimes that are terrible in their deprivation of human rights and in other ways—such as, in North Korea's case, proliferation of weapons of mass destruction and ballistic missiles—but now have very limited roles in terrorism. The principal state sponsor of international terrorism is Iran, and there the recent election of a majority of reformers to the Majlis suggests the possibility (not yet the reality) of some substantial changes in government policy; this should be considered in any assessment of the desirability of sanctions.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

THURSDAY, FEBRUARY 10, 2000

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:35 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Chafee, Sarbanes, Feingold, and Boxer.

The CHAIRMAN. Good morning. We welcome all of the visitors here this morning.

Lincoln—Senator Chafee, I would say that I am very pleased at the interest in foreign affairs on behalf of the young people.

And I always tell everybody if you cannot hear, raise your hand, and we will crank it up a little bit.

And we work for you here, and now—see this gentleman with the plug in his ear and with the pen in his hand and all that stuff, he is taking down the verbatim comment in this committee this morning. And it will be printed verbatim, except that we usually exclude stuff like right now.

But if you find yourself interested in some of the information, as you very well may, drop me a line and we will get you a printed copy.

I have been advised that Senator Biden, who like all Senators, we all have committee meetings galore—I think sometimes they—there is some sort of computer down in the bowels of the Capitol that cranks out stuff about 11:30 every night that says, "How can I schedule Helms at three places at one time tomorrow."

So I just pick and choose. And I always choose Foreign Relations, because this—this is sort of my committee.

All right. We welcome this morning a distinguished American, the honorable Brady Anderson, who is Administrator of the U.S. Agency for International Development.

Now, USAID is the foreign aid establishment. And sometimes into the history—its history, it has run amuck at the displeasure of the American people.

Here is a man who is getting all that straightened out. Mr. Anderson was confirmed for this position on July 30 of last year, after serving as an ambassador.

Prior to that time, Mr. Anderson and his wife answered an even higher calling. They were missionaries in Africa.

And Mr. Ambassador, you bring an unique perspective to USAID and we look forward to hearing your frank assessment of the operations of that Agency.

And, of course, the management changes from time to time, and so do the challenges that you run up against.

We especially look forward to hearing your view of the President's fiscal year 2001 foreign aid budget priorities, as well as the plans for the Agency you have for the rest of the year.

Now, then it may come up during the hearing, so I will mention it right now that Senator Biden and I are engaging in discussions regarding legislation we hope to consider very soon.

Now, we have kept the committee members informed about the general outline of what we will attempt to do.

And I intend to provide committee members the details of that proposal as early as possible, maybe next week.

The Technical Assistance, Trade Promotion and Anti-corruption Act is not—let me emphasize—is not a foreign aid bill, per se, but I fully expect it to contain a number of provisions of interest to you and to USAID. And you and I have talked about that.

Our staff have discussed it, of course. And we are working with you on various proposals, because we plan to give you the tools to manage USAID more effectively and efficiently.

I have, therefore, every confidence that the committee can and will produce a bipartisan bill with the administration's support that will promote U.S. interest abroad and be fair to the taxpayers and citizens of the United States.

Senator Sarbanes, do you have any comments, opening comments?

Senator SARBANES. Well, Mr. Chairman, I just want to join you in welcoming Brady Anderson before the committee.

I think this is his first hearing as Administrator since we confirmed him on July 30 of last year, and, of course, he has had quite a full plate at USAID.

USAID has been the principle Government agency involved in assisting countries with sustainable development, with disaster relief, and recovery, with poverty reduction and with the strengthening of democracy.

And I particularly want to note that the USAID-run immunization programs have saved millions of lives all around the world. They have developed some very cost-effective solutions, the water re-hydration therapy, for example.

And a lot of the focus is now being paid to the AIDS problem in various parts of the world. And they have initiated and developed some prevention programs, which have been very effective in some of the developing countries, so we are very pleased he is here. And I join you in looking forward to hearing from him.

I might observe that we are going to be having a vote in a little while, and I am not sure I will be able to get back after that vote, but I certainly welcome the Administrator.

The CHAIRMAN. Well, we appreciate your coming for this.

Senator Chafee, I will say to the young people is—how long have you been in the Senate?

Senator CHAFEE. Three months.

The CHAIRMAN. His distinguished father served many, many years most effectively as an United States Senator, and he passed away last year, and the Governor of his State appointed his son, Lincoln Chafee.

And John Chafee was my seat mate. And I am proud that Lincoln Chafee is my seat mate on the Senate floor.

Do you have any comments, Senator?

Senator CHAFEE. No, thank you, Mr. Chairman.

The CHAIRMAN. You may proceed, sir.

STATEMENT OF HON. J. BRADY ANDERSON, ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. ANDERSON. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am pleased to be here today in my capacity as Administrator of the United States Agency for International Development to present the President's fiscal year 2001 budget for foreign assistance programs, and to set out for you the priorities of this Agency.

I would like to make a brief presentation and request that my formal remarks be included in the record.

In testimony before this committee earlier this week, the Secretary of State did an exceptional job of laying out the President's foreign policy goals and challenges in very realistic and eloquent terms.

The President's fiscal year 2001 budget request for international assistance programs identifies the tools and the resources we require to pursue these foreign policy goals and to meet these challenges.

Since my confirmation, I have visited the Balkans, the Middle East, Turkey, and the Central American countries of Guatemala, El Salvador and Honduras.

Today, I would like to share with you some of my observations from these visits.

We are in a tough business. We cannot overestimate the difficulty of the challenges the people of these countries face.

While recognizing that there has been progress, one is confronted with the stark reminder of how far these people have to go to achieve free and prosperous societies.

Oftentimes, that progress is two steps forward and one step backward.

I was moved by the people in these countries who look to us, not so much for our financial resources, but for inspiration as they struggle for individual freedom and opportunity.

They respect America and they admire our values. They do so, in my judgment, because in large measure, Americans are defined by our belief in the dignity and the worth of the individual. That is what strikes a responsive chord with people everywhere.

I think USAID's programs today reflect this fundamental value, the worth of the individual.

That is why I would like to emphasize that USAID is not about international charity, or transferring money to governments.

Granted, financial resources are important. However, our most important contribution is the transfer of knowledge, of ideas and of information.

We engaged so many elements of our own society in these efforts. Farmers, businessmen, judges, lawyers, universities, I might add in North Carolina, cooperatives, credit unions, State and local governments, and religious and secular organizations.

I believe that is why people around the world want us to help them find solutions themselves to their own problems, such as by building institutions that foster and protect individual rights.

This represents a tremendous faith in our values, something for which all Americans can and should be proud.

But what we do is not just for the benefit of others. We do it because we want a safe, secure and stable world for ourselves, for our children and for our grandchildren.

No one wants to live in a world of failed states, massive hunger, diseases that know no boundaries or terrorism and instability, which endanger our security and our prosperity as a people.

As the President stated during his State of the Union address, "We cannot build our future without helping others to build theirs." I certainly concur.

I also believe that we can make a difference in responding to this challenge, because of who and what we are, a Nation based on the principle that all men and women are created equal and endowed with certain inalienable rights.

From the very beginning of my tenure as Administrator, I emphasized that one of my priorities was to improve the coordination between USAID and the Department of State to ensure that our assistance programs reflect and support our foreign policy goals. I know this has been a concern of this committee.

The President's budget reflects the results of this enhanced and extensive collaboration at every level in the State/USAID relationship.

Beginning with our Embassies and USAID missions in the field to our regional and central bureaus in Washington, and to the final review conducted by the Secretary of State and me, our closer alliance is working very well.

In programmatic terms, our assistance reinforces the following foreign policy goals: promoting democracy and open markets, addressing global problems such as the spread of infectious diseases like polio, HIV-AIDS and TB, and mitigating and preventing, where possible, conflict and man-made and natural disasters.

However, for the U.S. Government to meet these foreign policy challenges requires efficient management of all our resources.

Another priority outlined during my confirmation hearings was the need to address the management problems that have bedeviled this Agency for some time.

One of the most critical of those concerns is the implementation of a core financial system that meets Federal financial standards.

USAID has now purchased a commercial, off-the-shelf core accounting system that we are in the process of installing.

Additionally, I have requested a work plan to deal with the serious procurement problems facing the Agency. And we are in the

process of finalizing that plan. I am committed to moving quickly in remedying this problem.

While I am not satisfied that we have addressed all the management problems that face the Agency, we will continue to press hard to make real progress toward efficient and effective management.

Mr. Chairman and members of the committee, I have also emphasized that another very critical goal of mine is to improve the relationship between USAID and the U.S. Congress.

In that spirit, I welcome the chairman and the committee's desire to pass an authorization bill this year.

I hope that in the spirit of cooperation, we can reach a consensus on such a bill. And I look forward to working closely with you in this endeavor.

Once again, I want to thank you for your kind consideration. And I am ready to take your questions.

[Mr. Anderson's prepared statement follows:]

PREPARED STATEMENT OF HON. J. BRADY ANDERSON

Mr. Chairman and Members of the Committee, I am pleased to be here today in my capacity as Administrator of USAID to present the President's budget for foreign assistance programs and to set out the priorities of the Agency.

I appreciate this opportunity to be heard on behalf of USAID, an agency that does so much to help people around the world, and directly serves our foreign policy goals. Your warm welcome this morning reminds me of last July, when I met with you for the first time at my confirmation hearing. I am once again gratified by your gracious reception. I look forward to working with you throughout the coming year in this same spirit of cooperation and mutual respect.

As you know, I've been at USAID for nearly seven months. That's not very long in a job as complex as this, and there is still so much that I'm learning. But overall this has been a very rewarding experience. I have been to Kosovo, the Middle East and Central America and personally observed USAID at work. I am impressed by the work done by USAID and by the dedication of our staff. I am honored to serve as USAID Administrator. And I would like to share with you some of my initial observations as Administrator, some of the accomplishments that have most impressed me, and some of my priorities for the remaining year of this Administration.

As you know, my own experience comes from the people in the villages of East Africa—Kenya and Tanzania—where I witnessed first-hand how political instability and violence can hold nations hostage and rob individuals of their potential. But I also have seen, both in East Africa and on my recent trips, how U.S. development assistance has brought hope and new opportunities to communities—through improved education, health care, and sanitation, and by providing training and assistance to open up both markets and political regimes. Every time I am thanked for the work that USAID is doing—whether by a simple villager or a head of state—it makes me proud of our country and what we stand for.

I know that there are some important things we need to work on in the coming year, in particular to make sure Americans know what USAID does and why it is important. I want to make sure people understand that foreign assistance is not global charity or international welfare; it is about making a secure environment for U.S. business and citizens abroad. It is an investment in our future.

Put most simply, through United States development assistance programs we apply our knowledge to help improve the lives of hundreds of millions of people around the world, and in the process we improve our own security and prosperity. This knowledge is drawn from a wide variety of sources—U.S. universities, non-governmental organizations and the private sector, as well as from USAID's own professional staff. Our programs are not simply directed at governments. We work with citizens and citizen groups throughout the world to help them improve their own lives and expand the livelihood of their communities. It is important that we give the American people confidence that the resources they provide are being well spent, and I welcome your help in doing this.

Americans also need to know that foreign assistance isn't just about the well being of people overseas. It is about our own security as well. It's been said that stable democracies don't go to war, and to me, that's a pretty good reason to try to strengthen democratic institutions in the countries where we work. Moreover,

there are harsh reminders that diseases like tuberculosis, HIV/AIDS and polio don't respect national borders. If we want to protect our citizens, we need to be concerned about the capacity to control these diseases in the countries where they are now taking the heaviest toll. Not only does foreign assistance contribute to our health security it contributes to our economic security as well. History has shown us that countries with open market economies make strong trading partners for America. U.S. exports of goods to the developing world in 1998 alone totaled more than $295 billion. The developing world is our fastest growing trading partner. In fact 80 percent of the world's consumers live in developing countries. It is evident to me that we have an important stake in how these economies and societies develop.

Americans deserve to know that their money is working and being used effectively and has been for a long time. Since 1961, when USAID was created, worldwide literacy has risen by almost 50%, life expectancy has risen by a decade, smallpox has been eliminated and the percentage of people living in absolute poverty has been cut almost in half. We didn't do it alone. But it wouldn't have happened without us.

Mr. Chairman, foreign assistance—both development and humanitarian—is an essential American foreign policy tool to help deal with the fundamental causes of instability and other problems within societies. I believe that the economic health and prosperity of the United States depends on the development of free markets and the establishment of democratic institutions abroad because it brings benefits home to America. U.S. foreign assistance strengthens our ability to promote peace, to combat the spread of illegal drugs, to fight terrorism, and combat nuclear proliferation. Poverty, hunger, illiteracy and disease suffocate hope and create the circumstances for upheaval and instability. USAID programs help people transform how they live so that they can become more productive participants in the global marketplace. And, in return, foreign assistance helps secure our own safety and economic health.

USAID PROGRAM OVERVIEW

As you know, the U.S. foreign assistance request has a large number of distinct components—Development Assistance, Child Survival and Diseases, the Development Fund for Africa, credit programs, International Disaster Assistance, Operating Expenses and P.L. 480 Food for Peace. We also work closely with the Department of State in programming and managing the Support for East European Democracy Account, the Freedom Support Act programs, and Economic Support Funds. The complexity of our program can sometimes be overwhelming, and as we focus on particular accounts or particular countries, we must not lose sight of the bigger picture. As I see it, the United States, through USAID, is addressing a range of problems that are or can become global in scope and that can and do affect our own quality of life and the security of this country. Before moving to the details of the FY2001 request, let me give you some examples of how USAID serves U.S. foreign policy priorities.

In Egypt, as in much of the Middle East, our focus is on regional stability and the peace process. While there are other important components to our activities in Egypt, the key U.S. strategy is to provide programs that stimulate economic growth and create jobs in order to benefit the whole of Egyptian society. USAID has been in partnership with Egypt since the Camp David Peace Accords were signed over 20 years ago.

In Nigeria, a country which is just emerging from 15 devastating years of a corrupt military dictatorship, USAID is focused on efforts to bolster the urgent needs of the new and struggling democracy under the leadership of President Obasabjo. We are engaged in economic reform, health and education programs, infrastructure policy and activities to promote the successful transition to democratic governance. It is very important to the U.S. and to all of Africa that Nigeria succeeds.

And in El Salvador, where I recently visited, USAID is helping the new democratically elected leadership pursue policies that are needed to ensure that its citizens share equitably in the reforms. Our programs concentrate on consolidating and sustaining the gains that have been made. A peaceful transition to democracy in Central America will create more opportunities for American investment, which will benefit both the United States and Central America.

In other areas important to our national security interests, we are working hard to make similar progress. In Indonesia we are providing assistance to help them emerge from the political and economic chaos of the last three years. In Russia, our programs continue to target selected democratic and economic reforms. And in Colombia we are working with President Pastrana to eliminate the production of narcotics and to foster a secure and responsive governmental structure. We are making progress, but the challenge ahead of us is great.

Turning now to the major elements of our program, I know that this Committee is certainly aware of the global environmental challenges we face—degradation and depletion of natural resources, rapid urbanization, the substantial environmental and health problems often associated with energy inefficiency, and the economic and ecological challenges of global climate change. USAID will participate in two interagency Presidential initiatives: Greening the Globe, to protect forests and biological diversity around the world, and International Clean Energy, to accelerate globally the development and deployment of clean energy technologies. Environmental challenges pose real threats to America's economic and political interests, and our request addresses conservation of natural resources, pollution prevention, and cleaner energy worldwide.

Examples of USAID's environmental work in the past year include improvements in the management of coastal resources in Mexico, Indonesia, Tanzania and Kenya; the institution of awareness campaigns on water conservation in Central America and the Middle East; and promotion of cleaner manufacturing processes in Bolivia, Ecuador and Egypt. Our children will inherit a cleaner and healthier world as a result of the environmental investments we are making today.

As this Committee certainly appreciates, open markets and economic growth are important to the United States, and we are working to promote these goals worldwide. Now, everyone knows that economic growth brings benefits to all groups in society, including the poor, the disadvantaged and the marginalized. But whether countries can achieve broad-based growth and reduced poverty depends on the development of a policy environment that promotes efficiency and economic opportunity for all members of society, as well as institutions that are soundly organized and managed. A level playing field requires good government. More than anything else, our programs help countries to become full participants in the global economy. This is at the heart of USAID's development assistance effort.

For example, *microenterprise* is an important part of USAID's overall poverty-reduction strategy, and we expect to continue to fund these efforts from all accounts. In 1998 USAID microenterprise programs served a record 3.5 million clients worldwide, and 83 percent were poverty loans. The average loan size in Africa was $170, and women constituted 84% of all microfinance clients. These programs helped millions of the poorest households in the world to help themselves.

USAID's worldwide *agriculture programs* are another important element of our overall program. With the world's population at 6 billion and growing at a rate of 73 million a year, mainly in the developing world, we all need to be concerned about how countries will ensure adequate food supplies, generate rural incomes and employment, and service the growing urban areas without decimating the environment.

USAID collaborates with the U.S. university community as well as private industry to develop and promote technological improvements that will improve agricultural productivity—productivity that benefits farmers everywhere, including in the U.S. It has been estimated that improved productivity from USAID-sponsored work on improved wheat and rice varieties has resulted in an additional $14.7 billion for our farmers between 1970–1993. We expect to maintain programs worldwide to improve agriculture in FY 2001.

USAID's *health and family planning* programs have long demonstrated that health improvements are essential for a better quality of life for individuals. It has also become increasingly clear that reducing illness, death rates and population pressures lowers the risk of humanitarian crises in countries where population growth is the highest. There is little disagreement that by protecting human health in developing and transitional countries we also directly benefit public health in the United States as we are a mobile society that travels throughout the world coming into contact with unhealthy conditions and diseases not seen here at home. Unhealthy conditions and inadequate health systems elsewhere in the world increase the incidence of disease and threat of epidemics.

I am happy to report that significant gains have been made in protecting human health and stabilizing population growth. Through USAID's programs, millions of children's lives have been saved and fertility rates have continued to decline in all regions. The latest data available on fertility reduction and mortality rates for children under 5 shows that there continues to be steady progress. In Romania, where USAID has provided family planning assistance, we have dramatic new evidence that in the past six years the use of modern methods of contraception has doubled while abortion rates have declined by one third. As a global leader and the largest bilateral donors in this sector, the United States can claim considerable credit for these achievements. However, we recognize we still have much to do to meet the needs of the estimated 150 million married women who want to space or limit births but still don't have access to modern methods of contraception.

In order to make further progress in health and to safeguard the health gains achieved during the past few decades, we need to address changing disease patterns and shifting population demographics. The biggest challenges are the HIV/AIDS pandemic, stagnating rates of immunizations, and the rising incidence of anti-microbial resistant strains of malaria, tuberculosis and other infectious diseases.

Progress with child survival appears to be ahead of targets in all regions except Africa, which is lagging behind expectations primarily because of the HIV/AIDS epidemic and political instability, which disrupts health care services. Many couples still do not have the means to choose the number and spacing of their children. In January 2000, at an historic UN Security Council session, Vice President Gore announced an increase of $150 million to fund the fight against HIV/AIDS and other infectious diseases internationally. For FY2001, we are seeking over $1 billion for these population, health and nutrition programs worldwide. President Clinton is actively supporting the Global Alliance for Vaccines and Immunization (GAVI) recently announced in Davos, Switzerland. In FY 2000 USAID started an important $10 million initiative to "Boost Immunization" in countries where vaccination rates are lagging.

As we end a most violent and conflicted century, we recognize that developing a community of *democratic nations* is a goal we must continue to pursue. As we have seen in Indonesia, structural flaws in the economy can be hidden when not accompanied by progress in democracy, and the economy can fall apart. In the past decade alone, we witnessed some of the most important events of our age including the collapse of communism and the end of the Cold War. In many places, opportunity for freedom has been accompanied by internal conflict. As these countries have moved ahead with the transition to market economies and democratic governance, we recognize that our best hope to prevent a recurrence of conflict is through the strengthening of these nascent democratic states. USAID has been at the forefront of efforts to support progress toward the establishment of democratic societies around the world.

Mr. Chairman, as you know, there has been an unparalleled movement toward more open and transparent political systems around the globe. Today, more people live in freedom than ever before in human history. However, political change is rarely linear and we have learned that the democratic gains are often fragile and can be reversed. We must continue to support the efforts of determined men and women around the world who are working to build political systems that are representative, accountable and transparent. USAID funds rule of law programs to help curb the abuse of power and authority within societies. We support political processes, including elections that allow citizens to choose their representatives and hold them accountable. We have assisted the growth of organizations for citizen participation (civil society), which have emerged as a major democratic force in many countries around the world.

Finally, we are helping societies to build national and local government institutions that are responsive to citizen needs and are accountable and transparent, such as rules for the banking sector, capital markets and appropriate regulatory bodies. This year, we have put a special emphasis on addressing the corrosive effects of corruption, and are working to encourage the transparency and accountability so needed in government, no matter where it is in the world. As a result of USAID's technical assistance and institutional support to the Supreme Audit Institutions in Benin, they have started to audit electoral campaign expenses and develop a manual for transparent financial and procurement operations.

Mr. Chairman, I take very seriously my responsibilities as the President's Special Coordinator for International Disaster Response. We live in a dangerous and uncertain world. Last year *humanitarian crises* affected an estimated 418 million people: natural disasters accounted for some 315 million, while complex emergencies affected an additional 103 million. The number of people receiving USAID assistance rose from 40.6 million in 1997 to 140.8 million in 1998. USAID responded to 87 declared disasters in 1998, of which 65 were natural disasters, up from 27 the previous year. Several of the major emergencies were associated with weather anomalies related to the El Nino phenomenon.

When Hurricane Georges swept across the Dominican Republic, there were critical shortages of food, water and shelter. Malaria, cholera, dengue fever, conjunctivitis and respiratory infections were serious health problems. Hurricanes Mitch and Georges affected over 12 million people, caused more than $10 billion in damage, and drove down the annual GDP growth rates of Honduras and Nicaragua by several percentage points each. Americans were profoundly affected by this tragedy. We all can remember pictures of people and homes being washed away and communities being smothered by mud. The loss of life was staggering. Americans wanted to help.

As part of our response to these crises and others, in 1998, USAID provided over 920,000 metric tons of food to some 22 countries, and provided more than 200,000 metric tons to the World Food Program's Protracted Relief Operations in 12 countries. This latter contribution represents 41% of total tonnage of food provided to the WFP by all donors. While the United States does not often get credit for it, we can be proud of being the largest food aid donor in the world and that these programs provide a direct benefit to our farmers at home. The recovery and reconstruction of these countries is not only a humanitarian issue, it directly affects the economy of the United States.

In addition to responding to immediate disaster recovery needs, USAID has also been called on to support longer-term rehabilitation and recovery for countries in transition, especially those emerging from complex emergencies, frequently caused by civil strife, manifested by armed conflict, death, displaced populations, hunger, injury, torture and massive human rights abuses. Helping societies and governments shift from emergency relief to the reestablishment of political and social stability is an important component of what we do. This includes demobilization of ex-combatants and removal of land mines to enhance local security. We help strengthen local governance and institutions in order to promote reconciliation and help the reintegration of ex-combatants into society.

There are many other aspects of U.S. development assistance that assume greater significance when viewed globally. For instance, USAID has played an important role in improving education around the world, especially for girls. I am personally convinced that teaching girls and young women how to read and write may be our most important contribution toward moving the development of countries forward.

As I have noted earlier, USAID has helped countries establish the policies necessary to encourage private investment and trade, including accession to the World Trade Organization, which opens more markets to American business.

USAID has worked tirelessly to identify and address human rights abuses ranging from torture to trafficking in women and children. For example, in Nepal, USAID is funding microcredit, health, and education activities in rural communities that are specifically targeted at preventing the trafficking of thousands of vulnerable young women and girls.

Through all of these programs we are improving the lives of countless millions, promoting the values that Americans most cherish, and making the world a safer and more prosperous place for all of us.

Before I turn to the specifics of our budget request, let me touch on a few other important areas of concern to you, and to me. When I assumed leadership of the Agency, I pledged to you that I would focus my attention and best efforts on a number of issues that were of concern to this committee, including the management of USAID and our relationship with the Department of State. While we still have a way to go, I am here to report on the important progress that has been made. USAID mission critical systems were made Y2K compliant and to date because of our efforts, no USAID program activities have suffered Y2K problems.

I was made acutely aware of the problems we have had with our financial and other information systems that made it extremely difficult for us to provide consistent, timely and complete information. Though it has been time consuming and costly, it is a priority for me to increase our management efficiency and to make demonstrable progress this year in fixing these systems.

We are in the process of developing a five-year information management strategic plan, which will guide all agency information technology investments over this period. We have awarded the contract to install a new core accounting system, which will be completed in Washington by the end of this year and completed overseas by the end of 2002. Additionally, we have trained almost 500 staff and partners in more than 45 countries to plan, report and manage for results. And finally, we are now better able to collect comprehensive information regarding the award of contracts and grants overseas. By the end of the calendar year we expect to have the entire 3 year backlog of data entered into the database and available to meet the federal requirement for reporting.

I must admit that I was disappointed that USAID did not receive the requested authority to implement a Working Capital Fund. The absence of this fund is making it much more difficult for USAID to continue to be a source of high quality, lower cost services to other agencies in the field. I look forward to working with the Committee to address any congressional concerns so that we can add this important tool for resource management in the field.

This Committee has a special interest in USAID's relationship with the State Department, and I am pleased to report that the relationship has never been closer. For example, this year was the first time the Secretary of State undertook a formal review of USAID's budget. We worked closely with the State Department to deter-

mine funding levels, and to manage all foreign assistance so that it supports foreign policy goals. We are working closely with the State Department to ensure that our overseas security and facility costs are being adequately addressed. Two working groups have been established to address issues of concern to the Secretary and me. And based on agreement between State and USAID, several operations have been consolidated, including retirement processing, travel contract, information technology main frame collection, training, and storage of household effects. Additionally, eight press staff were transferred to the State Department last April. Overall, the closer alliance between our two organizations is working very well.

THE REQUEST

The Administration request for FY2001 is for a total of $2.141 billion for Sustainable Development Assistance programs in three accounts: the Development Assistance Account, at $949 million, the Child Survival and Diseases Fund, at $659 million and the Development Fund for Africa Account, at $533 million.

DEVELOPMENT ASSISTANCE (DA)

The requested $949 million for Development Assistance is an increase of $212 million over the amount provided in FY2000 for programs outside of Africa. This account supports programs that promote open and democratic systems, economic growth and agricultural development, education and training, and environmental management in some of the poorest countries in the world.

CHILD SURVIVAL AND DISEASE FUND PROGRAMS

The request for Child Survival and Diseases Fund programs for FY2001 is $659 million. This is $44 million more than last year. These funds will be used for Child Survival, HIV/AIDS, infectious diseases and other health programs, and for basic education, particularly for girls. The level for HIV/AIDS has been increased by $54 million in support of the President's new LIFE Initiative (Leadership and Investment in Fighting Epidemics).

We have seen some striking successes in the child survival programs. Infant mortality rates have dropped, polio is on the verge of being eradicated, and deaths from measles have been cut in half. Last year, USAID launched the Global Alliance for Vitamin A, a partnership with UNICEF and other major donors, including U.S. food and pharmaceutical companies. Through this program we are using food fortification to accelerate the elimination of vitamin A deficiency, which causes blindness, and other serious problems.

In FY2000 USAID launched a $10 million initiative to "Boost Immunization" in countries where vaccination rates are lagging. Recently, President Clinton proposed a U.S. Government contribution of $50 million in FY2001 to the new Global Alliance for Vaccines and Immunization (GAVI).

DEVELOPMENT FUND FOR AFRICA (DFA)

The Administration places a high priority on broad-based economic growth in Africa, which is an extremely diverse and complex environment. The DFA request for Africa this year is $533 million, in addition to another $304 million for Africa planned from the Child Survival and Diseases Fund.

U.S. foreign policy and development assistance for Africa is focused on efforts to reduce poverty and to accelerate Africa's integration into the global economy by meeting and overcoming the problems that threaten development. This includes strengthening economic growth and education and training in order to expand opportunities, which helps to prevent conflict and outbreaks of violence. It means addressing environmental degradation, building classroom-based education reform, providing humanitarian assistance, supporting Nigeria's difficult democratic transition, which is a priority for this Administration, and perhaps of greatest importance, by continuing to address the HIV/AIDS crisis.

USAID programs are making a positive difference in African economic and democratic institutions. Despite the encouraging signs of progress, however, development in Africa is not assured. Even while democracy and good governance programs are helping to shift control of the economy and political power to the hands of the people, the HIV/AIDS pandemic and the destructiveness of both old and new conflicts continue to have a severe impact on progress. For development to proceed in Africa, we must help Africa meet these threats head on, and stop their deadly effect on African society.

In Africa, the impact of HIV/AIDS is staggering. This year, for the first time, the majority of new HIV infections will affect women. It is a crisis that threatens to un-

dermine Africa's progress because whole generations are being lost to this deadly disease. Societies are being crippled as mothers, fathers, children, teachers, doctors, and other core workers, all are being lost to AIDS. The statistics are overwhelming. As of December 1998, nearly 23 million adults and children were estimated to be living with HIV/AIDS in sub-Saharan Africa. UN figures indicate that eastern and southern Africa account for more than 50 percent of the world's HIV-positive population. There are 11 million AIDS orphans in Africa today, and the number is rising. Additionally, in the area of health, mortality rates for children under five are increasing and immunization levels are declining. USAID is taking a lead role in addressing the many aspects of these problems from prevention to impact mitigation.

LATIN AMERICA AND THE CARIBBEAN

The core request for the Latin America and Caribbean region for FY2001 is $539 million. Of this $264 million is for Development Assistance, $86 million for Child Survival and Diseases Fund, and $133.6 million for the Economic Support Fund, and $55.5 million is for the International Narcotics Control. This FY 2001 request is the minimum needed to continue USAID's solid record of achievement in the region, and to mitigate the problems inflicted by Hurricane Mitch.

Program priorities for Development Assistance and Child Survival and Diseases Fund for this region include: $41 million to strengthen democratic institutions, and promote broad citizen participation; $62 million to expand economic growth, reduce poverty and improve income equality; $144 million in programs involving population growth, improve maternal and child health, and slow the spread of HIV/AIDS and other infectious diseases; $73 million to maintain biological diversity and sound environmental practices; and $29 million to improve the quality of education.

Mr. Chairman, I just returned from Latin America, where I visited USAID programs in Guatemala, Honduras and El Salvador. As you know, these countries suffered the destructive ravages of Hurricane Mitch, which caused more than $10 billion in damages in Central America, and severely threatened the progress these countries had made in the past decade.

I know that there are concerns about the pace of implementation of the reconstruction. I was concerned as well with reports that little of the supplemental funding has been expended. Let me put this in perspective. Immediately following the Hurricane, our Missions on the ground put all available resources to work, including funds from our Office of Foreign Disaster Assistance (OFDA), food aid, and funds reprogrammed from ongoing activities. After visiting our projects, it is clear to me that our people in the field began working immediately following the Hurricane and have not slowed down. They are now using the supplemental funds as fast and as responsibly as possible to help build back these countries. Virtually all the funds have been notified to the Congress and obligated to the countries.

It is important to remember that after Hurricane Mitch we saw no uncontrolled outbreaks of epidemics in Central America. Today, because of our efforts, people have been moved into shelters, schools have reopened, and throughout the region, microenterprise institutions have been re-capitalized. Borrowers have continued to repay their loans and economic enterprise has continued, even though their national economies suffered enormously.

As we continue to design reconstruction programs, USAID is doing everything possible to ensure an extra layer of accountability. We have included concurrent auditing, and hired independent accounting firms to assist the work of host country Controllers General, who play a role similar to our General Accounting Office. We have worked with other donors to create additional monitoring mechanisms that will review procurements, audit the financial side and inspect work completed under the reconstruction program. We believe that all these steps are necessary to give the American taxpayer, as well as the citizens of these countries a greater feeling of confidence that these funds are being spent wisely. We continue to view this undertaking as a two-year mission and believe that we can achieve the bulk of the relief and reconstruction results promised to Congress by the end of 2001.

Turning to another part of the region, as you know over the last three years in Peru and Bolivia, USAID has instituted a program of interdiction and alternative development to reduce the number of hectares in coca cultivation. The results have been significant with increased public commitment to voluntarily reduce coca cultivation, participation at community and local government levels, and a substantial increase in the growth of the legitimate economy. Building on the success of this approach, the Administration is initiating comprehensive support in FY2000 for President Pastrana's "Plan Colombia." As an integral component of the USG support, USAID will help Colombia provide people with viable alternatives to illicit

drug production and strengthen the country's democracy by assisting the people displaced by violence and improving human rights and rule of law.

ASIA AND THE NEAR EAST

The Administration is requesting $2.4 billion for Asia and the Near East programs for FY2001. Of this amount, $271.4 million is for Development Assistance, and $97.6 million is for the Child Survival and Diseases Fund, and $2 billion is for the Economic Support Fund. In FY2001, the United States has an unprecedented opportunity to significantly affect the transitions occurring in Asia and the Middle East, both in the recovery from the Asian economic crisis and in the crucial task of helping the Middle East make the promise of peace, opportunity and security a reality. Unfortunately, the region continues to be plagued by critical problems such as high unemployment and water scarcity that if not managed carefully, could lead to conflict. Our national security interests compel us to remain actively engaged in this region.

The last two years have been landmarks in the region's slow progression toward regional peace and cooperation. Implementation of the Wye River Accords has been a top priority for this Administration. USAID has been providing development assistance which is improving the quality of life and economic opportunity for the Palestinian and Jordanian people.

In Asia, the region is still suffering from the aftershock of the economic crisis. While there are positive signs of economic recovery, the underlying economic infrastructure in Indonesia, the Philippines and Thailand remain weak and in need of reform and restructuring. To address this problem, USAID is helping to improve economic transparency, reduce "crony capitalism," and create a better environment for investment in the region.

As the economic crisis spread to Indonesia, we saw the fall of the Suharto regime, initiating what we hope will be a continued transition to democratic stability. However, economic recovery has been delayed due to social and political instability. The most tragic example of such instability was seen last year in East Timor where the previous regime consistently violated international standards on human rights.

USAID invested over $33 million to help increase the transparency and fairness of Indonesia's first free and fair elections in over a generation. We provided technical assistance to establish a framework for those elections including voter education, conflict resolution and election day monitoring.

USAID's Asia and Near East priorities for the FY2001 funding request include support for Indonesia's transition to democracy, facilitating economic reforms especially in the countries hardest hit by the Asian financial crisis, and supporting a comprehensive peace in the Middle East. USAID will also encourage regional economic integration by promoting cooperation and trade in clean energy production and technology among South Asian countries.

We are also working hard to support a comprehensive peace in the Middle East, by supporting the critical preconditions for peace. U.S. assistance to the Middle East has contributed to regional stability and has helped build the foundation for economic prosperity and increased adherence to democratic principles. Our programs in Egypt and in Jordan concentrate on promoting broad-based economic development and also include support for democratic institutions.

In the West Bank-Gaza, the U.S. has focused efforts on strengthening the Palestinian Council, and assisting local non-governmental organizations working to improve living conditions for Palestinians. USAID has provided more than 14,000 small businesses with essential start-up microenterprise loans, created an industrial light-manufacturing center that will employ 20,000 and increased the availability of safe drinking water.

As you know, water is one of the key issues in the Palestinian/Israeli peace negotiations. In my recent visit to the Middle East, I took part in the dedication of the Bethlehem-Hebron water supply system. This is a $72 million USAID effort that includes the drilling of four wells, the installation of 31 kilometers of transmission lines, the construction of reservoirs and the completion of pumping stations. This will double the quantity of water for Bethlehem-Hebron and bring the water usage for 500,00 people close to the minimum household water supply set by the World Health Organization.

INTERNATIONAL DISASTER ASSISTANCE ACCOUNT

This has been a challenging year marked by hurricanes, earthquakes, flooding and marred by conflicts in places like Kosovo and East Timor. Funded by this separate account, USAID has been involved in efforts to deal with disasters, both political and natural in nearly every region of the world. For FY2001, we are requesting

$220 million for the International Disaster Assistance Account to provide relief, rehabilitation, reconstruction and transition assistance to victims of such disasters through the Office of U.S. Foreign Disaster Assistance (OFDA) and the Office of Transition Initiatives (OTI). Of the total, $55 million is requested for OTT.

USAID's three objectives for Humanitarian Assistance programs are prevention, relief and transition. These objectives form the heart of current relief efforts. I know you agree that emergency assistance is not a substitute for long term development programs but it is a safeguard for economic and social development.

DEVELOPMENT CREDIT PROGRAM

For FY2001 we are proposing consolidation of our various credit programs into a single new Development Credit program. This program would consolidate the current Urban and Environment credit program, the Micro and Small Enterprise Development credit program and the Development Credit Authority. This new program will give USAID a flexible means of using credit to achieve our economic development objectives where credit is financially viable, where borrowers are credit-worthy, and where there is opportunity for effectively involving private lenders in development. We have requested authority to transfer into this new account up to $15 million from other assistance accounts and an appropriation of $8 million for the administrative costs of managing all our current and new credit activities.

ECONOMIC SUPPORT FUND

The Economic Support Fund is budgeted at $2.313 billion for FY2001. $1.818 billion will be used for economic reforms and as continued support for the Middle East peace process as I described earlier, which includes $840 million for Israel, $150 million for Jordan, and $695 million for Egypt. ESF funding will assist other countries in their transition to democracy, promote stability in Ireland and Cyprus and promote Human Rights. Additionally ESF funds will be used in certain countries to respond to environmental crises, for water management; primary health care, and priorities such as climate change and biological diversity.

FREEDOM SUPPORT ACT

Mr. Chairman, the request for the FREEDOM Support Act for the Eurasian states is $830 million. This includes $87 million to continue the Expanded Threat Reduction Initiative. This initiative, to reduce the threat of proliferation of technology and weapons of mass destruction, began last year in response to growing concerns over security issues due to the Russian financial crisis, which has impeded economic progress in the region. The potential for scientists or others with access to this technology to sell their services to other states posed unacceptable risks to the United States. USAID transfers funds to other agencies such as DOE and State, which manage these programs. USAID-managed programs will continue to focus on longer-term efforts that support the transition to democracy and free markets and trade in the former Soviet states.

We have learned that our work in the former Soviet states will take more time than we originally thought. While communism has failed, in many cases the communist mindset has not disappeared. Official corruption has hindered progress, both political and economic. While it is far too early to assess the policies that Acting President Vladimir Putin will embrace, we know that a free and democratic Russia is in the best interest of the United States. We are helping maximize the chance that they will stay on the right path toward a better future by working at the grassroots level, and in the regions far from Moscow to help support advocates of reform in the non-governmental and business communities and to build lasting partnerships between U.S. and local organizations. We were encouraged by the positive results of the election to the Duma in December, and we are emphasizing the importance of holding a free and fair election for President next month. We will encourage the winner to carry out the fundamental reforms needed for Russian economic and democratic development.

While challenges continue to be great, we have also made considerable progress. For example Kyrgyzstan was the first NIS country to accede to the World Trade Organization. Armenia has excelled during the first six months of a comprehensive market reform program adopting new measures in privatization, accounting and tax reform, and land management. Environmental issues such as greenhouse gases are being addressed throughout the region.

SUPPORT FOR EAST EUROPEAN DEMOCRACY ACCOUNT

The request for Eastern European Democracy (SEED) Act countries is $610 million, which is a $77 million increase over the FY2000 funding level of $532.97 million. As you know, SEED is a transitional program to assist Central and Eastern European countries as they shift to democracy and free market economies.

This request reflects a dramatic shift of funds away from "graduating" Northern tier countries to Southern tier countries such as Romania, Bulgaria and Albania where progress has been slower. By the end of this year we expect all of the Northern Tier countries will have graduated from direct bilateral assistance. Poland, Lithuania and Slovakia are joining previous graduates—Estonia, Latvia, Slovenia, the Czech Republic and Hungary. The Northern Tier countries remain politically and economically important to the United States; therefore regional mechanisms will still be available for limited support in the event of a crisis and to ensure continued relationships between local and U.S. organizations. We hope these Northern Tier countries will be able to provide help and guidance to their neighbors as they move forward in their transition. But we are proud to say that our job is basically done.

In the Southeast European countries of Bulgaria, Romania, Albania, Macedonia and Croatia, the conflict in Kosovo had severe economic costs and has set back the timetable for their full integration into the international economy. We are working closely with other donors to help these countries integrate their economies including facilitation of trade and customs reforms, and to continue the structural reforms that are building stronger democratic market economies.

The request also includes $90 million for Bosnia-Herzegovina, a sharp reduction from previous years, as the program shifts from its earlier emphasis on reconstruction to greater efforts to establish and implement the legal framework and institutions of a market economy. It also requests $175 million for Kosovo, to help build basic governmental, economic and judicial structures, and to jump-start the economy to create jobs and provide needed basic goods and services. While accepting the need for a temporary UN administration, the Kosovar people and the U.S. are anxious to see a representative government formed.

Much of the Kosovo request will go to address the need for basic security, good governance and human rights programs funded through transfers of funds to other USG agencies such as the State Department. USAID-managed programs, which account for less than one-third of the funds requested, will address the need to restore basic community services and infrastructure, establish the institutions of a market economy, restore the agricultural sector, provide credit to micro-enterprises, and strengthen democratic institutions such as the media, political parties, the judiciary and other elements of civil society. We are creating the building blocks for a functioning and capable local economy and society.

The Kosovo conflict also underscored the challenge, and the importance, of supporting democratic forces in Montenegro and even inside Serbia itself. As this Committee has recognized, support to the Serbian opposition is critical to build pressure against the Milosevic regime. Our request includes $55 million for support to media, the democratic opposition, and reform-minded municipalities. In Montenegro, we will provide vital budget support to the courageous Djukanovic regime, which will be complemented by our assistance in creating strong economic and democratic structures.

We clearly recognize that it will take a generation or more to fully realize the progress made in each of these countries as they make the difficult transition to free and open societies.

P.L. 480 FOOD FOR PEACE PROGRAM

While I am aware that a different committee authorizes the P.L. 480 programs, I believe this Committee has an interest in this important part of USAID's overall program. The request for P.L. 480 Title II non-emergency and emergency food assistance has been set at $837 million. This will allow the Office of Food for Peace to continue efforts to promote managed growth in Title II programs and to meet critical emergency food needs of targeted vulnerable groups including refugees, internally displaced families or those who lose their land or livelihoods due to natural or man-made disasters. This year, renewed attention will be given to the use of food for nutritional feeding programs such as the President's LIFE Initiative to mitigate the negative impact of HIV/AIDS in sub-Saharan Africa and India.

On a global level, more than 800 million people are chronically undernourished. The P.L. 480 Food for Peace program has provided over $500 million in emergency food aid to an estimated 11 million people, it has used resources to reduce food insecurity in the developing world by enhancing household nutrition and increasing agricultural production.

Title II funds are also used to support the Farmer to Farmer program, which provides voluntary technical assistance to farmers, farm groups and agribusinesses to enhance the potential for substantial increases in food production, processing and marketing. The program relies on volunteers from U.S. farms, land grant universities, cooperatives and private agribusiness and non-profit organizations. Volunteers for this program have been recruited from all 50 States and the District of Columbia. This program has had a positive impact on the U.S. and raised public awareness about the needs of developing countries.

OPERATING EXPENSES

For Operating Expenses the request is $518.96 million for FY2001. This is almost equal to the FY2000 level. These funds cover salaries, benefits and other administrative costs that assure effective oversight of USAID programs worldwide. OE provides the oversight of the programs funded through Development Assistance, Child Survival and Diseases, the Economic Support Fund, the Support for Eastern European Democracy Act, the FREEDOM Support Act and the International Disaster Assistance account. The requested amount will permit USAID to maintain the current levels of direct-hire staff overseas, though at the cost of continuing reductions to our staff in the U.S. It also provides for essential training to maintain and upgrade the skills of Agency staff. Additionally, OE funds will permit the continuation of Agency efforts to modernize its financial and other information systems. The financial system purchased by USAID in FY2000 will begin to be deployed overseas in FY2001 and will include significant upgrades to information technology for effective and efficient use of our automated systems.

CONCLUSION

This is an especially challenging time to be heading USAID I want to work more closely with you to meet these challenges. I am making it a top priority to meet with more Members of Congress, one on one, in order to build a better understanding of the vital role of this Agency.

This is my message to you today. USAID's work in development assistance takes time. It is an incremental process that pays off for America and for the world. Foreign assistance is a national security priority. USAID is a smart investment and one of the most effective tools the U.S. Government has in building the foundations for trade and markets, and the spread of democratic ideas.

As President Clinton stated in his State of the Union address: "Globalization is the central reality of our time. . . . We cannot build our future without helping others build theirs." This has been the decade of globalization, let it become the century for democratization.

Thank you for your contribution to USAID's success. And thank you for your attention this morning.

The CHAIRMAN. Very well. A good statement, and unusual around this place that it was relatively brief and to the point.

I suppose in the light of the voting situation, we start with just 5 minutes per Senator.

I want to talk about the Inter-American Foundation, which you are familiar with.

It was established, I believe, about 30 years ago to help poor people in Latin America, who are not benefiting from the large USAID infrastructure projects at that time.

Now, a lot of folks do not realize that back then USAID spent hundreds of millions of dollars on dams and power plants and roads and that sort of thing. You do not do that anymore.

You are concentrating on what the American people anticipate should be the real purpose, and that is helping the people who cannot help themselves.

In any case, the backdrop of that, the poor people were not being helped and they were sort of cynical about it and it was during that time that Cuban revolutionaries supported by the Soviet Union were making converts among some in these states in the poor communities.

Now, USAID now advertises itself as a development agency that works closely with poor people throughout the grass roots organizations and I think your statement emphasizes that is what you are trying to do. And this sounds a lot like the Inter-American Foundation.

And my question is can you name me one or more activities that the Inter-American Foundation does that USAID is not already doing?

Mr. ANDERSON. Thank you, Mr. Chairman. My understanding is that the Inter-American Foundation works with very small grants to, perhaps, even a few individual farmers or a small grass-roots organization.

While it is true that USAID works from the grass roots, normally our trend is to work with larger civil society groups and communities.

One reason for that is the cost in resources and time and people here in Washington and our missions overseas that is required for very, very small grants to just one or two or three farmers.

That is very expensive for us and with very tight budgets, and operating expenses especially, we have to look at how we contract and try to reduce the number of instruments that we actually have.

So while I am not terribly experienced with the Inter-American Foundation, I am informed that their tendency is to have very small and very, very rural and very local and grass roots activities.

We would tend to have a bit larger program than that with the groups we work with.

I will continue to think about that. I do not think I am going to have any other answer than that one, Senator.

The CHAIRMAN. OK.

Mr. ANDERSON. I know the thrust of your question though.

The CHAIRMAN. That responds adequately to my question, and I appreciate it.

Now, about the administration's proposed $244 million HIV-AIDS initiative for the Third World, Franklin Graham, who is a friend of yours and friend of mine—he is the son of Billy Graham, of course—Franklin established and is now president of Samaritan's Purse.

It is a worldwide humanitarian relief organization and my hometown paper, the Observer had an op-ed piece written by Franklin. I think it was earlier this month, February 5 or 6.

Here is what it said, "I must express a clear word of caution. If funds are sent to many of the governments in Africa or to government-run hospitals, large amounts of money will be squandered.

"Much of the world intentioned aid sent to curb this crisis will instead end up padding Swiss bank accounts of corrupt bureaucrats."

Now, Franklin Graham, as far as I am concerned, is qualified to speak from experience more than any other human being I know. And you and I have discussed all of the projects that he does.

No money is involved. He has hundreds upon hundreds of doctors who volunteer to go to various spots in the world and practice for a month or two, and various things like that.

And I think Franklin is right, and I would just like to hear your comments about it.

Mr. ANDERSON. I appreciate that. The HIV-AIDS programs are targeted primarily at the community level.

Part of it is designed to help the health departments in various countries to strengthen.

Some places, some countries where we work in Africa, the Ministry of Health is very poorly organized. And where we can give technical assistance, advice as it were, on how to organize themselves in their country and even provide them training, but no money—training for the doctors and the nurses, the public healthcare workers and encourage them to get out into the villages where people really live and where there are lots of HIV-AIDS cases, then that is what we do.

I agree that transferring money to ministries of health in Africa is not a good idea.

The CHAIRMAN. OK. My time is expired.

Senator Sarbanes.

Senator SARBANES. Thank you very much, Mr. Chairman.

Now, just following up on this last subject, I have heard rumors that USAID may be thinking about ending the higher education program for Africans that you have had in place. Under the program, large numbers have been educated, and public health professionals, community leaders have come for specialized training in American universities and a number of institutions all across the country.

I think most people think that the program has worked pretty well. And I wondered whether there was any basis to these rumors.

Mr. ANDERSON. No. Thank you, Senator Sarbanes.

I am not aware of—and I would not be in favor of—a plan to end that.

Our universities provide unique training in the world and I know that people in most parts of the world would like to come to the United States for college and university training. And that is something that we have done quite effectively, as you say, in the past.

It is expensive, I think, to bring someone to the United States for training, for education, but sometimes it makes sense, if there is not a proper educational institution in their own country, where they could get the same kind of training.

My preference, I think, would always be if someone could stay in their own country to get their own training. That would build the institution there and it would also better ensure that person would remain in their country and use the talents and education they got.

But in some cases, I think the best option is for them to come to universities here.

Now, whether or not this program, you know, what the trend is and the financing of it is, Senator, I'm not sure. But I will look at that.

Senator SARBANES. Well, it is the so-called ATLAS program, the Advanced Training for Leadership and Skills program.

It is our leading higher education program for Africa. I understand that under the ATLAS program, working with the Council of Graduate Schools and the African-American Institute, we have really been able to bring people over and significantly enhance their professional skills.

Of course, the premise is that those who benefit will return to their countries. And I gather generally that has been the case.

Since we were discussing the very point of training for Africans, I just wanted to register that concern.

Mr. Administrator, I have been a strong supporter of the American Schools and Hospitals Abroad grants program, the ASHA program. And there are many others in the Congress who share that support.

We have not had a chance yet to examine the 2001 budget carefully, but I presume it will carry funding in it for the ASHA program. Is that correct? Do you know?

Mr. ANDERSON. Your assumption is correct.

Senator SARBANES. OK.

Mr. ANDERSON. It does. So there is no cut in that at all. It seems to me it was $15 million.

Senator SARBANES. I think that is right.

Mr. ANDERSON. It was a straight line. It is in there. Yes, sir.

Senator SARBANES. Well, there are a number of American-founded institutions in various parts of the world that look to that program.

And I think most of those have been very well-run and very successful.

I know we used to appropriate about $35 million, I think. So the figure has come down, in my view unfortunately.

But in any event, I certainly do not want to completely phase out that program.

I came here from a reception that was held earlier for a Catholic Relief Services worker named Loren Wille, who was incarcerated in the Republic of Georgia, because he was driving and his car skidded off a road, and the Georgian translator that was traveling with him was killed.

And eventually Mr. Wille was released. It was determined there was no basis to charge him with anything.

And a lot of the feeling was that it was all done in part in retaliation for the Georgian diplomat here who was driving under the influence and killed someone here in the District of Columbia.

The Government of Georgia waived diplomatic immunity and he has been sent to jail. He is in jail in this country now.

I gather our extradition treaty with Georgia permits that he could go back there and serve his jail sentence, which is apparently being discussed, and it seems to me probably worth examining.

But in any event, it really leads to the question of the extent to which our humanitarian workers overseas increasingly face dangers of violence and death, and that we hear of these incidents.

First of all, I am concerned about the USAID workers and what sort of program you have for them and how you seek to protect them.

And second, is USAID doing anything with the NGO and the PVO community to address this concern? I think it is obviously a real problem which needs to be confronted.

So we are worried about our own people. And we are worried about the private sector people who do this kind of work.

Many of them are religious organizations, and others are dedicated to this humanitarian work.

Mr. ANDERSON. Humanitarian work is a very risky business.

And humanitarian workers in recent years, as you stated, Senator, have come under increasing attack, whether it be a World Food Program plane shot down in Angola, workers killed in Sudan, workers in the previous Chechnya conflict killed.

Our concerns and the State Department's concerns for security of humanitarian workers is an element that we keep before us all the time in places like Chechnya.

We do not want our workers, we do not want Americans, we do not want NGO's, we do not want workers in the countries where we are kidnapped or killed in a conflict.

There are an increasing number, it seems these years, of complex crises in the world that involve military conflict, but also involve huge numbers of refugees and displaced persons and women who have been abused and raped, and children who are starving.

In those environments, our humanitarian workers and groups like CRS, which is one of the finest ones we work with, and Franklin Graham's group, Samaritan's Purse—are going to want to be involved in Kosova and these places.

And I am not aware of a specific training program for them.

But we are very concerned about it. In places we work we consult very closely with the regional security officer of the embassies before we let our people go into a place and assess the risk to our own workers.

Senator SARBANES. If I could just close, Mr. Chairman, very quickly.

InterAction's newsletter has an article entitled "As Violence Increases, NGO's Grapple With Security Training." I just want to suggest to you that USAID should interest itself in this issue. Presumably you have programs for your own people. And there may be ways that you can be of assistance to the NGO's in this regard. Thank you.

The CHAIRMAN. Thank you, Senator.

Senator Boxer.

Senator BOXER. Thank you so much for your courtesies, Mr. Chairman—thank you for holding this hearing. I will be brief, given the fact that we have a vote.

Mr. Anderson, thank you for appearing before this committee. I am going to focus on HIV-AIDS and tuberculosis despite knowing that there are many other issues we are concerned about.

I know you have personally seen the devastating consequences of AIDS in your work.

And I know several of our Senators and staff went to Africa to see the devastation firsthand, which I really applaud, because it is not a pleasant trip. But I think it is very important.

We thought tuberculosis was a disease that was eliminated. In fact, we did it with the development of antibiotics back in the fifties, but the disease is making a comeback. And I am very concerned about it.

It is showing up all over this country, Mr. Chairman, as a result of immigration and the fact that the world is a much smaller place.

We know, any virus, any disease is one plane ride away. And WHO estimates that nearly 2 million people die of TB-related conditions annually.

And one third of the entire world's population is infected with TB. This is an incredible statistic, one-third.

I also share your concerns about HIV-AIDS and the effect that it is having in sub-Sahara and/or in Africa. Some 13.7 million people in sub-Sahara and in Africa have died of AIDS. That's 84 percent of all the people in the world who have died of AIDS since the beginning of the epidemic, so we know Mr. Chairman where the problem is.

I just want to make sure the chairman knows this, that unlike other areas of the world, the HIV-AIDS epidemic in sub-Sahara and Africa is predominantly a woman's disease.

A majority of infected adults, 55 percent to be exact, are women. And as a result, by the end of the year, the HIV-AIDS epidemic will be the reason that over 10 million children in sub-Sahara and in Africa are orphans. So many children are getting the disease from their mothers.

Now, the good news about that is there has been a breakthrough from the pharmaceutical companies and they have found a way for $4—$4, to pretty much stop the transmission from mother to child during pregnancy.

And what I want to say is that I think we have a moment in time here where we can make a difference.

And I think it not only will impact the women and the children and the families in Africa, but also in our own country, because, again, if we are going to end this disease, we have got to end it worldwide.

So Senator Smith and I have introduced bipartisan bills to fight the two terrible diseases of tuberculosis and HIV-AIDS.

And I am just very hopeful that we can work with you, Mr. Chairman. What we have tried to do is—is increase the funding in increments, so that we are not just throwing money at the problem. And No. 2, we are being very careful not to create any new bureaucracies, any new ways of delivering services, but to make it work.

And so Senator Smith and I are very interested, Mr. Chairman, in speaking with you more on both—our colleagues on both sides of the aisles on these two bills.

Stopping tuberculosis, stopping AIDS, and Mr. Chairman, I will—I will complete my remarks here and just tell you that——

The CHAIRMAN. Thank you, Barbara.

Senator BOXER [continuing]. How well I remember in 1983 when the disease was just starting, I was a very green Member of Congress. And I went to William Mattern, who was then the chairman of the Appropriations. You may remember him from Kentucky, a fine gentleman.

And he said, "OK, Congresswoman, I don't know anything about this, but if you say that we need a little help, we will," and I mean we started with $12 million in an appropriation for AIDS research, not knowing what we were facing.

And I am so bound and determined in my public career to try and finish this whole thing off and make sure that we do not face these tragedies. So thank you very much for this opportunity.

I know how much you care about it, Mr. Chairman. I look forward to working with you on both these issues along with Senator Smith.

The CHAIRMAN. Good.

Senator BOXER. Thank you.

Mr. ANDERSON. Thank you, Senator Boxer. And this is, as you know, a huge priority for this administration.

We we are increasing the funding. In 2000, it is about $200 million from all resources. In 2001, we are moving toward about $254 million of total resources for HIV-AIDS mainly for sub-Sahara Africa and India.

Senator BOXER. Thank you.

Mr. ANDERSON. Thank you very much.

The CHAIRMAN. I have called the cloak room and told them I will be just a little bit late. And I will wait the return of Senator Chafee.

But I would like to followup and continue for just a moment, if I may, about Franklin Graham.

I think he is clearly right. I don't know of any human being in this world who has done more single-handedly, but with the voluntary cooperation of hundreds upon hundreds upon hundreds of people. And I am proud of my North Carolina friend.

Now, he makes the point, and which I think we can agree on—let me see—he thinks that every measure must be taken to keep money out of the hands of corrupt governments.

You have already addressed that. We all agree on that.

Mr. ANDERSON. Right.

The CHAIRMAN. Now, substantially more than the planned $10 million must go to help orphans. Do you agree with that?

Mr. ANDERSON. We continue to fund displaced children and orphans, this year for $12 million, some of which is for AIDS. In addition, in the President's new budget for HIV-AIDS, about 10 percent of the money this year, $200 million is the total amount, about $20 million will go for assistance to HIV-AIDS children, including orphans, primarily in Africa.

The CHAIRMAN. Now, there are at least 10 million HIV-AIDS orphans in Africa alone, is that correct?

Mr. ANDERSON. It is—I believe it is.

The CHAIRMAN. There are at least—well, let's see, $1 per capita or per orphan is not a very serious proposal.

And the third thing, he believes and I share his view, more work with churches and people of faith in these areas must be attempted, in recognition of the moral and behavior factors associated with the transmission of HIV-AIDS.

I just was wondering if you would comment on that.

Mr. ANDERSON. We do. I was Ambassador in Tanzania, as you know, Mr. Chairman I lived in Tanzania for 6 years—as Ambassador and then previously.

And I know that the HIV-AIDS prevention effort in Tanzania, and I am certain in other countries in sub-Saharan Africa, does include work with religious groups, both Christians and Muslims.

In a number of the places where we work, there are a large number of Muslims. Any time one talks about HIV-AIDS, this is a difficult and touchy subject in a community—there is a lot of embar-

rassment. There is humiliation that people suffer when they become infected with this terrible thing.

The CHAIRMAN. Right.

Mr. ANDERSON. And the religious authorities in their communities are very often the most significant authority of any kind in their communities. Both the churches and the mosques—Tanzania has lots of Muslims—are concerned about this terrible problem.

I think it has taken them as well as their governments some time to realize the extent of the problem and the extent of the decimation of their towns and villages that HIV-AIDS is causing.

And we are, in fact, cooperating with them in things like voluntary testing and counseling.

The religious groups, and oftentimes the village leaders together will set up a confidential place where individuals who want to know if they are infected can come and have voluntary testing.

And I am told by the American Ambassador to Zambia who is a friend of mine who was here recently, that he thought that the voluntary testing and counseling was one of the most important things we do. Because then the man or woman who is tested knows whether he or she is HIV positive.

And when an individual knows, then they can better make a decision about their future behavior and try not to infect someone if they are, or try not to be infected if they know that they are not.

The CHAIRMAN. Well, without objection, I am going to ask the consent and I think it has been granted that the article by Franklin Graham entitled "Africa and AIDS: Focus on the Missions," from the February 6, 2000 edition of the Observer in Raleigh, be included in the record at this point.

[The article referred to follows:]

[From the News & Observer, Feb. 6, 2000]

AFRICA AND AIDS: FOCUS ON THE MISSIONS

(By Franklin Graham)

BOONE, NC

To the casual observer, there's nothing unusual about the cluster of ramshackle bulidlings that sit on the side of a stair-step plateau, a 40 minute walk off the main highway near Kijabi, Kenya.

But in fact there is something quite remarkable about this place, a bush hospital with 200 beds run by the Africa Inland Mission. Offering primary medical treatment, emergency care, education and training in nutrition, public health and hygiene, it is a humble outpost the like of which is the only mortal hope in what today is a losing battle against AIDS in sub-Saharan Africa.

Fifty-five hundred AIDS funerals take place every day. At least 23 million of Africa's citizens have been infected with HIV. By the end of 2000, 10.4 million African children under 15 will have lost their mother or both parents to AIDS.

To say "help is needed" is severe understatement. Alarms are sounding, as the United Nations discusses with new urgency the African AIDS epidemic and the U.S. administration gropes for an effective role for this Country.

It is urgent that the world recognizes that "on the ground" the answers are found in the simple mission hospitals, jungle clinics and churches and other institutions providing education and care that have been the "thin red line of heroes" against death and disease in Africa during the last century.

I was delighted to hear Vice President Al Gore's pledge to seek an additional $150 million from Congress to combat AIDS in Africa, bringing the total to $325 million in the next fiscal year. But having provided medical, educational and relief assistance in Africa for 20 years, I must express a clear word of caution. If funds are sent to many of the governments in Africa or to government-run hospitals—tragically, most are pathetic, filthy places—large amounts of that money will be squandered.

Much of the well-intentioned aid sent to curb this crisis will instead end up padding the Swiss bank accounts of corrupt bureaucrats.

On the other hand, church and mission-based hospitals in Africa are run by people who are motivated by their faith and have committed their lives to bringing health and hope to people they've grown to love. Assistance given to these facilities will get directly to the people in need.

Dr. David Livingstone first took modern medicine to Africa more than 100 years ago, and today missionaries operate many of the leading hospitals on the continent. A good portion of the credible medical care in Africa is provided by mission hospitals, both Protestant and Roman Catholic. For decades, there has been an ironclad record of dependability, integrity and sacrifice. It is the unsung heroes in these hospitals who can best turn the tide of suffering as they respond to God's call on their lives to relieve unfathomable pain through medical care, personal relationships and the sharing of faith.

But these people are not only worthy of the assistance, they are also trustworthy. They are the most effective means for providing the medical aid and life-saving counsel so important in the battle against this pernicious virus.

The church is an appropriate participant in this battle because, although the demographic picture of AIDS in Africa is vastly different than in the West, there are strong moral and behavioral factors, with almost all of the transmission of the disease occurring as a result of sexual promiscuity.

The vast network of mission hospitals and mobile clinics, together with many Christian relief and development organizations and other nongovernmental organizations, are the backbone of the African medical system. Over the years, my organization, Samaritan's Purse, has had the opportunity to work side-by-side with dozens of these mission hospitals. More recently Samaritan's Purse has utilized a handful of paid staff members and large number of volunteers to play a small role in raising AIDS awareness through training projects in Kenya, Uganda and the Congo.

In Kenya, where one out of nine adults is infected with HIV Samaritan's Purse helps train members of the African Inland Church to lead the community in AIDS awareness. In Uganda and the Congo, we provide AIDS training materials and HIV test kits for potential blood donors. In addition, we help orphaned children, many of them orphaned through AIDS.

While our efforts are just a drop in the bucket, the combined work of mission hospitals and Christian relief organizations throughout Africa has provided healing and comfort to countless individuals. But there is still an incredible amount of work at hand.

If we maintain business as usual, or even medical missions at the levels that have been practiced for years, Africa's AIDS catastrophe will overshadow the Great Plague of the 14th century, when one third of Europe's people died. If something is not done, tens of millions of African people are likely to die of AIDS this decade, and countless millions of children will be orphaned.

We must act now. The shortest and straightest line to success in curbing the epidemic is for the people and governments of the world to bolster the efforts of the church-based medical system that has been trusted to save the people of Africa from so many medical calamities for so long.

The CHAIRMAN. Now, I think I better not push my luck too far on this vote and Lincoln Chafee will be back in just a moment.

So we will stand in recess until he returns, which ought not to be more than 2 or 3 minutes.

[A brief recess was taken.]

Senator CHAFEE. Welcome, Mr. Ambassador.

Mr. ANDERSON. Thank you.

Senator CHAFEE. I have one quick question.

Mr. ANDERSON. Yes, sir.

Senator CHAFEE. The administration has identified—the Secretary of State in a visit here a couple of days ago identified four countries, Nigeria, Colombia, Indonesia and the Ukraine for special attention in the fiscal year 2000, 2001 budget relationship aid program. And as the chairman said earlier, these four countries, I would worry about Swiss bank accounts—Colombia, Indonesia, Nigeria and Ukraine.

Could you please comment on the rationale for proposing added attention to each of these four countries?

Mr. ANDERSON. Yes. Thank you.

The Secretary did, as you said, speak about it and because she is the one who has, as it were, chosen them, she is the one better to speak about it than I. But she and I have talked about these four.

Under Secretary of State Pickering and I have talked about these four quite a bit, especially in the context of formulating our budget request.

Because of where they are in the world and because of their size, the four of them have the potential to contribute greatly to economic growth in the region of the world where each of them is.

And they have the capacity to contribute to political stability in the regions where they are.

Because they can contribute positively, they can unfortunately also contribute negatively to those things. Colombia, I think, is a country of emphasis for the obvious reason of the drugs—coca and poppy grown there, and the freedom with which it finds its way into the United States.

Nigeria—unfortunately, also drug trafficking through Nigeria has become a very significant problem.

Nigeria also, some have called, the fraud capital of the world.

Nigeria is, I believe, the sixth largest exporter of oil to the U.S. and the world, and is important to us for that reason.

Nigeria has been very active in peacekeeping. Their troops are significant in places like Liberia and Sierra Leone and that part of Africa. And they participate in peacekeeping operations in other parts of the world.

These countries, as well as the Ukraine, are important regional actors, if their economies can really get off the ground, and if their governments stabilize and move toward democracy. I do not like to say, "Choose democracy," because I think it is not one day you are not, and the next day you are.

In Nigeria, we are very pleased with President Obasanjo and his commitment. He has even canceled some fraudulent, corrupt contracts that were given by the previous administration to corrupt military officers.

He is going to go back and examine government contracts that have been left for a long period of time, including from when he was in office quite a long time ago.

So we want to help these various large regional powers. We want to help them if they are committed themselves to rooting out corruption and respecting human rights, and opening their economies to the world in a global marketplace and making their economies places where Americans would like to invest.

So we see these four as pivotal—pivotal from a regional perspective and all of the increases in our programs are designed to help enhance political and economic stability, as long as we can have governments there we can work.

Indonesia, we are all very pleased with the change in power; President Wahid and Vice President Megawati are saying the right things. They have a history of saying the right things, both of them do.

President Wahid is someone that USAID actually has worked with for a long time. We had given support to the Islamic NGO that he founded and was the head of.

So we know him quite well. And we believe he is the right man for the time in Indonesia.

Indonesia is important because of the sea lanes and because of its size—the fourth largest country in the world and the largest Islamic country in the world.

And if a true multi-party democracy can develop and take hold in Indonesia, that would be a very positive thing for that region. Because it is an Islamic country, I think it would also be helpful as an example to other Islamic countries considering democracy.

So we feel very strongly that we should be supportive of President Wahid and his efforts. His democracy is in its very infancy.

We just had a team—a State Department, USAID joint effort to assess where we are with Indonesia and what kinds of programs would be most helpful.

Indonesia, as you know, Senator, is along with Thailand and the Philippines and some other countries, coming out of the Asian financial crisis.

And while there are some good signs economically, we believe that new institutions need to be put in place so that the kind of crony capitalism that infected Indonesia and was in part responsible for what happened to them, will not happen again. I have in mind reforms like proper bank regulation and fiscal reforms.

We feel these countries are very high priorities and deserve the support that we are going to give them.

Senator CHAFEE. Thank you very much. It certainly will be challenging, considering, as you said, that one of the countries has a reputation as the graft—or what did you call it? The——

Mr. ANDERSON. Fraud capital.

Senator CHAFEE. Fraud capital of the world. It is very challenging for you to administer these increases in foreign aid.

Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman. And I apologize for all of the different things that I needed to be at this morning, not being here as early as I like.

I want to thank the administration for being here today. This week's schedule has been remarkably full, but opportunities like this one are well worth the extra effort involved.

U.S. bilateral economic assistance programs account for a very, very small fraction of the overall budget, but they can have extraordinary effects abroad.

Our aid programs serve our interests and I think reflect our national values. And I think it is highly appropriate that we take the time to talk about USAID's specific priorities this week, as we all try to grapple with the big picture for the year ahead.

Wisely administered foreign assistance can do so much to advance American interests. The U.S. has a clear interest in a strong and healthy environment, and in fighting the infectious diseases that threaten all people, regardless of nationality.

The United States has a strong stake in the development of human resources and institutional capacity abroad so that we can

develop strong trading partners, who will work with us for mutual prosperity.

And America has a clear interest in promoting democratic governance and the rule of law abroad, leading to a more stable and a more just world.

We need to set our foreign assistance priorities thoughtfully to maximize progress toward those goals.

It is precisely because economic assistance programs are so valuable that they have to be well monitored and well thought out.

U.S. dollars should be used to fight corruption, not to fuel corruption. And given the realities of limited resources and sometimes overwhelming needs, donor coordination has never been more important.

I know that the administrator is well aware of these imperatives. And I, again, look forward to working with him in the year ahead on these and other issues.

I will just ask a few questions, if I could. First, Mr. Anderson, on the issue of AIDS and infectious diseases, I am very supportive of the administration's proposals to step up our efforts to fight the HIV-AIDS crisis.

As you know I recently traveled with our Ambassador to the United Nations, Ambassador Holbrooke, to ten sub-Saharan African countries, and I had a chance to see a little bit firsthand of the devastating impact of the disease.

But increased funding will not by itself achieve its maximum potential impact, unless the African governments themselves muster the political will necessary to face the epidemic head on, for example the kind of thing we saw and many others have commented on with regard to Uganda's efforts to take on the problem.

How can our diplomatic channels be put to use to urge these governments to face the problem?

Mr. ANDERSON. Thank you very much, Senator. I am very pleased that you brought up the trip that you took with Ambassador Holbrooke.

I think it was important to shine a light on that part of the world and on this terrible HIV-AIDS scourge.

As you mentioned, President Musevini in Uganda really stood out as a leader of his people, a true leader of his people, when he began to publicly state what a terrible calamity they were facing. And he encouraged his government and his people to face this crisis and do something about it.

And as you said, unfortunately, some other leaders have not been as forthcoming.

HIV-AIDS, because it usually involves sex, is a very difficult topic for governments to talk about. And that is understandable.

But we—the USAID missions working with the ambassadors and the countries where we work in Africa—we work very closely together and we discuss ways in which to encourage the leadership of the countries to recognize the reality of the epidemic, to recognize the damage that HIV-AIDS is going to do to their economy, and even to recognize threats to stability in some cases. There are so many people affected, including school teachers, it's not just the truck drivers.

And as Senator Boxer said, now, for the first time, there are more women infected than men in Africa.

It is spreading to school teachers, civil servants, the professional classes. It does not stay within one class, as it were, of people. The countries are facing a crisis.

It kills more people than civil wars have. And we are talking with them and encouraging them to act at every chance our ambassadors get.

I spoke with an ambassador from Africa within the last week. He is in one of the countries you visited and he is very committed. Whenever he can, he brings up this topic at the highest levels of the government, he told me.

We can only do so much, but we will continue to make the effort.

Senator FEINGOLD. And I would note that I noticed the commitment of many of our ambassadors and interest in this that I appreciate it and I would urge them on.

Mr. ANDERSON. Well, I——

Senator FEINGOLD. I would like you to say a little bit about other public health threats that USAID will be addressing in the year ahead.

I have heard a fair amount about malaria in some of the countries you went to. What kind of malaria and measles prevention strategies does USAID employ?

Mr. ANDERSON. Malaria—which I myself have had the unfortunate privilege of suffering from several times when I lived there—malaria kills, I don't recall the exact statistic—but it is an incredibly large number of babies and young children every year in Africa.

There are a number of things that can be done, including mosquito nets for beds treated with a chemical. I think pyrethrum is the chemical that is most often used out there.

We encourage small businesses in various places, sometimes through our micro-enterprise program, which is wildly successful, to purchase these nets.

They are very inexpensive to make. The chemical is very inexpensive. And there is a big market for it.

And we work with health ministries in various countries in sub-Saharan Africa to address the problem of distribution and to make sure that there are mosquito nets and that people know exactly how they can prevent malaria, knowing that the mosquito—the female anopheles—bites at night and comes out at night.

If there is a mosquito net over a child's bed, that is the best protection against malaria.

The President announced that he is proposing a tax credit for pharmaceutical companies that would work on vaccines for malaria and HIV-AIDS.

These diseases, especially malaria, affect people in the tropics and because countries in the tropics are poorer countries, it is harder to get pharmaceutical companies to invest in research on malaria.

If we suffered from malaria in the U.S., I suspect we would have already had a vaccine, because we would have had the economic power to demand a vaccine.

So we are providing some assistance from our country to encourage the development of a malaria vaccine. It is being worked on. And USAID has been involved in the work.

But apparently malaria is a very, very difficult disease, because it goes through various stages in the body and it is a really difficult one to track down.

Senator FEINGOLD. I appreciate your discussion on the malaria problem. When the committee went to the U.N. under the leadership of the chairman when we had an opportunity to talk to a number of the Ambassadors to the United Nations from a number of African countries in the middle of our very serious conversations about AIDS, a number of us—of them pressed us to make sure that we understood the malaria problem and—and what some described as a particularly dangerous form of malaria in some of their countries.

So I appreciate that discussion.

Mr. ANDERSON. Thank you.

Senator FEINGOLD. Mr. Anderson, I had the chance to ask the Secretary of State earlier this week a little bit about Colombia. And I would like to pursue that a bit with you.

The administration has proposed a very ambitious program of assistance for Colombia.

Much of the rationale for the assistance, as you know, has to do with the war on drugs.

But I also know that the conflict in Colombia has forced thousands of civilians from their homes. I am concerned that this issue, which is very important for Colombia's overall quest for stability and strength is often ignored.

In fact, last week, I was told that the World Food Program had to postpone a planned relief program for internally displaced people in Colombia, because it had not received any contributions at all from donors.

Will USAID be addressing this issue as a part of the administration's Colombia initiative and specifically, if you know, what portion of the $1.6 billion package is to be spent on the internally displaced?

Mr. ANDERSON. Absolutely, we are very aware of this problem.

There are various estimates of what the numbers are of internally displaced persons now in Colombia. And the best figure I have seen is about 700,000 people already because of the instability.

And the economic problems they face are enormous. And we already are working with some of them.

Because of our experience in Peru and Bolivia with alternative development programs, we know that when the crops are sprayed or burned and destroyed, some of the farmers will be able to stay where they are. Part of our effort will be to provide them with alternative crops, with the materials they need.

We will test the soil, see what works, that kind of thing, work with them, ask what have they planted before—hoping that people can, for the most part, stay where they are.

It does not do anybody any good if they have to leave. However, in some cases, we know that this very worthwhile effort to elimi-

nate the illegal crops will create some more internally displaced people.

Some of them are just not going to be able to stay where they are.

Some of them were sort of like day workers anyway. They are not really committed to that part of the land, but they are there for the money they can make.

And so in addition to the alternative development that we are going to help the farmers with, we are going to spend a large part of our funds to provide health care, education and training for these people.

Many are going to need to become economically viable in a town or a city nearby.

And undoubtedly some of them will migrate to the cities.

Senator FEINGOLD. Do you have any sense of what portion of the $1.6 billion would go to some of these?

Mr. ANDERSON. It is in the several hundred million dollar range.

It is substantial—I mean, it is a lot of money to us. As a percentage of the overall amount, it does not look so big.

It is a fairly large program for us to gear up. We already are making plans for it. But we are only going to have a very small program staff actually, in Colombia.

I think we only have two American USAID direct hire employees—foreign service officers—there now.

We are going to add another two very soon. They have already been identified, so we will have four. It is going to challenge us to gear up and get going but we know it is absolutely essential.

Senator FEINGOLD. Thank you for that answer.

Back to Africa, I am pleased to see that the administration is calling for the reestablishment of the Development Fund for Africa.

Would you comment on what the rationale is for that decision and—and on the potential value you see in reestablishing the DFA?

Mr. ANDERSON. Of course, Senator. Because I lived in Africa for 8 years, it is a special concern to me and I might have done it on my own. But the President himself has traveled to Africa. The First Lady has traveled to Africa.

I had the privilege to host her when she visited Tanzania, both the First Lady and Chelsea came out there.

So the President has, I think it is fair to describe it, a very special interest in Africa. He is maybe the first President since Teddy Roosevelt—who used to go on big game hunts in East Africa—to have such an interest in that country.

This President has a real interest in Africans and their future. That is why the African Growth and Opportunity Act he has proposed is very important to him.

That is why he has proposed such a big increase in the HIV-AIDS budget, because it is so devastating in Africa.

The Act is a way to bring special attention to the problems that Africa faces. Sub-Saharan Africa is a very large place.

Tanzania, the country where I lived, has 30 million people and is the size of my home State of Arkansas, Louisiana and Texas combined.

If you look at a map, it is actually a fairly small place on the east coast of a continent with a lot of people, a lot of problems. But some success stories, too.

South Africa and Nelson Mandela's face is one that always pops up in my mind. He personifies the success of South Africans, and their ability to overcome. They are still working on their ethnic divisions, but their experience is something that we can hopefully see duplicated in other parts of the world. One of the big challenges that we face in the world is ethnic division.

And so the President wants to bring special attention to that part of the world.

Senator FEINGOLD. And I think that is a very effective answer. And I appreciate it.

I appreciate your answering all these questions. I just have one more, because I want to highlight another aspect of what I believe you are involved in, something that I have been very interested in.

Corruption stands in the way of every single U.S. interest abroad, distorts economics, undermines the rule of law and political legitimacy. And in a lot of cases, it—we are afraid it siphons away resources away from human development.

And we had a tremendous meeting with the administrator of Ethics and Integrity in Uganda. She talked to me about what she was trying to do and—and her needs.

And, for example, she talked about the lack of trained auditors and investigators in her country. What is USAID doing to help countries to fight corruption?

Mr. ANDERSON. Thank you for that question. The training that you mentioned in Uganda is one thing that we are doing in a lot of places: training the comptroller general and the auditor's office to use international accounting standards.

One would hope that all countries would use international accounting standards, but a lot of countries where we work, which have been very centrally controlled by a totalitarian authority, saw no need in the past for international accounting standards. Only a few people ran the country anyway.

But now, as they are opening up to the world economy and as their political systems are liberalizing, international accounting standards are very important and we do training in that regard.

Institution of the rule of law is, I think, fundamental to the battle against corruption in a country. And that one we could talk about for hours and hours and we only have a few minutes. But it is so important I want to mention it.

We are helping countries like El Salvador. I was just there a few weeks ago.

We have political scientists from the University of Texas in Austin and from the State University of New York, who are helping the legislative assembly in El Salvador to strengthen its committee structure, to create a budget analysis unit, which they never had before.

And we are helping them regionalize their legislative offices. Actually they are opening some regional offices to respond to people out in the rural areas of El Salvador, thereby strengthening the legislature. You know these countries, so many of them have had

such a strong executive with no legislature and no court system. And that is almost the definition of corruption in a way.

We are involved in strengthening the legislatures, in a lot of places, and strengthening the judicial branch.

In the West Bank, I was there in December, I met with the legislative assembly of the Palestinian Authority.

We were working with them to help them really create, in a way for the first time, a strong legislative branch of their authority.

And the speaker of the Palestinian Assembly told me—he said, "You know, we are moving from the days of PLO when we only had an executive. We did not have a legislative or judicial unit.

"We want to become a country. And so we know that we have to, as it were, take power from the executive and place some in the legislature and place some in the judicial branch."

And USAID is working with both the legislative branch and also the judiciary in many countries.

Helping countries create an independent judiciary is one of the most important, but unfortunately one of the most difficult, things in developing countries.

There has been so much corruption and in many cases, even where there has been something called a court, we would not recognize it.

In Central America, their system involves presenting briefs, written briefs. The judge made a decision really without ever seeing anybody or taking oral testimony or having an adversarial examination.

And when everything was only done in writing, it gave the clerk of the court an opportunity to be involved in corruption and the judge too. So we have encouraged reform with some assistance from the American Bar Association, which has worked with us in many countries around the world, but also in Central America.

They have gone to a more open and transparent and accountable system in the way they handle their trials. And they have already seen some positive results from it.

Another thing that I think is important is reducing the numbers of permits and licenses that a businessman or anybody else needs to transact business in a country.

When I was in Tanzania, USAID brought some American businessmen out. And we took them through all the procedures necessary before they could invest money in Tanzania.

We were not doing it so much as a anti-corruption exercise as to help the Tanzanians see how difficult it is to invest in their country and show them if you really want people to invest, you are going to have to reduce all this red tape. Instead of having 70 steps—I think it was 70 something different things you had to do—you know maybe 12 is a lot better.

Well, what we realized was at every step in that process for an American businessman or a German or a Brit, at every step in that process was another opportunity for corruption, somebody to say, "Yes. You know, I will give you this license if you will give $100," or "I will give you this permit, but if you want to farm over here, you have got to go through these 12 offices."

And reducing that sort of thing both makes it investor friendly, which is a huge priority of ours, and also helps reduce the opportunity for corruption.

There are laws and ethics requirements that are like what we have that we share with them.

But, Senator, frankly, if the government and the people are not committed to the kinds of reform that you are talking about, we cannot do anything about it. They have got to be committed.

Some of the things outside the government we can do is buildup an independent media—newspapers and television and radio stations—watchdog groups, human rights groups and consumer groups. Building the civil society, strengthening from the grass roots, encouraging people to go to the government and demand that these sorts of things stop.

That is really where corruption is going to be ended: by the people themselves realizing that government is there to serve them.

This is a principle that you and I were born with. The government serves the people.

But in many of the countries where we work, it has been the reverse. The people are there to serve the few.

And it is the people themselves who are going to have to demand these changes.

Senator FEINGOLD. Well, you obviously have given this issue a lot of thought. And I appreciate that.

You said many interesting things, but in particular I was interested in what you said about building the legislatures.

When we were in Africa, Ambassador Holbrooke made it clear that he represented the executive and I represented the legislative side and it gave me an opportunity, for example, to meet with a group of legislators, which was a very interesting meeting.

We also had the opportunity to work—meet with a group of legislatures in Namibia who had come from other countries to help monitor the elections in Namibia.

And that was a very stimulating conversation. I learned a lot. And I felt there was a tremendous eagerness on the part of—the different members of the legislatures—different legislatures to compare notes and talk about exactly what you said.

There is such an executive tradition there—in many of those countries—that it is a long process that I think a lot of Americans would find very interesting to be involved in strengthening the role of legislatures. It was very stimulating for me having only been a legislator in terms of my governmental activity.

The judicial is harder and in fact, constitionalism. We were, I think, troubled by what is going on in Zimbabwe.

I read today that there is a vote going to be held on a constitution where apparently only one side gets to put their position about whether the constitution should pass on the radio and the other side does not.

And I know that one of the issues involved there had to do with what kind of judicial review would be a part of that constitutional system.

And given the importance of our fundamental decisions in this regard, *Marbuny* versus *Madison* and other decisions, it sets the

whole tenure for a nation and the future of its nation, who has the primacy in terms of the law and how independent those courts are.

So this is not just in Africa, of course, but everywhere in the world, because these are things that Americans, especially young people, I think, could find very exciting to be a part of in the future in a cooperative way.

So I thank you, on behalf of the chairman, I thank you for being here and—and on behalf of all the members of the committee.

The record will be left open for additional questions for 3 days and with that the hearing is adjourned.

Mr. ANDERSON. Thank you, Senator.

[Whereupon the committee adjourned.]

[Additional questions submitted for the record follow:]

ADDITIONAL QUESTION FOR THE RECORD

RESPONSES OF USAID ADMINISTRATOR J. BRADY ANDERSON TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

Question. Central to the reform of Ukraine's struggling economy is the reform of its agricultural sector. What are USAID plans to assist the modernization and marketization of the Ukraine agricultural sector in FY 2000 and FY 2001?

Answer. USAID is committed to advancing agricultural development in Ukraine and is moving forward to support the reforms being initiated by the Government of Ukraine [GOU]. In FY 2000, as the GOU develops a reform program, USAID will maintain support for the Ukraine agricultural sector via several ongoing projects. These are: (a) policy reform assistance to the Ministry of Agriculture's Secretariat and Policy and Analysis Unit; (b) support for farm restructuring and land reform; (c) small farmer training; (d) the provision of Farmer-to-Farmer volunteers; and (f) implementation of the agribusiness partnership program.

In April 2000, the International Monetary Fund, the World Bank, and USAID are planning to evaluate the GOU's policy reform performance. Assuming consensus among international donors that Ukraine is meeting its policy reform commitments, USAID expects to commence the design of a new agricultural development project that would build on the existing projects mentioned above. Such a new agricultural project would be implemented in FY 2001 or earlier, if possible. In this effort, USAID expects to work closely with the World Bank to coordinate our assistance and to leverage it with greater multilateral resources.

Question. Some have asserted that USG assistance programs, particularly those intended to promote market reform in Central Europe and Russia, tend to direct their efforts to regions within a country where there is greatest chance of reform as opposed to those regions where reform is needed most. In Ukraine and Russia, does the USG direct its market and economic reform programs to cities and regions that for political and economic reasons are most important to the future of their respective countries even if the task of reform may be more difficult for cultural, political and economic reasons? If not, why not?

Answer. U.S. Government assistance programs in Ukraine and Russia are designed to encourage reforms needed for long-term social, political and economic development. As reforms at the national level have stalled in the last few years, USAID and other agencies have redirected their limited resources to give more priority to assistance at the regional level.

The question posits two alternative approaches to targeting assistance to the regions:

(a) assisting regions that are already reform-minded in the hopes of nurturing replicable "successes," versus

(b) assisting the most politically important regions, regardless of their commitment to reform, in the hopes of maximizing influence over the country's future direction.

Our strategy is based on an important lesson learned from previous assistance efforts in the former Soviet bloc, and elsewhere around the world. Past experience has demonstrated that where a genuine commitment to reform is lacking, efforts to influence change in terms of government policy and practice are bound to fail. We

therefore avoid funding assistance to regional or municipal governments that are resistant to or uninterested in reform.

The U.S. Government is providing different forms of assistance in a very broad range of regions in both Ukraine and Russia, and at many levels of society within those regions. The most politically and economically important regions in both countries have been major recipients of such assistance. We recognize that the reform process in these countries is complex, and change is happening in the private as well as the public sector. We do not reject particular regions from any assistance at all because, for example, its governor is not reformist. In regions that are resistant to reforms, we focus on programs on individuals and institutions receptive to such USG-sponsored activities as exchanges, small business training and credit programs, and NGO grant programs. These people and institutions represent the seeds of future change in their regions, and should not be ignored.

At the same time, we recognize that, given the enormous scope of the transition underway in Russia and Ukraine, our resources are very limited, and therefore we must look for ways to leverage assistance dollars. One potentially effective way to achieve this is to help progressive regions to succeed in creating a workable economic and political system, based on democracy and the market. These regions can then become models that serve to disseminate their approach to many more regions. This replication effect is the primary motivation behind the "regional initiatives" in Russia and Ukraine, which involve concentrating a large number of assistance programs in a region.

In choosing sites for regional initiatives, we are looking above all for regions where chances for reform to succeed are good, and where the results of this success will be evident. Such regions may be among the most politically and economically important ones (for example, Samara Oblast in Russia), or they may be smaller, but nonetheless excellent showcases for the positive results of reform (such as Novgorod Oblast in Russia).

There is increasing evidence that Ukraine's Central Government is now composed of a group of leaders seriously committed to economic reform. If they demonstrate that they are undertaking meaningful reforms, USAID would consider increasing its assistance directed at the national level, but also would continue our focus outside Kiev.

RESPONSES OF USAID ADMINISTRATOR J. BRADY ANDERSON TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR RICHARD LUGAR

Question. The Financial Volunteer Corps [FSVC] using volunteers and providing non-commercial advice, has established an excellent track record over the past ten years in delivering technical assistance. It has made an important contribution to strengthening the financial infrastructure in numerous countries and to developing transparent market-oriented economies. I am interested in learning what role USAID envisions for FSVC in the republics of the former Soviet Union and in the Balkans over the next several years.

Answer. USAID has benefited from a close working relationship with the Financial Services Volunteer Corps [FSVC]. FSVC provides volunteers and expertise in three core areas: central banking, commercial banking and capital markets development. Since the inception of the FSVC program in the early 1990s, the U.S. Agency for International Development [USAID] has provided more than $32 million in funding to the FSVC.

USAID's vision for FSVC in the republics of the former Soviet Union and in the Balkans is to partner with us in promoting economic reform and establishing sustainable partnerships between the United States and the countries of Europe and Eurasia, between these countries and other regions of the world, and among the countries themselves.

As our development partner, FSVC meshes its short-term technical assistance with our Missions' long-term strategic priorities.

FSVC is engaged strategically with USAID at a regional level in Washington through our Partners for Financial Stability program. FSVC's dialogue with our Missions in the former Soviet Union and the Balkans is even more important as they have the job of sorting priorities for their limited country-specific programs.

Based on ongoing and future projects, illustrative examples of our cooperative efforts with FSVC over the next several years include:

- Russia, where work is concentrated in commercial banking and financial market management reforms. USAID and FSVC are working closely to develop a

sharply focused, three-year strategy for continuing financial market reforms, emphasizing regulatory development and implementation;

- In Albania, current and future projects may encompass a broadened spectrum of activities in financial sector reform. In addition to improving bank communications and settlement process, FSVC may be called upon to provide assistance in establishing a stock market and to advise on financial aspects of privatization;
- The Republic of Georgia, has made requests to FSVC for several projects which would support the efforts of current USAID projects in bank supervision and electronic payments systems;
- In Ukraine, FSVC's work centers on USAID projects in on-site bank supervision, and bank accounting as well as a capital markets component;
- Macedonia's future activities will continue to support banking and capital markets development and may branch out into legal reviews of the commercial code, assistance in export promotion, deposit insurance, bank rehabilitation and money laundering detection;
- Several Missions, including Bosnia, Kosovo, Montenegro and Armenia may access FSVC services in the future, once their respective financial infrastructure and legal/regulatory frameworks are better established.

Question. The Congressional report for the FY 2000 Foreign Operations bill included sense of the Congress language which said "The managers encourage USAID to support the Financial Services Volunteer Corps [FSVC] which contributes to the process of building sound financial infrastructure in countries that are seeking to develop transparent, market-oriented economies. FSVC, as a not-for-profit organization, leverages its funding resources with expert volunteers from the U.S. financial services community to provide assistance that is objective, independent and free of commercial interest." I agree with this statement and would like to know what your funding recommendation for the FSVC in FY 2000 will be. What level of funding do you foresee for FY 2001?

Answer. USAID concurs that FSVC's reputation is well deserved and well established, based on a decade of experience, primarily serving Eastern Europe and the Former Soviet States. To facilitate FSVC's broader participation in USAID's program, USAID's Global Bureau awarded to FSVC a three-year Cooperative Agreement on September 30, 1999, with $219,000 in core funding. This will serve as a quick-response revolving fund which missions will reimburse and cover some administrative costs.

The demand for FSVC's services will depend on USAID missions' priorities. Based on prior years' demand and estimated new demand for technical support in the area of financial sector development worldwide, USAID estimates field demand for FSVC services at approximately $600,000 per year.

RESPONSES OF USAID ADMINISTRATOR J. BRADY ANDERSON TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

Question. Some countries in Eastern Europe—for example, Poland and Hungary—have now "graduated" and no longer require USAID's involvement. What are the prospects that countries in the Balkans and/or the former Soviet Union where USAID is now engaged will be able to similarly "graduate" some day?

Answer. I am proud that the United States has been able to play a important role in the transformation of formerly communist states into market democracies based on the rule of law. By the end of Fiscal Year 2000, Estonia, Latvia, Lithuania, Poland, Hungary, Slovakia, Slovenia, and the Czech Republic will all be in the ranks of USAID "graduates." At that time, there will no longer be any bilateral USAID missions active in any of the northern tier countries of Europe.

USAID's Bureau for Europe and Eurasia has a thoroughgoing system for analyzing and tracking country progress toward commonly-accepted graduation thresholds, for all of the sectors in which we work. A report on Monitoring Country Progress is updated twice annually, and special assessments are performed on a periodic basis by the Europe and Eurasia Bureau, analyzing progress against strategic indicators and graduation thresholds on a country-by-country basis. Examples of such graduation thresholds include progress toward legal and regulatory reform, privatization, and creation of an effective civil society.

Although there still are a few rough spots in some countries (Slovakia and Lithuania, for example), our analysis indicates that the transition process is now essentially self-sustaining in all eight of these "graduate" countries. Regional legacy mechanisms in such areas as energy, the environment, and fiscal management are

in place to meet remaining needs in the northern tier. In Slovakia, we expect to provide some limited assistance through regional mechanisms to shore up weak spots in the economic reform area.

However, progress on reform has not seen as swift in the countries of Southeastern Europe and the former Soviet Union. We are applying the same strategic indicators and graduation thresholds that were used in the northern tier. At this point, we do not have target graduation dates for any additional countries. But, the prospects for eventual "graduation" of the countries of Southeastern Europe are promising. The emergence of democratically-elected reform governments in such countries as Bulgaria, Romania, and, most recently, Croatia, has given the United States enthusiastic partners who are committed to the common values of the Euro-Atlantic community and are actively seeking to qualify membership in the European Union.

Question. Specifically with regard to USAID's efforts in Bosnia and Herzegovina, do you believe that we are placing enough conditionality on our assistance to the political leadership there?

Answer. USAID does not assist Bosnia-Herzegovina's political leadership. We do not implement programs designed to uphold the status quo. Instead, we implement programs to weaken the social and financial dominance of the most recalcitrant opponents of reform, whether they be in the Federation of Bosnia-Herzegovina or in the Republika Srpska. The dismantling of the three ethnically-based payments bureaus and development of a real and functioning independent banking system will dry up a major source of funds for the three dominant nationalistic parties. Developing an independent media will offset nationalistic rhetoric of state-controlled media and provide real, unbiased information to Bosnia's citizens. Training for moderate political parties and their supporters will help to prepare a new generation of leaders to lead Bosnia in the 21st century.

USAID uses its political leverage and places conditionality whenever possible. The suspension of the USAID privatization technical assistance program to the Federation on December 19, 1999 brought to bear such public pressure and outrage against the Federation government officials that they moved hurriedly to try to mend their reputations. We saw that, if you engage and educate the citizens of Bosnia, they are the best check on the corrupt and obstructionist activities of their government.

More progress has been made on the conditions for privatization of the large enterprises of Bosnia than ever before. Before the suspension, only 26 of the 47 companies under the Federation Privatization Agency had submitted opening balance sheets and only 20 had submitted privatization plans. Since suspension 21 additional companies have submitted opening balance sheets and 20 have submitted their privatization plans.

The $256 million Municipal Infrastructure Program was conditioned on municipal officials publicly signing a Memorandum of Understanding to adhere to the Dayton Accords and turn over publicly indicted war criminals within their jurisdiction, among other conditions, in order to receive assistance through this USAID program. An example of the implementation of this conditionality is Tuzla, where, because of the MOU, municipal officials evicted a group of politicians who were occupying apartments of the minorities place claims for repossession of their property. After the evictions were concluded and the minority return took place, USAID implemented two projects: reconstruction of the water system in Tuzla and reconstructing the school in Lipnica.

Another example of conditionality in the Municipal Infrastructure Program occurred in the eastern Republika of Srpska. The municipalities of Trebinje, Cajnice and Bileca proposed and had their projects accepted to repair the water systems in all three towns. Municipal officials in Trebinje and Bileca projects refused to sign a MOU to adhere to the Dayton Accords, therefore the projects were never initiated and USAID ran a heavy publicity campaign so that the citizens in the municipalities knew why their water system was not repaired.

Question. Now that a peace of sorts exists in Sierra Leone, what sorts of programs is USAID planning to undertake in Sierra Leone? Can you explain what strategy donors are using to help Sierra Leoneans put the pieces back together in a society as devastated as theirs is?

Answer. USAID continues to provide humanitarian and transition assistance to Sierra Leone. In FY 1999, USAID humanitarian assistance to Sierra Leone totaled $32.5 million. Planned levels for FY 2000 are about $44.4 million. USAID programs include food and disaster relief and transition assistance; non-governmental and community-based organization strengthening; child tracing and family reunification; prostheses, wheelchairs and orthotics for the disabled. USAID is reviewing options

to bridge the transition between humanitarian and near-term (3-year) development priorities.

Regarding a donors' strategy, we cannot speak for all donors, but it is USAID's understanding that substantial post-disarmament and post-demobilization assistance will be made available through the World Bank-managed Multi-donor Trust Fund to help revitalize communities and reintegrate ex-combatants into communities. That program is being carried out in conjunction with the Government of Sierra Leone. The United Kingdom is the major contributor to the Trust Fund, and is providing support and technical advice in a number of areas, including disarmament, demobilization and reintegration, security, police restructuring, anticorruption, elections, local governance, and non-governmental organization democracy and governance efforts. UNICEF has successfully been addressing needs of children affected by the war, including child combatants. USAID, State, and other donors through their contributions to the World Food Program, will continue to address humanitarian needs of refugees and internally displaced people. No United States food or disaster relief commodities are being provided to combatants. In Sierra Leone, USAID supports a non-governmental organization [NGO] coordinating body that effectively coordinates all humanitarian assistance. All donors and NGO's participate in bi-weekly coordination meetings, chaired by the director of the Government of Sierra Leone's National Commission on Reintegration, Rehabilitation and Reconstruction. The United States government participates in regularly scheduled meetings of the National Commission on Disarmament, Demobilization, and Reintegration, chaired by President Kabbah. As mentioned above, USAID is reviewing how we might use development assistance to help bridge the transition between humanitarian assistance and near-term development needs.

Question. USAID has proposed a number of programs in Liberia aimed at promoting human rights and election assistance. How important are these programs to helping Liberians institute democracy and the observance of human rights? Will the programs that USAID is proposing help strengthen or preserve the Taylor government as critics contend?

Answer. USAID's democracy and governance activities are not intended to lend credibility to the Taylor regime. We strongly believe that without a free press, without human rights champions on the ground, without efforts to create an independent judiciary, and without the mantle of visibility that United States democracy and governance assistance brings, the fate of those who challenge the Government of Liberia would be further compromised.

The programs serve a very real purpose on the ground in that they help safeguard against the potential emergence of a repressive one-party state. They also symbolize a United States government commitment to the tenets of democracy and human rights. The proposed programs support independent voices that seek to hold the government accountable to the people. They support Liberian human rights groups' efforts to provide citizens with information on and access to legal redress for human rights abuses. They help citizens exercise their rights and participate constructively in political processes.

These programs become increasingly important as we draw closer to the 2003 elections. Now is the time to lay the groundwork, through a focused and targeted democracy and governance program, to ensure a variety of candidates in the 2003 election.

USAID has provided critical limited assistance to strengthen the judiciary and the legislature, both of which have helped balance the overwhelming power of the executive. However, the bulk of our democracy and governance assistance has supported local non-governmental organizations, free media, and human rights groups. Under Brooke Amendment sanctions, we can no longer provide democracy and governance assistance to government in any form, but would like to continue providing a voice for citizens.

We continue to believe it is important to bolster the elements of society that attempt to hold the executive regime accountable and who are the best hope for stability and democracy over the longer term. We stand ready to consult with the Committee at any time to address concerns and reach a mutual understanding about how to achieve our shared objectives in Liberia.

INDONESIA AND EAST TIMOR

Question. How do we strike the right balance in aid for Indonesia, a pivotal state of 200 million people, and East Timor, a tiny fledgling nation of just 750,000? Are we assigning the right priority to each?

Answer. USAID's approach to providing assistance to Indonesia and East Timor is primarily based on our assessment of the needs of each country in relation to the United States' strategic interests.

Indonesia is the world's fourth most populous country, essential for maintaining stability in Southeast Asia, and now on its way to becoming the world's third largest democracy. In recognition of the importance to the United States of the Indonesia's economic and democratic transition, the Administration is proposing as much as $500 million in assistance over the next few years, starting with an assistance level of $145 million in grant and food aid for FY 2000.

East Timor's devastation requires a significant initial infusion of donor assistance to help restart and re-build the economy and put it on the path toward becoming a stable new democracy. The United States, through USAID, which was a lead donor in East Timor prior to the crisis, is particularly well positioned to jump-start East Timor's economic revitalization with revival of a successful coffee production project and initiation of community-led development programs.

USAID is scheduled to receive a significant portion of the $25 million FY 2000 earmark for East Timor and will utilize the funds for economic revitalization activities. USAID will focus on efforts to provide quick employment and continue building civil society.

We expect other bilateral and multilateral donors to take on a greater role in East Timor's long-term development within several months. Consequently, the Administration proposes a much lower level of assistance in the next fiscal year for East Timor as other major funding comes on line.

INDONESIA

Question. What aid are we providing to Indonesia, if any, aimed at cultivating greater civilian control over the military and greater respect for basic human rights?

Answer. It is only recently that the military has begun to relinquish its social, political and economic role in Indonesia. USAID is providing grants to civilian organizations focused on reexamining the role of a modern military in a democratic environment with a clear separation of powers and responsibilities.

In addition, USAID provides grants to civilian organizations that support efforts to promote reconciliation, trust and respect between the military and civilian community. These USAID grants have financed seminars, roundtables, dialogues, media broadcasts on civilian control of the military and training for journalists to research and report on military issues.

Throughout Indonesia, USAID has provided $800,000 in grants to local groups which support workshops on voter education and community preparedness for conflict resolution at the grass roots level and human rights campaigns through printed materials, electronic media and interpersonal contacts dealing with the issue of reconciliation.

CAMBODIA

Question. Under what circumstances should the United States be prepared to resume direct aid to the Cambodian government?

Answer. The Cambodian government is showing a willingness to proceed with democratic and economic reforms. A national election held in July 1998 led to the formation of a democratically elected coalition government in November 1998. An elected National Assembly and appointed Senate, both with a vocal opposition party, is seated and enacting legislation. Since February 1999 the coalition government has embarked upon an ambitious and comprehensive economic reform agenda that is reviewed quarterly with donors. These developments, together with further progress toward an internationally acceptable tribunal to try Khmer Rouge and adherence to basic standards of human rights, should lead the United States to consider resumption of direct aid to the Cambodian government to spur continued economic and democratic reform.

The United States is alone among bilateral and multilateral entities in not resuming a direct relationship with the Cambodian government.

PAKISTAN

Question. What conditions would Pakistan have to meet in order to be eligible for USAID assistance, and what progress has it made over the past year?

Answer. Legislative restrictions on USAID direct assistance to the Government of Pakistan have been imposed because of (1) sanctions following Pakistan's possession, and then testing, of nuclear weapons in May 1998; (2) defaults on repayment of its loans from the United States; and (3) its military coup of October 1999.

Pakistan is currently eligible for, and receiving, assistance under USAID's Pakistan NGO Initiative [PNI]. USAID is permitted to provide assistance under section 541(a) of the FY 2000 foreign appropriations act and its predecessors. This legislation authorizes USAID assistance to programs of non-governmental organizations [NGO's] in a country when the USAID Administrator (as delegated by the President) considers such assistance to be in the United States national interest, and so notifies Congress under the regular notification procedures.

Under PNI, USAID provides assistance to two U.S. NGO's based in Pakistan: the Asia Foundation and the Aga Khan Foundation. These two NGO's work with local Pakistani NGO's in the areas of basic education, literacy and skills training, basic maternal and child health, NGO capacity building and policy advocacy. PNI is a $19 million, seven-year program begun in FY 1995.

The Department of Defense FY 2000 Appropriations Act provides permanent, comprehensive authority for the President to waive nuclear sanctions (for both Pakistan and India) to allow assistance, but does not provide authority to waive other legal restrictions such as those related to the military coups and defaulting on loan repayments.

On November 26, 1999, the Government of Pakistan [GOP] and the USG signed a Paris Club bilateral agreement to reschedule GOP debt repayment currently in arrears. Notification of the signing of this bilateral agreement was sent to Congress on January 24, 2000 and expired without objection on February 23, 2000. Pakistan is no longer in arrears on its repayment of United States government debt.

Legal restrictions on USAID direct assistance to the Government of Pakistan, because of the October 1999 military coup, cannot be lifted until the President determines that a democratically elected government has again taken office in Pakistan.

Question. Can you update us on what measures are being taken to address concerns with the physical security of the USAID employees at the Ronald Reagan Building?

Answer. Primary responsibility for the security of the RRB rests with the General Services Administration.

Within the space we lease and are authorized to control, we have installed security systems and implemented procedures that are in compliance with Federal security standards. We are confident in the security provided by these systems and our own security staff.

We have strong liaison with the FBI and other federal and local law enforcement agencies and have obtained routine access to domestic intelligence to keep informed of known threats.

We continue to have concerns about perimeter security and unauthorized vehicle access to the building and are working aggressively with GSA at different levels to address these concerns. We are encouraged by GSA's recent acquisition of equipment to better control vehicle access into the building, and we will continue to work with GSA building management and the Federal Protective Service to highlight our other concerns and request assistance as appropriate.

Question. In 1997, USAID proposed authority to begin a new loan program—a Development Credit Authority. The new authority was made contingent on the Office of Management and Budget certifying that the Agency had improved its loan portfolio management. That certification occurred late last year. The President's budget proposes consolidating this and other USAID credit programs into one "Development Credit Account." The budget says that this account "permits the Agency to substitute credit assistance for grant assistance to achieve" economic development purposes. What is the purpose of consolidating all your credit programs under one account?

Answer. Consolidation of the Agency's credit programs will strengthen credit management capacity by centralizing the credit administrative staff and streamlining credit risk analysis, credit portfolio management, and credit accounting systems for new credit activities into a single, more efficient unit.

The consolidation of all agency credit activities under a single DCA appropriation account is consistent with the goals of the Administration and Congress to reduce the number of appropriation accounts.

This consolidation will also ensure that future credit assistance activities will be strictly subject to the reforms embodied in the Federal Credit Reform Act of 1991.

The absence of line-item appropriation requests for the urban, environment and shelter sector and the microenterprise sector does not signal a retreat from these sectors. A combination of grants and DCA assistance will finance future work in these areas at roughly the same level as in prior years unless the priorities change.

Question. In general, under what circumstances are loans preferable to grants?

Answer. In most circumstances, USAID relies on grants to carry out its programs. However, in limited circumstances, loan guarantees and direct loans, utilizing the Development Credit Authority [DCA], may provide an additional, powerful tool. By utilizing credit rather than grant funding, USAID can create sustainable public/private partnerships for development. Credit-based development projects can mobilize local private resources far in excess of available public development funds. Thus, for example, a $350,000 investment by USAID with a commercial bank in Poland has made available up to $10.0 million in potential lending. Furthermore, by utilizing commercial sources of capital at market rates, DCA projects can demonstrate to private sources of capital that development can be both sustainable and profitable. Credit assistance will be particularly useful in areas such as micro and small enterprise, privatization of public services, infrastructure, efficient and renewable energy, and climate change.

DCA is primarily intended for countries and regions where USAID has an active presence. Eligible projects must demonstrate the potential to have a positive financial rate of return so that the loans can be repaid. Where USAID's risk analysis of a specific project demonstrates that the estimated risk is too high, USAID will decline to offer credit assistance. In this case, grants may be the more appropriate means to accomplish USAID's developmental objectives.

Question. In view of the current Administration proposals to provide debt relief for the poorest nations are these loans primarily to governments or to private entities?

Answer. The Development Credit authority [DCA] is primarily intended for non-sovereign lending. Under the regulatory reforms that govern DCA, only a handful of USAID-assisted countries would be sufficiently creditworthy to qualify for sovereign risk credit assistance. Instead, DCA credit assistance is intended for credit enhancement purposes in cases where borrowers are non-sovereign entities and the lenders, with whom we partner, take more than 50% of the risk. DCA will be used for credit enhancement purposes in partnership with local banks and other private investors.

There is no relationship between our DCA request and the President's debt reduction initiative for the poorest countries. DCA will not be used for sovereign lending in countries where debt is being forgiven or rescheduled. Only in limited circumstances may DCA be used for sovereign credit, however, even in sovereign transactions, the DCA models require true risk sharing.

THE AIDS CRISIS IN AFRICA

THURSDAY, FEBRUARY 24, 2000

U.S. SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:35 p.m., in room SD–419, Dirksen Senate Office Building, Hon. William Frist (chairman of the subcommittee) presiding.

Present: Senators Frist, Smith, Biden, Sarbanes, Kerry, Feingold, and Boxer.

Senator FRIST. Good afternoon. Our agenda today has been distributed.

We are going to attempt to accomplish a lot, which means that as the chairman, I will be swinging the gavel to keep people moving along. And it is going to be very frustrating, because of the breadth of the topic, but we are faced with a true crisis and, thus, the title for today is "AIDS Crisis in Africa."

I am very excited about the next four panels we have before us, because we will address the issue of AIDS initially from a legislative standpoint, hear the Surgeon General of the United States give us some background, some understanding of the disease and where we are today, and travel through a range of panels that cover not the entire spectrum, but a large part of the spectrum of this crisis in Africa.

We will have some opening statements, but I think out of respect for our colleagues, four of whom will be with us over the course of the next few minutes, we will turn directly to them to make some opening comments, introducing specific legislation that they may be involved with and establishing the setting from which we can emerge on the three panels that follow.

With that, let me first turn and we will go straight down in order on the agenda on panel one to Senator John Kerry from Massachusetts.

Senator Kerry.

STATEMENT OF HON. JOHN F. KERRY, U.S. SENATOR FROM MASSACHUSETTS

Senator KERRY. Mr. Chairman, thank you very, very much, and thank you, Senator Feingold, for your leadership on this issue and for affording us the opportunity to have this very important hearing today.

We are going to hear from a lot of experts on later panels about the scope of the AIDS epidemic in Africa, so I am not going to take a lot of time to underscore it.

But I want to say on a personal level, and I know my colleague, Barbara Boxer, and Senator Durbin join me in feeling that the proportion of this calamity in sub-Saharan Africa is absolutely stupefying.

There are not words to adequately describe it. It is as compelling and as sobering an issue as any of us could face here.

And it seems to me that when you contemplate that of the 33 million people on this planet who are infected with HIV, perhaps 95 percent of them are in developing countries. It will kill more than 2.5 million people this year. During the time it takes me to testify, some 60 people are going to become infected with HIV.

And I think that no nation, but particularly our Nation with the extraordinary talent we have, with the technology we have and with the money we have, can possibly fail to take a leadership position and to respond to this.

Now, how do we do that? This is an epidemic out of control. And we should all remember that borders do not matter, as you well know, Mr. Chairman, when you are dealing with contagion.

I believe that there are an enormous range of steps that we can take. Senator Feingold, Senator Boxer, Senator Durbin and others have taken the lead in offering plans and I joined with them on their bills.

But frankly, the scope of this epidemic requires perhaps even a bolder response than we have yet contemplated. It requires us to look beyond preventing and treating the disease, especially when you figure the numbers of people we are dealing with, the amount of time that takes, the complexities sociologically, all of the infrastructure issues that are linked to trying to treat those who are infected and prevent new transmissions of HIV.

And while I am extraordinarily supportive of those programs—we have seen locally in Massachusetts how many of them work very effectively—I believe that there is something else we can do. It is time for us to lead the world in developing a vaccine.

Vaccines, most people will acknowledge, are the most cost-effective weapon in the arsenal of modern medicine to stop the spread of contagious diseases. They offer a relatively inexpensive means of lowering society's overall costs of medical care.

Prime examples of the success are the three million children whose lives are saved every single year as a result of early childhood immunizations against diphtheria, polio, pertussis, tetanus, measles, and tuberculosis.

Mr. Chairman, consider the alternatives that we have right now. Pharmaceutical products like the highly touted anti-viral cocktail for treating AIDS patients can cost on average as much as $15,000 a year. Now, that is obviously a princely sum even in a wealthy country like ours.

But for nations with a per capita income of $700 or $800, like Malawi, such treatments and drugs are nowhere in the realm of possibility.

They also require an incredible infrastructure and investment in medical compliance, which is difficult to adhere to in this country, let alone in any of the developing societies.

So for these nations, finding an affordable vaccine for AIDS is really the only option. It offers them an opportunity for gaining control over the epidemic.

Unfortunately, of the $2.4 billion or so spent on overall AIDS research last year, only a fraction was spent on AIDS vaccine research.

The World Bank estimated that between $280 million to $350 million was spent worldwide on finding a vaccine for AIDS in 1999, or somewhere between 10 or 15 percent of the total amount spent.

Furthermore, of the $300 million or so spent on HIV vaccine research, less than $50 million came from private sector research and development budgets.

Simply put, our biotechnology and pharmaceutical industries do not believe that investing in AIDS vaccine research is a good investment.

So, Mr. Chairman, we have a responsibility to change that equation, that economic perception or judgment. Investing in an AIDS vaccine is one of the best investments that we could make as a Nation.

And for Africa, I suggest respectfully, it may be the only hope for survival.

While continued and expanded investments in our research engines are vitally important—I refer to the AIDS research at the National Institutes of Health—we should explore additional strategies to stimulate the private sector in research and development.

Mr. Chairman, I was amazed to learn that of the $56 billion a year spent globally on health research, well over 90 percent is spent on research into health problems that occur in only 10 percent of the world's population.

Amazingly, of the 1,200 new drugs commercialized between 1975 and 1997, only 13 were for tropical diseases, diseases such as malaria and tuberculosis, which combined kill close to 3 million people a year.

So we can change this approach of the pharmaceutical companies. Do they not invest because there is no hope of finding a vaccine for malaria or AIDS? The answer is no. Is it because the science is insurmountable? The answer is no.

It is simply because these vaccines do not offer the same return to shareholders as the return from Viagra or Lipitor, or Prozac or other blockbusters here in the United States.

Now, I do not blame any company for responsibility to shareholders. But let us take our moral imperative and our common sense and change the equation for them economically.

So what do we do? Well, what we need to do is give pharmaceutical companies the financial incentive to achieve what we know is possible and let them work their magic.

These are the same engines of growth and technological progress which have helped extend life expectancy beyond what was imaginable at the turn of the century.

And now we can do this with respect to this scourge. How? And I will be very quick. Here is how you do it. The legislation that I

introduce today, the Vaccines for the New Millennium Act provides a number of market incentives to encourage private sector investment in life-saving vaccines.

They could be classified in two ways, as a push mechanism for lowering the cost of R&D; and as a pull mechanism to show that the market will exist if the pharmaceutical companies provide the product.

On the push side, we expand the development tax credit from 20 percent to 50 percent for research related to developing a vaccine for AIDS, malaria and tuberculosis or any infectious disease which kills over 1 million people a year.

The tax credit is incremental. And I will not go through the details of how it works, but we will submit that in the bill.

Second, the bill allows small biotechnology companies which do not have tax liability to pass a smaller tax credit through to investors. And firms with assets under $50 million can choose to pass through a 25 percent tax credit to investors who provide financing for research and development of one of the priority vaccines.

Both of these proposals have been endorsed by a combination of public health advocacy groups and industry, including AIDS Action Council, the Global Health Council, the American Public Health Association, the AIDS Vaccine Advocacy Coalition, Chiron, Vaxgen, and others.

Third, the bill authorizes voluntary contributions to the Global Alliance for Vaccines and Immunizations and the International AIDS Vaccine Initiative.

I might add that that is being supported by a number of nations and international donors, including an incredibly generous gift by the Bill and Melinda Gates Foundation, who today have issued a statement supporting our legislation and the efforts of the Clinton administration to move down this vaccine road.

So, Mr. Chairman, this bill includes other ways that we could accelerate the intervention and production of life-saving vaccines, for example the tax credit proposed by the President.

That credit doubles the purchasing power of non-profit organizations and others who purchase vaccines for developing countries.

Our plan also establishes a life-saving vaccine purchase fund, which has been advocated most prominently by Jeffrey Sachs, my friend from Massachusetts, who will appear on a later panel.

So I believe that this proposal really offers the best chance we have beyond prevention, which we ought to be doing, and beyond the treatment, which we obviously also need to do.

But ultimately to gain control of this on a global basis as well as to deal with malaria, infectious tuberculosis and other diseases, I believe this is the approach.

We were working on this for about 2 years, Mr. Chairman. This past weekend, it was endorsed as a positive step by academics, pharmaceutical executives and governmental leaders at a high-level conference convened by the University of California in San Francisco, the World Bank and the Global Forum for Health Research.

Congresswoman Nancy Pelosi will introduce similar legislation in the House of Representatives. It is my hope that we can pass it in the Senate.

And I thank you for your attention.

[A news release from Senator Kerry follows:]

[For Immediate Release—February 24, 2000]

NEWS FROM JOHN F. KERRY, U.S. SENATOR FROM MASSACHUSETTS

KERRY ANNOUNCES COMPREHENSIVE VACCINE PLAN—VACCINES FOR THE NEW MILLENNIUM ACT COMBATS WORLD'S DEADLIEST DISEASES

WASHINGTON, DC.—U.S. Senator John F. Kerry, today announced his proposal to spur research and development of vaccines against HIV, malaria and tuberculosis. His nine-point plan, the Vaccines for the New Millennium Act, unifies the public health community advocates and the private sector in the fight against the world's deadliest infectious diseases. The Kerry plan provides tax incentives for vaccine R&D, creates market mechanisms for the purchase and distribution of vaccines in developing countries, authorizes funding for multilateral vaccine and immunization efforts, and establishes a commission to coordinate public-private partnerships for vaccine development. Kerry announced his plan at a hearing of the Africa Affairs Subcommittee of the Senate Foreign Relations Committee.

> Last year tuberculosis, AIDS and malaria killed 5.2 million people. This is not a problem waiting to happen—it is already a catastrophe of the worst order. Today, I am presenting the first comprehensive plan in the Senate to begin to reverse this death spiral. Affordable and effective vaccines against these three diseases are the only sure way to eradicate these pandemics.

Kerry's bill provides creative financing mechanisms to unleash the energy of the private sector, which offers the best hope for new vaccine breakthroughs. The bill increases the existing R&D tax credit for qualified research into vaccines against TB, malaria and AIDS, and establishes an investment credit for smaller biotechnology companies which engage in lifesaving vaccine research. In addition, the bill builds on President Clinton's call for a vaccine purchasing tax credit which would double the purchasing power of non-profit organizations which buy and distribute new vaccines against any disease which kills more than one million people a year.

The Kerry plan also includes a trust fund for the purchase of new vaccines, thereby creating a market for developing countries which desperately need vaccines. It calls on the President to negotiate with other countries and multilateral banks to establish an international fund to finance the purchase of new vaccines. It also authorizes U.S. contributions to the Global Alliance for Vaccines and Immunizations as well as the International AIDS Vaccine Initiative.

> We, as a responsible member of the international community, should instill the appropriate incentives to encourage research in lifesaving areas the pharmaceutical and biotech sectors have previously ignored. This is a moral imperative.

Senator FRIST. Thank you very much, Senator Kerry. The member statements will be made a part of the record in their entirety. The members obviously are welcome to leave; I know that a number of you have other hearings going on as we go through.

Let me turn to ranking member, Senator Feingold and then Senator Boxer.

STATEMENT OF HON. RUSSELL D. FEINGOLD, U.S. SENATOR FROM WISCONSIN

Senator FEINGOLD. I want to thank you, Mr. Chairman, for holding this important hearing. And of course, I want to thank all the witnesses for being here today. We have excellent panels in store for us.

And I know the time is very short, so I want to just speak for literally 1 minute and say, first, how much I enjoyed Senator Kerry's remarks and how much I appreciate the passion and com-

mitment that both Senator Durbin and Senator Boxer have already brought to this issue. I am grateful for it.

We can, of course, all cite the appalling statistics, and many of us have already had some human encounters with the human face of this tragedy.

For me, the devastating statistics took on a new life the day that I learned that some reports estimate life expectancy in Zimbabwe has dropped from 65 to 39, because of this epidemic.

And when I was walking past the Parliament building in Harare in December, I asked somebody how old you had to be to become a member of the legislature there, the Parliament. The answer is 40, 1 year older than the life expectancy.

Likewise, many of us have a responsibility to take legislative action to stop the relentless march of this disease across the African Continent and through countless African families.

And Senator Feinstein of California, Senator Boxer's colleague and I, have introduced an amendment to the African Growth and Opportunity Act, and have it in the bill at this point in the Senate version, designed to stop our Government from pressuring governments that take legal measures to improve access to AIDS drugs in their countries.

And I have co-sponsored Senator Moynihan's initiative to step up the fight against mother-to-child transmission of HIV.

I know that all the distinguished Senators testifying before us today have introduced some proposals of their own. I hope that this hearing will give this subcommittee and, indeed, all of the members a chance to consider possible responses and initiatives in a careful and collaborative fashion. I know the chairman shares that sentiment with me.

Mr. Chairman, I also ask that the statement of James Love of the Center for Study of Responsive Law be submitted for the record. Mr. Love has worked extensively on some of the intellectual property issues relating to pharmaceuticals.

And I, again, thank you for holding this hearing.

Senator FRIST. Thank you. It will be made a part of the record.

[The statement referred to is on page :]

Senator FRIST. Senator Boxer.

STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR FROM CALIFORNIA

Senator BOXER. Thank you so much, Mr. Chairman, Senator Feingold. Thank you both for your leadership on this and for giving me this opportunity to testify.

If you want to put on the 5-minute clock, that's fine. And then when it turns red, I will close my——

Senator FRIST. OK. Thank you.

Senator BOXER. Really, it helps me——

Senator FRIST. OK. Will do.

Senator BOXER [continuing]. Keep track of time. Otherwise, I tend to lose track of time.

Senator FRIST. A good precedent for everybody here today. Thank you very much.

Senator BOXER. All right. Mr. Chairman——

Senator FEINGOLD. Thank you for setting that precedent late.

Senator FRIST. Well, we went through 11 minutes there.

Go ahead, Senator.

Senator BOXER. All right. Well, let me just say, you know, sometimes people who like our work will come up to us and say, "You are doing God's work," which I take as the ultimate compliment. And sometimes I think we do not always, and we do not.

But I have to say to this subcommittee, you are, because this is a very, very serious matter that is impacting innocent people all over the globe. And I am just so pleased to see the bipartisanship taking shape around it.

I want to also thank, in addition to both of you, Ron Dellums, who was a former Congressman as you probably know, for many, many years from northern California, who testified before Senator Specter and Senator Harkin and myself and Senator Feinstein in San Francisco a year ago or so, and—and in the most dramatic terms, the eloquence that I just could never emulate, told us about what was happening in Africa. Many of us were unaware of the impact that we now are aware of.

As you know, Mr. Chairman, no place on Earth is harder hit by AIDS than Africa. And the United Nations has said it is, "The worst infectious disease catastrophe since the bubonic plague."

So here we are sitting in the midst of this plague and thank goodness we are doing something about it, or we will soon do something about it.

The statistics, 13.7 million people in sub-Saharan Africa have died of AIDS, it's an amazing statistic. Last year, two-thirds of all new cases of HIV/AIDS were in sub-Saharan Africa. And of all the people in the world living with HIV/AIDS, 69 percent of them live in sub-Saharan Africa.

Unlike many areas of the world, the epidemic there is predominantly a woman's disease. And I have had a chance to express that to Senator Helms, because I think we are going to need him to get more involved in this.

And he was very interested in learning more. And so I am hoping we can share the results of this hearing today with the chairman.

A majority of infected adults, 55 percent to be exact, are women. And this creates a ripple effect. When women get the disease, they often pass it to their unborn babies.

As a result, 10 percent of the HIV/AIDS cases in sub-Saharan Africa are children. And when women die, their children become orphans.

And, Mr. Chairman, this is a fact that has the greatest impact on me. By the end of this year, the HIV/AIDS epidemic will be the reason that over 10 million children in sub-Saharan Africa are orphans—10 million children. That number equals the total number of children living in California, the largest State in the Union.

And I would suggest in some of your States, it is many times more the numbers of children living in your States.

Now, imagine if every single child in California was an orphan. That is what we are talking about in sub-Saharan Africa. And even worse, the number of children orphaned there because of HIV/AIDS could double, triple or even quadruple in the next decade if we do not do something.

This is a global catastrophe. And we must lead the way, as my colleague John Kerry so eloquently said, "It is up to us to lead the way." That is what world leadership is.

I am happy to tell you that Senator Gordon Smith and I have worked together on this. And along with many of you, we are helping each other move this forward.

He and I have introduced the Global AIDS Prevention Act. And it calls on the USAID to make HIV/AIDS a priority in the foreign assistance program and to undertake a comprehensive coordinated effort to combat HIV/AIDS.

We do not set up any new bureaucracies. We go along with the entities that are already there on the ground, doing a good job. But we give them more resources and we ratchet it up over the next several years.

I want to say something on a very personal level. I want you to think about this. In 1983, I was sworn into the Congress, to the House. And there were a few cases of this mysterious disease, and I turned around to get the help of my colleague, Phil Burton. And we started to work on it. And then he passed away. And I found myself the lone Congressperson from San Francisco with this mysterious disease.

Mr. Chairman, we have made tremendous progress in learning to cope with this disease, how to prevent it, how to cope with it, what we need to do to stop it. We have a long way to go, but at the minimum we have got to take what we already know and apply it to Africa, while we help John in his efforts to get a vaccine.

I want to say on the good news front, there is a new tablet called Navirapine.

This new tablet Navirapine is going to be very effective, already is, in preventing mother-to-child transmission. And it costs half—no—a percent of what the AZT costs. And it only takes two dosages, one to mother, one to the child.

And the group Pediatric AIDS Foundation, which as you know, was founded by Elizabeth Glasser, is out there now in Africa trying to help get this drug out. So we have made progress.

Let me close by saying this: We need to do more on this fight.

We also need to do more on the fight against tuberculosis. And I have, again, been working with Gordon Smith on that. And as we spoke earlier today, this is a humanitarian issue. This is a moral issue. It is a very spiritual issue.

It is also a question of common sense as Senator Kerry said. If we do not do something about these epidemics abroad, we will never resolve our problems here at home.

So, again, I thank you for doing this. And you can count on me, as I know you can count on all of us, to join hands across the aisle to get something done. And I know we know what to do. It is just the will to do it.

Thank you very much.

[The prepared statement of Senator Boxer follows:]

PREPARED STATEMENT OF SENATOR BARBARA BOXER

THE AIDS CRISIS IN AFRICA

Mr. Chairman, thank you for allowing me to testify before the Senate Foreign Relations Subcommittee on African Affairs on the AIDS crisis in Africa. I appreciate

having this opportunity and am grateful to see that so many of my fellow colleagues share my strong concerns about this terrible epidemic.

As you know, no place on Earth is harder hit by AIDS than Africa. As the United Nations has said, it is "the worst infectious disease catastrophe since the bubonic plague."

Since the beginning of the HIV/AIDS epidemic, 13.7 million people in sub-Saharan Africa have died of AIDS. That is 84 percent of all the people in the world who have died of AIDS since the beginning of the epidemic.

Last year, two-thirds of all new cases of HIV/AIDS were in sub-Saharan Africa. And of all the people in the world living with HIV/AIDS, 69 percent of them live in sub-Saharan Africa.

Unlike any other area of the world, the HIV/AIDS epidemic in sub-Saharan Africa is predominantly a woman's disease. A majority of infected adults—55 percent to be exact—are women.

This creates ripple effects. When women get the disease, they often pass it along to their unborn babies. As a result, about 10 percent of the HIV/AIDS cases in sub-Saharan Africa are children. More dramatically, when women die, their children often become orphans.

And Mr. Chairman, this is the fact that has the greatest impact on me: by the end of this year, the HIV/AIDS epidemic will be the reason that over 10 million children in sub-Saharan Africa are orphans. Ten million children—this number is equal to the total number of children living in California today. Imagine if every single one of them was an orphan. That is what we are talking about in sub-Saharan Africa. Even worse, according to those who are working on this issue in Africa, the number of children orphaned there because of HIV/AIDS could double, triple, or even quadruple in the next decade.

This is a global tragedy, a global catastrophe, a global emergency. It requires a global response. And the United States must lead the way.

That is why I have introduced, along with my colleague on the Foreign Relations Committee, Senator Gordon Smith, the Global AIDS Prevention Act. It calls on the United States Agency for International Development—USAID—to make HIV/AIDS a priority in the foreign assistance program and to undertake a comprehensive, coordinated effort to combat HIV/AIDS.

Under my bill, this comprehensive effort would address four essential priorities. The first is primary prevention and education. We have seen in San Francisco and elsewhere in the United States that prevention and education is still the best vaccine in fighting HIV/AIDS. The second priority is to provide medications to prevent the transmission of HIV/AIDS from mother to child. I have spoken with the Pediatric AIDS Foundation on this issue, and there are optimistic signs that a drug called Navirapine, which costs $4 a tablet, can be effective in preventing mother-to-child transmission.

The final two priorities in my bill are to provide care for those living with HIV/AIDS, and voluntary testing and counseling.

To meet these priorities, my bill would increase funding for USAID's international HIV/AIDS effort. Over five years, the bill would authorize $2 billion for the fight against AIDS, and at least $1 billion of that is dedicated to the problem in sub-Saharan Africa.

As I mentioned, I am joined in this effort by Senator Gordon Smith. He and I worked together last summer in introducing a separate bill to fight the international tuberculosis problem, but let me be clear, TB is not an unrelated issue.

Tuberculosis is a disease that is spread from person-to-person through the air, and extremely dangerous for people infected with HIV. According to the Centers for Disease Control and Prevention, TB is the world's leading cause of death among people infected with HIV. In fact, TB is the cause of death for one out of every three people with AIDS worldwide. So I think it is important to address this issue in our discussion about AIDS in Africa.

These global diseases know no borders. Given that the world is increasingly interconnected, the United States will never be able to eliminate HIV/AIDS and TB in this country without eliminating them worldwide.

Once again, Mr. Chairman, thank you for holding this important hearing. I look forward to working with you on these critical issues.

Senator FRIST. Thank you, Senator Boxer. Thank you for your commitment to this issue as we all join hands to address it.

Now, Senator Richard Durbin.

STATEMENT OF HON. RICHARD J. DURBIN, U.S. SENATOR FROM ILLINOIS

Senator DURBIN. Chairman Frist and Senator Feingold, thank you for this hearing.

As I approached the hearing room, I noticed a long line of students waiting to come in and be part of the audience. I thought it was entirely appropriate that of all the hearings on Capitol Hill, they would choose this one.

There may not be another hearing on the Hill more important to their future than our discussion about this epidemic on the poorest continent on the face of the Earth.

And I hope that those who are following it by C–SPAN or in the audience will listen carefully, because some of us have had an opportunity to visit Africa. I do not profess to be an expert. I was there for 10 days. I came away with one of the most profound experiences of my life.

I went there to look at a lot of things, to look at food aid and micro-credit and trade. I came back saying there is one issue that just overwhelms everything. That is the AIDS epidemic. The AIDS epidemic may be the greatest moral challenge of our time.

Will a world of relative worth rally to save the poorest continent? Will superpowers reach out to save the poorest and the powerless? That is our challenge here.

There have been some excellent suggestions from my colleagues, Senator Kerry, Senator Boxer. I am co-sponsoring legislation with Senator Kerry involving the World Bank. Their suggestions on vaccine, Senator Boxer's suggestions, are all excellent.

I have put a bill in. I have no pride of authorship whatsoever. And I hope that all of us can set that aside for a moment and really look at the goal here that we are trying to reach.

I was just overwhelmed in visiting South Africa, Kenya, and Uganda. Sandra Thurman was with me and as our National AIDS Director, her group—and she had been there before. I visited some places that she was well known at, including Tusa and Kampali, Uganda.

But I can tell you that the people I met there were some of the most inspiring people I have ever met. These are nations that have turned into hospices. These are people who know they are doomed. They look at their children longingly, knowing that they will never see them reach an adult life.

They try to cope with counseling and support groups and just the most routine therapies and medicines, knowing full well that they will never ever be able to reach the drugs and medicines available in the West that might prolong their lives a few years or perhaps even longer.

And I came away from that experience thinking to myself, we ought to be doing things that work. The easiest reaction for people in the United States is to say, it is impossible, 10 million orphans and tens of millions infected, the rate of infection growing in some countries—I think the natural reaction is to turn away from it, not to look at it.

Now, Senator Kerry has said and Senator Boxer has said, we cannot afford to do that. This is a global world.

What happens in Africa, what happens in Asia, affects Springfield, Illinois and Tennessee and Wisconsin and Maryland. We are all in this together.

Here is one of the things that I came forward with, and it is, believe me, I hope it is part of the bigger package. It does not solve the problem. But here is what I found when I went there.

There is no place for these orphans to go. There is no orphanage. There is no institution that is going to absorb 1.7 million orphans in Uganda. It is not going to happen.

The only hope for these children is in an extended family, that some relative's family, perhaps—I hope a relative—will reach out and bring the children in when both the mother and father have died from AIDS. And it is happening over and over again.

What will enable these families in some of the poorest countries on Earth to absorb two, four, five or six AIDS orphans? My experience is sometimes it is very simple.

There is a lady named Bernadette that I bet will be talked about quite a bit when Sandy comes up. This is a lady who has lost 10 of her 11 children. She has been written up in Newsweek magazine. These 10 kids died from AIDS. And she has brought in, what, 34——

Ms. THURMAN. Thirty-five.

Senator DURBIN [continuing]. Thirty-five grandchildren into her home. She is almost 70 years old. How can she cope? How can she get by? Let me give you two things included in my bill that we ought to think about.

Microcredit: Sometimes extending to these poor mothers $100 or $200 in credit can change their lives and revolutionize it. They can buy some goats, some chickens. They can expand their sales in the market. Now, they can bring those mouths into feed from their brother's family. Now, they can take care of these orphans. Microcredit works.

The FINKA program, which has been helped by USAID is a good illustration of that. It is 98 percent return and payback, 2 percent default; any bank in America would jump at those statistics.

But this money can transform lives and empower these families and particularly these mothers to bring in AIDS orphans.

My observation, very quickly, is that if you take a look at any of these countries in Africa, you will find those making the most progress dealing with development and coping with this epidemic are those which are empowering females, giving the women in that society a voice and a role and an opportunity to help solve the problems.

The second issue, very quickly, is food aid. We already are engaged in massive food aid distribution. I would like to see us focusing that food aid to the families that are adopting orphans and bringing them in. Give them special treatment, special help.

That is the best way to keep these orphans off the street. They turn to the streets. They become petty thieves and prostitutes, and you know that the ultimate result of that will be horrible.

I will close by saying this: Many people have discounted this year on Capitol Hill. They have said that because of a looming Presidential election, we are likely to accomplish little or nothing.

I hope they are wrong. Can we as a group, Democrats and Republicans, resolve to do this on a bipartisan basis, to not leave town in the year 2000 without putting together our very best effort in a bipartisan response to this AIDS epidemic in Africa and Asia?

I think our investment in time and energy on a bipartisan basis with skills from persons like yourself, Senator Frist, with your own medical background, could be invaluable.

We are not going to cure this epidemic. Perhaps some of the things suggested by John and others will move us toward that. But at least for this time and place, let us find ways to provide support for those families who could bring these orphans in.

Thank you.

Senator FRIST. Thank you very much.

Senator Smith, welcome. Your name has been mentioned as part of legislation. We would like to turn to you for a few minutes.

STATEMENT OF HON. GORDON SMITH, U.S. SENATOR FROM OREGON

Senator SMITH. I hope it has been mentioned in good terms, Senator.

Senator FRIST. Yes, it was.

Senator SMITH. Thank you, Mr. Chairman, members of the committee.

I am pleased to be here with my colleagues on a bipartisan basis about a disease that does not know national boundaries and, frankly, does not care how we register politically.

I was honored a few months ago when Senator Boxer came to me and asked me to join her in introducing the Global AIDS Prevention Act. I know there are other approaches to this, but this is ours.

Our legislation authorizes $2 billion over the next 5 years to support the Agency for International Development's efforts to prevent and treat HIV/AIDS abroad.

Fully half of the funds authorized would go to fight AIDS in the sub-Saharan African area. The remainder will go to other areas, including some countries of Southeast Asia where infection rates are growing at alarming rates as well.

While the nations of the sub-Saharan Africa have faced a myriad of disasters in the last decades of the 20th century, few reached the proportions that the spread of AIDS has on every level of life in that area.

I have read news accounts recently of this. I do not think we can even begin to comprehend the horror in which life is lived in this area. The statistics are mind-numbing. In some countries, one in four adults is living with HIV.

Life expectancies in those countries over the next 5 years have been slashed from the mid-60's to the early 40's. Cumulative deaths attributable to AIDS number over 13 million by 1999. And the number of children orphaned by AIDS is estimated between 7 million and 10 million.

It is incredible to me that there are not even 1 million children in my entire state. And here you have these kinds of numbers among the most innocent of our planet.

An estimated 1 million children in Africa are being infected per year. These numbers impact every facet of life in this region of Af-

rica, where populations of adults are not able to enter the work force or care for their children.

And the economy in that circumstance simply cannot grow. Where millions are orphaned and many time watching their parents die, a future that includes—does not include any basic education leaves a very bleak future indeed.

In places like this, governments struggle with civil strife unimaginable. And basic medical needs of its populations are simply unmet.

Perhaps you have read in U.S. News and World Report a story that talked about how this was localized even on a category of teachers there. I was amazed. I mean, you have where teachers, one in three, are—or are infected.

And what kind of a future do children have without teachers, without education? But the teacher community, just taking that one slice has been decimated in this area.

I am proud of the private and religious organizations that have heroically struggled to fight the impact on families. However, it is clear that the scope of the AIDS crisis requires additional support. In a region of the world where infection rates reach one out of four of adult population, our diplomatic efforts to Africa are simply not meeting the task.

While the internal political strife in some of these countries can be equally heartbreaking in outcome, the ongoing devastation by the spread of AIDS in some of these countries needs to be addressed in a broad and an immediate way.

You can see this type of foreign aid is a branch of our diplomacy. If we are to help the countries of sub-Saharan Africa facing this very real problem, this has to be one of our first steps.

I am pleased, as I said, that there are others with other ideas on how to do this, but Senator Boxer and I have a bill that does increase funding dramatically.

I am not saying we just throw money at it. I am saying we target it in ways that actually arrest the spread of this disease. But I believe there is bipartisan support in this committee, in the Senate that we do something, and that it includes a dramatic increase in funding.

I look forward, Mr. Chairman, to working with you and my other colleagues to make sure that this is a priority, that this can happen in this Congress and it can happen with Republicans and Democrats acting in concert as human beings.

[The prepared statement of Senator Smith follows:]

PREPARED STATEMENT OF SENATOR GORDON SMITH

Mr. Chairman, thank you for your interest in the AIDS epidemic in Africa and for holding this important hearing.

Several weeks ago I joined my colleague, Senator Barbara Boxer, to introduce "The Global AIDS Prevention Act." This legislation authorizes $2 billion over the next five years to support the Agency for International Development's (AID) efforts to prevent and treat HIV/AIDS abroad. Fully half of the funds authorized would go to fight AIDS in sub-Saharan Africa. The remainder will go to other areas, including some countries of southeast Asia where infection rates are growing at alarming rates.

While the nations of sub-Saharan Africa have faced a myriad of disasters in the last decades of the 20th century, few reach the proportions that the spread of AIDS has on every level of life in that area. The statistics are mind-numbing—in some countries, one of four adults is living with HIV/AIDS. Life expectancies in those

countries over the next five years have been slashed from the mid-60s to the early 40s. Cumulative deaths attributable to AIDS numbered over 13 million by 1999 and the number of children orphaned by AIDS is estimated between 7 and 10 million. An estimated 1 million children in Africa are HIV positive.

These numbers impact every facet of life in this region of Africa. Where populations of adults aren't able to enter the work force or care for their children, an economy cannot prosper and grow. Where millions are orphaned, many times watching their parents die, a future that includes any basic education is likely not to happen. Where governments struggle with civil strife, the basic medical needs of its populations go unmet.

U.S. News and World Report last week put this issue in the most alarming context—with a two page article that underlined the toll on society in Africa. AIDS is killing Africa's teachers, and U.S. News cited estimates of HIV infection rates of 1 in 3 in some countries of Africa. Of course AIDS affects more than teachers, but just looking at the impact on a society without teachers puts the devastation in very real context. How does a society function without teachers? How does a generation of children face the future without education?

I am proud of the private and religious organizations that have heroically struggled to fight the impact on families, however, it is clear that the scope of the AIDS crisis requires additional support. In a region of the world where infection rates reach one out of four of the adult population, our diplomatic efforts must first and foremost include a means to stop this epidemic.

While the internal political strife in some of these countries can be equally heartbreaking in outcome, the ongoing devastation spread by AIDS in some of these countries needs to be addressed in a broad and immediate way. This type of foreign aid is diplomacy. If we are to help the countries of sub-Saharan Africa, facing this very real problem has to be the first step.

I am pleased that there are other bills in the Senate now with different approaches to this issue. Our bill does increase funding dramatically. In general I do not believe that the federal government's solution to a problem should be throwing more money at a situation. But I believe there is bipartisan support here on this Committee to increase funding and I believe that we can work within the Committee to make sure that it will be spent wisely in the best possible manner.

I look forward to working with you Senator Frist and the Chairman to authorize sufficient funds to fight AIDS world wide.

Senator FRIST. Thank you very much. I want to thank all four of my colleagues who have come forward. It is a bipartisan effort.

And as you sit here and listen, clearly none of what each of you have put forward excludes the other. And in truth, it is going to take a package.

Over the course of the afternoon, we will be talking about how to dissect the problem to make sure that the resources are invested in a wise way, taking into account, your suggestions; and hopefully by the end of today, we really will be able to come up with a comprehensive approach. I want to thank each of you.

It is interesting that the impact of travel there—my own interest came from working in hospitals in Africa in three different countries, where the incidents of the patients who had come into that operating room of AIDS/HIV positivity was about one in four.

And, again, not enough of our colleagues have had that opportunity or taken advantage of that opportunity to travel. But as you listen and you see the experiences, you see how important it is.

But I thank all of you very, very much.

Senator KERRY. Sir, can I ask that the statement from the Gates Foundation be placed in the record?

Senator FRIST. Without objection, it will be made a part of the record. And your entire statements will be made a part of the record.

[The statement referred to follows:]

[For Immediate Release—February 24, 2000]

STATEMENT FROM THE BILL & MELINDA GATES FOUNDATION ON SENATOR JOHN KERRY'S (D-MA) VACCINES FOR THE NEW MILLENNIUM ACT

The Bill & Melinda Gates Foundation today announced its support for Senator John Kerry's (D-MA) and the Clinton's administration's work to develop and distribute life saving vaccines. Senator Kerry today introduced the Vaccines for New Millennium Act, a proposal which would authorize U.S. government expenditures to organizations including the Global Alliance for Vaccines and Immunizations (GAVI) and the International AIDS Vaccines Initiative (IAVI).

These organizations are also grantees of the Bill & Melinda Gates Foundation. In November 1999, the Foundation announced a $750 million grant to the GAVI to help ensure that children in developing countries are immunized against major killer diseases in the new millennium. The Foundation also gave more than $25 million to IAVI in an effort to develop a vaccine that would immunize against the AIDS virus.

The Bill & Melinda Gates Foundation supports efforts to spur research and development into vaccines to fight the spread of diseases such as AIDS, tuberculosis and malaria. We are pleased to see the comprehensive plan being introduced today by Senator John Kerry at the Africa Subcommittee of the Senate Foreign Relations Committee.

The Foundation supports the plan's goal of establishing as a major objective of U.S. foreign policy the universal vaccination and immunization of all children from preventable diseases within 10 years.

Access to vaccines can save the lives of as many as three million children every year. The Foundation has been pleased to support GAVI, which works with the pharmaceutical industry, international governments and others to improve distribution and stimulate the development of vaccines and IAVI, an international non-profit organization working to speed the development and distribution of an AIDS vaccine.

Senator FRIST. Thank you very much.

I will ask the second panel to come forward. As they are coming forward, again, let me point out that the idea is to introduce some of the legislation that is before the U.S. Congress and then to introduce the administration's policy and programs as well as to what we know about the disease, followed by a discussion on the global impact and economics of AIDS. And then there is what it is actually like to deal with AIDS on the ground in Africa.

As we have heard, our topic today is a matter of life and death, not just of a person or the community or of a family or even just of a nation. It is a matter of life and death for an entire continent.

Today, we are going to hear a lot about the extent of the disease, the implications for humanity. We have already heard of the trends that are becoming increasingly terrifying and, in many ways, apocalyptic.

I think what is important for our subcommittee and our larger committee to both understand and focus upon is the fact that all goals that the United States has in Africa—goals that we share with Africa—are being seriously compromised in some shape or form, if not completely undermined, by AIDS.

Our subcommittee has looked at trade issues, education and health, imports, exports from Africa, corruption, stronger democracies, efforts toward peace.

This one issue that we are addressing today will undermine each and every one, all of those, will sap the life from some of the most promising generations and productive generations, unless we act and act in a responsible way.

Thus, I view this topic today as one of the greatest—and I hesitate to say the greatest—but among the greatest policy challenges

for the United States in Africa—for the United States, for Africa, and for Africans themselves. I think we do have to be mindful that the United States can and should be a great force for good in Africa.

We will hear about the fact that the United States is charitable, is compassionate and as this hearing demonstrates, I believe we have the political will to take a more aggressive posture toward combating AIDS in Africa.

The real challenge is going to be, I believe, to determine how best to use those resources, which are, in fact, limited—but how best to use those resources in order to maximize the potential for good on the African Continent.

And it is rare that subcommittees and committees address with such a clear focus, issues of life and death as we are today.

[A news release from Senator Frist follows:]

[For Immediate Release—February 24, 2000]

NEWS RELEASE FROM BILL FRIST, U.S. SENATOR FROM TENNESSEE

FRIST WARNS AIDS EPIDEMIC TO BECOME BIGGEST FOREIGN POLICY CHALLENGE IN AFRICA

WASHINGTON, DC.—Chairing a hearing today of the Senate Foreign Relations Subcommittee on African Affairs, U.S. Senator Bill Frist (R-TN) warned that the growing AIDS epidemic in Africa is affecting all aspects of relations with the continent and is certain to pose the biggest challenge to Africa and to United States policy toward Africa.

"The United States' goals in Africa—expanding trade, better education and health, stronger democracies and preserving peace—will all be undermined if the AIDS epidemic continues to plague the continent at its current rate," said Frist. "The cost in human life and societal and economic disruptions from this crisis demand that we don't simply turn our backs. Instead we must seek answers that offer hope to Africa's future generations. Simply spending more money is not the answer. We must determine how we can best use our resources to address this crisis."

According to reports from the United Nations, 23.3 million adults and children are infected with the HIV virus in Africa, representing nearly 70 percent of the worldwide total of infected people. In some African countries, 20 to 26 percent of adults are infected and an estimated 13.7 million Africans have already lost their lives to AIDS. In fact, AIDS has surpassed malaria as the leading cause of death in Africa.

AIDS is having a devastating impact on social and economic consequences, depriving Africa of skilled workers and teachers, while reducing life expectancy significantly in many countries. The problem is uniquely acute in Africa because of the region's widespread poverty. In many cases, health systems are ill-equipped for prevention, diagnosis and treatment.

Senator Frist used today's hearing to take a broad overview look at the crisis in Africa and examine specific proposals being offered by the Administration and Senate colleagues. Frist heard from Dr. David Satcher, Surgeon General and the Director of the Office of National AIDS Policy, who described the extent of the disease, its implication for humanity and current efforts underway by the Administration. He also heard from Senators John Kerry (D-MA), Barbara Boxer (D-CA), Gordon Smith (R-OR) and Richard Durbin (D-IL) about their specific proposals for addressing the African crisis.

Senator Frist is chairman of the African Affairs Subcommittee and has traveled to Africa to participate in medical missionary work to examine first-hand the challenges African healthcare systems face.

Senator FRIST. With that, let me turn to our second panel, the Surgeon General, David Satcher, who has taken such a leadership position in this issue and so many issues; and again—both have already been introduced in other people's comments—Ms. Sandra Thurman, Director, Office of National AIDS Policy. And I want to welcome you both.

Dr. Satcher.

STATEMENT OF DR. DAVID SATCHER, SURGEON GENERAL OF THE UNITED STATES

Dr. SATCHER. Thank you very much, Senator Frist, and thanks for this hearing. To the other members of the Subcommittee on African Affairs, let me say how delighted I am to have this opportunity to share my perspective and concerns about AIDS in Africa.

I am sure you have heard many times of this pandemic being compared with the plague of the 14th century that wiped out a third of the population of Europe and more than 20 million people; or with the influenza pandemic of 1918, which killed somewhere between 25 million and 40 million people in the world.

I want to say that I believe that in a sense we have never seen anything like the AIDS pandemic, and I am going to tell you why.

Let me just emphasize again that we are talking about a pandemic that has already killed over 16 million people in the world, and a pandemic in which there are about 34 million people living with the virus.

As you have heard, nearly 70 percent of those people living with the virus are in sub-Saharan Africa; and over 80 percent of the people who have been killed by the virus are in sub-Saharan Africa.

In sub-Saharan Africa, there are 12 to 13 African women infected for every 10 African men. Now, that is different from this country where, as you know, this has been predominantly a male disease, even though the infections in women are increasing.

But there are very interesting differences. I think this figure is an interesting one, and it is real, the fact that every day, 15,000 to 16,000 new people are infected by the AIDS virus in the world. And, again, over 70 percent of those are in sub-Saharan Africa.

It is also interesting, I think, that when this epidemic started in Africa, it was primarily in the upperclass. It was in businessmen who traveled, and they often encountered commercial sex workers. And they then in turn spread the virus to their partners back home.

And now, of course, it is primarily a disease that threatens mostly the poor and the uneducated, but still very much a disease of all the people.

How is it different? I think one of the most important things is to point out how this virus is different, because I do not think we have ever seen a virus like this which, in fact, infects the host; becomes a part of the cell of the host, the genetics of the host in essence; reproduces itself within the cell. And this can go on for ten or more years without the host being ill or even, in some cases, even knowing that he or she is infected.

That was not true with the plague. That was not true with the influenza pandemic. They hit hard and fast. People died, almost 40 million people within 2 years with influenza pandemic.

We are in at least the second—the end of the second decade of this pandemic, and we are just beginning to see the impact of it. There are still millions of people infected with this virus who do not even know they are infected.

And so the difference here is: How do you convince people that you are dealing with something as serious as the AIDS pandemic when so many people who are infected are healthy, walking around

every day, working every day, doing well? But in time, as we are seeing in sub-Saharan Africa, the epidemic explodes.

So I think that challenge that we are facing in terms of education and prevention, but also that partnership in a sense between the virus and the host, which goes on for so many years and which allows the virus to be spread to other people, it interacts with ignorance. It interacts with poverty. It interacts with prejudice in terms of sexism, and it interacts with denial.

And we have seen all of those things in sub-Saharan Africa and in other places throughout the world. And it is a unique kind of public health challenge, which we do not have a record of having been successful in conquering, so it is a new challenge that we are facing.

I want to talk a few minutes about the public health approach to this problem, because I think it does dictate how we are going to face it.

As you know, there—we generally define four steps in the public health approach. The first step is to answer the question, "What is the problem, and what is the magnitude of the problem?"

That is the surveillance step. We—regardless of the problem, we want to know: How big is it? How does it affect different—how does it affect different people, different genders, different races, et cetera?

It is very important and you must have the systems in place in order to pass this step. You have to have testing, accurate testing. You have to have people being willing to be tested. You have to have in place a system that randomly tests, to be successful.

The second step is to answer the question: "What are the risk factors or the causes of this problem?" And in this case, of course, we know the virus causes the problem, but in addition to the virus there are other risk factors.

For example, in Africa, working with Tanzania, we were able to demonstrate a few years ago, primarily NIH-funded research, that aggressive treatment of sexually transmitted diseases, other sexually transmitted diseases, could reduce the rate of infection of HIV by as much as 40 percent.

And what we discovered, of course, was that the presence of another sexually transmitted disease, like gonorrhea, herpes, significantly increased the spread of HIV in people who have those sexually transmitted diseases.

So one of the approaches that has to be taken in dealing with this epidemic is to aggressively treat other sexually transmitted diseases and, therefore, slow the spread of HIV itself.

The third step in the public health approach is to define interventions that work. The best example, of course, if you are dealing with polio and you get a vaccine like the polio vaccine, you have discovered an intervention that works.

And the only challenge then is to go to the fourth step and implement it widely.

I think when it comes to interventions that that can work in Africa. I do think we have some, and that we need to implement them aggressively. But they have to be comprehensive. I do not think we can select one and exclude the others.

And I would like to focus on three. And the first one is prevention. The second one is treatment. And the third one is to continue the research to develop new treatment and to develop a vaccine.

I think we have to do all three of those things, and that requires infrastructure development, which I will also mention.

There are some very striking examples of success in prevention in Africa. Now, obviously in this country, around the middle of the 1980's we were seeing 100,000 to 150,000 new HIV infections a year. We have—since the early 1990's, we have been seeing about 40,000 new infections a year. We made a lot of progress in prevention.

It is not enough; we need to do much more, but we have demonstrated that we could reduce the spread of HIV in this country.

In Africa, we worked very closely with Uganda. And Uganda has what I think is a very encouraging record, because there was a time in Uganda when women coming to the reproductive health clinics, 35 to 40 percent of them were positive for HIV. And that is within the last 10 years.

Uganda had outstanding leadership from the top, President Museveni. There was open discussion about this epidemic. There were signs placed on the streets about the magnitude of this problem and what needed to be done.

And what we have seen over the last 10 years is a dramatic decline to about 11 to 12 percent now of women coming to those clinics being positive for HIV. So Uganda has demonstrated that prevention can work.

Senegal has also been a good example. In that country, the religious community has been working very closely with the political leadership. Senegal has had one of the lowest rates of HIV infection of any country in Africa. And that continues as we speak.

But it has demonstrated how openness and education and aggressive testing and counseling is a part of this prevention. In other words, when people come and you test them and if they are positive and you tell them they are positive, on the basis of that, you can counsel them about how to change their lifestyle.

If you test them and they are negative, then you counsel them and tell them how to stay negative. But it is in the context of knowing their test results.

So in order for a prevention program to be successful, we think it has to be combined with testing and counseling, very effective testing and counseling.

The other thing is that we have to remember—because we have had some very, I think, interesting partnerships—that many of the countries that are suffering most now from this epidemic went through a period of denial. And this was at a time, of course, when the epidemic was increasing, that many people were infected but didn't know it. Everybody was quiet about the epidemic. Nobody was willing to talk about it until very recently, within the last year or two.

Those countries have been hit very hard with this pandemic. And I think now it is going to be very difficult in those countries.

But if we start today with aggressive prevention programs—and in their case, we have already started—we will make a difference to millions of people.

The second step, and it is sort of a bridge between prevention and treatment here because as you know, one of the most important success stories with this epidemic in this country has been the fact that we have actually reduced the spread of HIV from mother to child by 72 percent since 1992, 1993, by treating the mother with a course of AZT in the inter-natal period, during delivery and after delivery, mother and child.

We worked very closely with some of our colleagues in Africa, the CDC, NIH studies in Abijan, sub-Saharan of the Ivory Coast, Cote d'Ivoire, in Thailand and in Uganda, demonstrated that a shorter course of AZT could reduce the spread of HIV by as much as 50 percent from mother to child.

So that reduced the cost from about $800 to $1,000 in this country to a net setting of about $50.

As you heard from Senator Boxer, research done in Uganda recently funded by NIH has demonstrated that Navirapine can reduce the spread as much at a cost of $4—a complete cost of $4 to treat mother and child and reduce the spread of AIDS from mother to child by more than 50 percent.

That is not happening in most African countries. We still have about 500,000 cases of newborns every year being infected by HIV from mother to child. So we need to find a way to implement those programs.

I know I am getting a little long.

Treatment, I think it is important to point out that we in this country, of course, have benefited significantly from treatment. And it is because of how much we know about the virus.

Again, it is the virus, it is the nature of the virus—the fact that we know how it incorporates itself into the cell. We know how it goes through a transcription to become—from RNA to DNA.

We know how it gets out of the cell and, therefore, we have developed drugs to stop each one of those points. So it is the knowledge of the virus that has allowed us to develop as many as 14 effective anti-retroviral agents now.

And as you know, the death rate from this disease has decreased since 1995 from over 50,000 a year to less than 20,000 deaths a year.

People with this disease are living much longer. They are working every day. They are living productive lives. We do not know how long this drug—these drugs will be effective. There is concern about resistance developing. But without question, these drugs have been effective.

Now, about the use of these drugs in Africa: Now, as you know, one of the real challenges that we face is that these drugs are very costly. And you have heard about the budgets of the countries in Africa. But there is something else that I think needs to be pointed out, and that is that it also takes an infrastructure to develop one of these treatment programs in order for it to be effective.

It takes a medical care infrastructure. It takes a public health infrastructure that we should be working with Africa to develop. And that in some ways is just as important if not more important than getting the drugs themselves there.

I think we are working with our colleagues, especially working with WHO and the World Bank and UNAIDS on looking for ways

to get treatment to countries in Africa that where now it is unaffordable.

I think we are going to see progress in that area, but I do not think we can forget the fact that without an infrastructure to make sure that people are tested and counseled and followed-up on on a regular basis, the drugs will not solve the problem. In fact, the problem of resistance development will be exacerbated tremendously.

So we have to look at the complete picture when it comes to treatment. We believe that treatment is important. We believe that treatment expedites prevention, and we have something to say to people about what happens after you are tested and you are positive.

I think it helps us to encourage people to come for testing and counseling.

Finally, we do need to continue our research to develop new drug treatments and new vaccines. The good news, of course, is that we have had phase one and phase two trials in this country and in Africa and in Thailand. And we have begun phase three trials in Thailand. CDC is providing technical support to our colleagues in Thailand.

I was able to visit that program on my way back from Vietnam recently. Thousands of people have enrolled in that phase three drug trial. And as, you know, phase one and two primarily looked at safety and dose range.

Phase three, you enroll large numbers of people to—in order to determine whether there is a significant decrease in the risk of their getting infected. That is where we are in Thailand.

Let me, however, caution, this is a very difficult virus. As you know with influenza, we still have to have a new vaccine every year. Some people feel that in this case, we could need a new vaccine every month or more often. We just do not know.

But the nature of this virus is such that it is going to be very difficult to have an effective vaccine.

Let me conclude by saying, the unfolding AIDS crisis requires, I think, orchestrated multi-faceted and aggressive response, well coordinated. It requires partnerships on a global basis. It requires leadership within the countries in Africa and in this country.

And we have learned a lot. But we still have a lot to learn about this epidemic and pandemic.

Thank you.

[The prepared statement of Dr. Satcher follows:]

PREPARED STATEMENT OF SURGEON GENERAL DAVID SATCHER, M.D., PH.D.

INTRODUCTION

Thank you for the opportunity to come and speak with you as a physician and public health professional on the enormous unfolding global crisis of HIV/AIDS and its impact on Africa. On January 10, 2000, the United Nations Security Council held a meeting focused on health—the first time ever in the history of the Council's 4,000 meetings which date back over a half century. I accompanied Vice President Gore to that meeting as part of his delegation. Never before had a sitting Vice President addressed the Council, not to mention a Surgeon General and Assistant Secretary for Health. Why does the United Nations consider the HIV/AIDS crisis a threat to security? In a word, instability. Not only has this pandemic wiped out soldiers and military personnel, but it has also impacted other professionals such as teachers, businessmen, and laborers who are vital to the future of a nation. HIV/AIDS is a

serious public health problem of such magnitude that it threatens the very security of many African countries.

Both the dimensions of this epidemic, and the capacity of existing health care systems to halt its relentless march, demand urgent action to halt the toll of human suffering and loss of life. The attention that this Committee is devoting to the AIDS crisis in Africa is extremely valuable to the creation of new partnerships that can strengthen the global response to HIV/AIDS.

SCOPE OF THE EPIDEMIC

The HIV/AIDS epidemic will soon become the worst epidemic of infectious disease in recorded history. In the 1300s, the bubonic plague decimated the population of Europe with 20 million deaths, and the influenza epidemic of 1918-1919 killed more than 20 million people worldwide.

At the end of 1999, 16.3 million people are estimated to have already died from AIDS worldwide and another 33.6 million individuals are living with HIV/AIDS. Without a cure in sight, the toll of AIDS in terms of lives lost is on a rapid rise.

Nowhere has the impact of the epidemic been more severe than in Africa. Of the 33.6 million people living with HIV, an estimated 23.5 million (nearly 70%) are in Africa. An estimated 13.7 million people have died of AIDS in Africa, over 80% of the deaths due to AIDS worldwide. In 1998 in Africa, when 200,000 people died as a result of armed conflict and war, AIDS alone killed 2.2 million people. The progression of this disease in Africa has outpaced all projections. In 1991 the World Health Organization projected that 5 million people would die of AIDS between 1991 and 1999, but half that number now die each year.

In many southern African countries, HIV/AIDS has become an unprecedented emergency, with one in four or five persons (20%–26%) between the ages of 15 and 49 years living with HIV infection. Women are more heavily affected than men. New information suggests that between 12 and 13 African women are currently infected for every 10 African men; this disparity is greatest among girls aged 15–19, who are five or six times more likely to be HIV positive than boys their own age. The next generation of children of Africa will be doubly burdened by their own HIV infection, or by growing up without the nurture and protection of a parent.

HIV/AIDS also interacts with a number of other infectious diseases, such as tuberculosis and other sexually transmitted diseases. Individuals with immune systems weakened by HIV are more susceptible to infection with TB, and TB is widely prevalent across the African continent. HIV infection is also more easily transmitted in a setting of untreated sexually transmitted diseases. The predominant mode of HIV transmission in Africa is unprotected heterosexual intercourse, highlighting the importance of prevention and early treatment of STDs as an HIV prevention strategy.

THE PUBLIC HEALTH APPROACH

The HIV/AIDS epidemic in Africa, as it has done throughout the world, has shown us the interrelationships of social behaviors, cultural and religious belief systems, and economic and political systems as they influence public health and the delivery of health care and prevention interventions. The traditional approach of public health is to:

- define the problem
- determine the risk factors or causes of the problem
- develop interventions and strategies to address the risk factors or causes, and
- implement interventions and evaluate their effectiveness

We have learned a great deal about the virus which causes HIV/AIDS, and a number of studies are ongoing to examine the specific subtypes of the virus which are most prevalent in Africa. Understanding the pathogenesis of infection, modes of transmission, and parameters of how infections are moving through a population serve as the cornerstone of a public health intervention. These basic science inquiries, and the equally important understanding of the behavioral risk factors and social contexts that facilitate continued spread of the disease, continue to inform the public health response to ending this tragic epidemic.

What is needed to overcome this expanding epidemic is a sustained orchestrated worldwide effort that includes elements of prevention, treatment and ultimately a preventive vaccine. Together, the world community can do this.

PREVENTION

Prevention is our first and best line of investment to end the global HIV/AIDS epidemic. As the world increasingly becomes a global village, an epidemic that con-

tinues unchecked in any region will ultimately affect us all. The good news is that we can change the future course of the HIV epidemic through effective actions taken today. Over the last two decades we have learned many things, and there are many examples that demonstrate that the tide of HIV/AIDS can be turned. The challenge is to take this knowledge and support its application systematically, not in isolated communities or a few countries. Bringing prevention efforts up to a scale that can turn the tide of the HIV epidemic should be among our highest public health priorities.

Achieving the goals of prevention requires a number of elements: the availability of accurate information; the ability to act on that information without fear of stigma or prejudice; and the means to protect oneself from exposure to the virus. With respect to HIV/AIDS, it also means the ability of a mother to protect her unborn or newborn child from exposure to HIV before birth or through breast milk. The ability to screen and treat other sexually transmitted diseases also serves as a primary prevention tool for HIV.

Prevention efforts are most effective when they are grounded at the community level and responsive to the social and cultural contexts in which people live their lives. All too often, stigma and prejudice continue to preclude access to prevention information that can minimize the spread of infection. There are many examples of effective prevention efforts in Africa, as in Uganda—where the whole nation has mobilized to end stigma, urge prevention, and change behavior, with a resulting dramatic drop in the HIV infection rate. In Uganda, the HIV infection rates in certain antenatal clinics have decreased from 30% to 15% as a result of these efforts. Scientists and health professionals from the National Institutes of Health and the Centers for Disease Control and Prevention have worked in partnership with their Ugandan colleagues to evaluate the impact of prevention interventions and support research to develop new prevention tools. In Senegal, the religious and political leadership of the country joined together early in the epidemic to invest in getting prevention messages out, and the result has been one of the lowest HIV infection rates on the continent. These are but a few examples of some successes achieved on a continent where the epidemic is raging.

TREATMENT

There is also hope for people living with HIV/AIDS to live longer, healthier and more productive lives due to the discovery of new antiretroviral treatments, and effective drugs to treat common opportunistic infections which cause great suffering and early death. The natural course of HIV disease in the United States has seen a great change due to these therapies, with many more adults and children now living longer healthier lives, participating in their communities and the workforce, and parents caring for their children. Our ability to slow the progression of immune dysfunction, and to diagnose, prevent and treat the concurrent opportunistic infections has greatly decreased morbidity and mortality in the developed world.

One of the greatest successes has come in the ability to reduce transmission of HIV from mother to child, through HIV counseling, testing and use of antiretrovirals such as AZT and Navirapine. In the United States, there has been a 72% decline in the number of HIV-infected babies born between 1992–1998 with the use of AZT in the prenatal, labor and delivery, and postpartum period. However this complex regimen is expensive and requires a level of medical infrastructure not available in many areas of the world. The urgency to develop affordable and practical therapeutic interventions for developing countries is profound. In some areas of sub-Saharan Africa, 30 percent or more of pregnant women are infected with HIV, and 25%–35% of their infants will be born infected. In response to this pressing need, a partnership effort between Uganda and NIH scientists identified a highly effective, safe and inexpensive drug regimen for preventing perinatal HIV transmission. Administration of one oral dose of Navirapine to a mother at the onset of labor and another dose given to her baby, cut the rate of HIV transmission in half compared with a similar short course of AZT—for a cost of $4.00 instead of the roughly $800 required for the AZT regimen now recommended in the United States. If widely implemented in developing countries, this intervention potentially could prevent some 300,000–400,000 newborns per year from beginning life infected with HIV.

To maximize the benefits of antiretroviral therapies, their safe and responsible use requires a level of medical care and infrastructure that presents an enormous challenge to the developing world. But first steps can be taken by supporting the development of community-based capacities to diagnose HIV and provide low cost treatment for common opportunistic infections that kill prematurely and cause great suffering. It has been our experience that community-based services, built upon

partnerships among existing community institutions, serve as the most effective and sustainable model to provide the net of prevention, health and social services vital to curtailing this devastating epidemic. As the Governments of Africa and their health leaders determine how best to involve communities, determine and address the needs of their people and what their systems can support, the worldwide public health community must stand ready to help.

VACCINE

The importance of developing an effective vaccine for HIV is paramount, as the greatest hope for ending the epidemic lies in this intervention. Vaccines have been the most significant public health intervention to eradicate or curtail the incidence of feared diseases, such as polio, smallpox, diphtheria, tetanus and many others. This Administration has made the development of an HIV vaccine a priority, and my HHS colleagues are working in collaboration with international partners to ensure these products will be effective against the virus strains that are predominant in Africa. A year ago, the first vaccine trial in Africa began in Uganda under the sponsorship of the NIH and carried out by Ugandan investigators. The first Phase III vaccine trial is now underway in Thailand with CDC support.

The utility of an HIV vaccine must take into consideration the availability of a health care system that can safely deliver the vaccine to large and often isolated populations. This remains a barrier today to the delivery of many existing vaccines in Africa and developing nations in other parts of the world. Even as we press forward to develop effective vaccines, it is imperative that we not ignore those who are already living with HIV infection. Our experience in this country has shown that developing medical systems of care for already infected persons becomes a critical component of an effective prevention effort.

CONCLUSION

The full dimensions of the unfolding AIDS crisis are becoming better understood. The need to mount an orchestrated, multifaceted and aggressive response is inescapable. Current national/country level AIDS activities in Africa must be expanded dramatically and rapidly to make a substantial impact on the course of the disease. As effective approaches are defined, we need to find ways to support their wide application, working closely with public health leaders on the front lines. Experience from some countries has shown that when governments commit their own political prestige and financial resources, involve broad aspects of society at the community level, and directly confront issues of prejudice and behaviors that hold a high risk of transmission, the rate of new infections can be slowed and communities can begin to develop more durable responses to effectively cope with the HIV epidemic. We have seen over and over again in the Western world the need for a sustained prevention-medical treatment continuum. Developing strategies that are episodic in targeting at risk populations can inevitably lead to high rates of recidivism and a resultant resurgence of new infections.

It is critical we not minimize the human side of this epidemic. The statistics describe a public health crisis that has largely gone unchecked, and do not reflect the extent of human suffering. The extraordinary human toll is evident, the millions of potentials unrealized, the expanding wave of grief that extends beyond the individual, their family and community is self-evident. As part of the Human Family, we will all be feeling the repercussions of this extraordinary human loss for generations to come. We are committed to look for every opportunity to assist African countries in their continuing efforts to end this epidemic.

Senator FRIST. Thank you, Dr. Satcher. Thank you for your real leadership that overview as well as specific recommendations. That is very, very helpful.

Ms. Thurman, welcome.

STATEMENT OF SANDRA THURMAN, DIRECTOR, OFFICE OF NATIONAL AIDS POLICY, WASHINGTON, DC

Ms. THURMAN. Thank you. And I thank you, Mr. Chairman and members of the subcommittee and full committee.

I am delighted to be with you today to talk about the AIDS pandemic, particularly as it affects Africa. And I have to say that your

willingness and eagerness to deal with this issue is very much appreciated and certainly very much needed. So I thank you.

And we have heard your colleagues and our Surgeon General lay out a very vivid picture of the scope of this tragedy, particularly as it relates to the public health crisis.

But I would like to use my time today to talk with you about its impact on the stability of families and communities and, indeed, nations. And I would like to share with you some of the—of my experiences with the faces behind these facts and figures.

And I would like to outline for you some of the key components of the administration's strategy to combat the pandemic.

By any and every measure, AIDS is a plague of Biblical proportion. It is claiming more lives than all of the armed conflicts occurring on the African continent today.

But unlike other wars, it is increasingly women and children that are caught in the crossfire of this relentless pandemic. In Africa, as you heard, an entire generation is in jeopardy. And already in sub-Saharan Africa, as many as one-third to one-fifth of all children have lost one or more parents to AIDS.

And within the next decade, we estimate that more than 40 million children will be orphaned as a result of AIDS in Africa. That is the equivalent of all the children in the United States living east of the Mississippi. The numbers are just staggering.

AIDS has wiped out decades of steady progress and development—steady progress in improving the lives and health of families throughout the developing world.

Infant mortality is doubling. Child mortality is tripling. And life expectancy is dropping in many countries by 20 years or more.

Clearly, AIDS is not just a health issue. It is an economic issue. It is a fundamental development issue, and it is a security and stability issue.

AIDS is having a dramatic effect on productivity, trade and investment, striking down workers in their prime, driving up the cost of doing business and driving down GNP.

Dr. Sachs will address some of the economic impact a little later on. But it is also affecting the stability and security in the region.

As you all know, the U.N. Security Council just last month held a day-long session on HIV and AIDS. It is the first time ever that the United Nations Security Council has focused on a health issue in one of its meetings. And I think that speaks to a growing awareness that AIDS is a security threat that requires global mobilization.

This reality was also addressed in a report recently released by the National Intelligence Council that I encourage you all to look at.

It documents that the impact of this pandemic is far worse than we ever anticipated and that it is not just an African issue or an American issue, that the center of the pandemic or the epicenter of the pandemic will be in Asia and India in another 15 years, if we do not do something to stop it now.

But our message today is not one of hopelessness and desolation. On the contrary, I hope to share with you a real sense of optimism, because amidst all of this tragedy there is hope. And amidst this terrible crisis, there is an opportunity for all of us to empower

women, to protect children, and to support families and communities throughout the world in our shared struggle against AIDS.

It is important to remember that what we are talking about today is not these figures and facts, but faces and families. It is not numbers, but it is names.

And Senator Durbin has talked to you about my hero in the epidemic that many of us in this room have met, Bernadette, who lost 10 of her 11 adult children and is supporting 35 grandchildren with the money that she has from a community banking program.

In fact, she has 15 of her grandchildren in school and is able to provide modest treatment for the 5 of her grandchildren who are infected with HIV.

I think that is extraordinary, but Bernadette is not alone. There are young people from Lusaka doing street theater to educate their peers about HIV and AIDS.

There are women in Soweto who have formed support groups to provide care for other women who are living with HIV and AIDS.

Communities around the world are mobilizing and are creating extraordinary ripples of hope.

The good news is, as many have stated, that we know what works. We have the knowledge. We have the tools to prevent disease and to care for the sick. What we are lacking in many instances is the political will to do so.

The Surgeon General has outlined the successes in Uganda and Senegal. There is one reason for that. I guess there are really two. The first is leadership and the second is a steady resource of support needed for these communities on the ground to do this very important work.

The United States has been engaged in the fight against AIDS here at home since the early 1980's. But increasingly we have come to realize that when it comes to AIDS, both crisis and opportunity have no borders.

We have much to learn from the experiences of other countries, like Uganda and like Senegal.

We have done much, but there remains much more to do in the United States and around the world for us to be able to bring these important programs to scale.

During the past 3 years, I have visited Africa four times; I have visited eight countries. We have taken Members and staff from both parties and chambers to look firsthand at both the triumphs and tragedies of the epidemic in Africa.

And the response to the findings of those trips, as many of you know, was that the administration last year requested and the Congress appropriated an additional $100 million in fiscal year 2000 to enhance our global AIDS efforts.

The new initiative provides for a series of steps to increase U.S. leadership through support for some of the extraordinary community-based programs currently being funded through USAID and to provide the much-needed technical assistance that these developing nations struggling to respond to the needs of their people need.

This effort more than doubles our funding for programs of prevention and care in Africa, and challenges our G–8 partners to increase their efforts as well.

And while this is a significant increase in our own Government's investment in the global battle against AIDS, it just begins to reflect the magnitude of this rapidly escalating pandemic.

The initiative focuses on four key areas: prevention, basic education, mother-to-child transmission counseling, and testing.

It focuses on home and community-based care, including some basic medical care for the diseases that the Surgeon General has talked about: tuberculosis, sexually transmitted diseases, other opportunistic infections, as a result of HIV infection; certainly care and support for children orphaned by AIDS; and last, the all-important development of the infrastructure that people have mentioned, so necessary to do all of the other things that we have talked about.

Some of the other key components of this initiative include an increase in our efforts to include AIDS in our foreign policy dialog; and to engage the private sector and include the corporate sector, including foundations, labor, the religious community and other non-governmental organizations in this fight.

You will find a more complete description of the initiative; I have included it in the record for review.[1]

But while this initiative greatly strengthens the foundation of a comprehensive response to the pandemic, UNAIDS has estimated that it will take at least $1 billion to develop a comprehensive prevention program in Africa. Currently, all the donors combined, both public and private are spending a little less than $350 million.

In addition, UNAIDS estimates that in order for us to even begin to deliver care and treatment to those who are currently infected, it will take another $1 billion. And we have barely scratched the surface when it comes to delivering care and treatment to people infected with HIV.

We have only begun this work. And in the face of such tremendous need, the administration has requested in the President's 2001 budget submission an additional $100 million to enhance and expand our efforts to combat AIDS in Africa and around the world.

These funds will enable us to bolster our efforts already underway at USAID and CDC, and expand our approach to include the Department of Labor and the Department of Defense to address HIV and AIDS transmission in the workplace and in the military.

Let me repeat, however, that the United States cannot and should not do this alone. This crisis will require engagement from all segments of all societies working together, every bi-lateral donor, every international lending institution; the list goes on and on.

The bottom line is this: We have no vaccine and no cure in sight. And we are just beginning to see the impact of this global pandemic.

What we are seeing in Africa today is only the tip of the iceberg. And as goes Africa, so will go India, the rest of Asia, and the former states of the Soviet Union.

There must be a sense of urgency in working together with our partners in Africa and around the world to learn from the experi-

[1] See "Report on the Presidential Mission on Children Orphaned by AIDS in sub-Saharan Africa," accessible at www.whitehouse.gov/onap

ences that we have had here in the U.S. and in Africa and to share those successes, and avoid the failures with those countries that are currently standing on the brink of disaster.

We look forward to working with all of you here in the Congress and receiving the broad-based bipartisan support that this crisis deserves.

AIDS is not a Democratic or Republican issue. It is a devastating human tragedy that cries out for all of us to help.

In one word, I guess, in many ways, Africa's destiny is our destiny. But there is hope on the horizon, but that hope will only be realized if we take constructive action together.

Thank you.

[The prepared statement of Ms. Thurman follows:]

PREPARED STATEMENT OF SANDRA THURMAN

Mr. Chairman and other members of this Subcommittee and Full Committee, I am delighted to be with you today to talk about the global AIDS pandemic—with a special focus on AIDS in Africa. Your interest in addressing this crisis is very much appreciated—and desperately needed.

We have heard your colleagues and our Surgeon General lay out a vivid picture of the scope of this tragedy—particularly as it relates to the public health crisis. I would like to use my time with you to talk about its impact on the stability of families, communities and nations. I would like to share with you some of my experiences with the faces behind these shocking facts. And I would like to outline for you some key components of our enhanced Administration response to this global pandemic.

By any and every measure—AIDS is a plague of Biblical proportion. And it is claiming more lives in Africa than in all of the wars waging on the continent combined. But unlike other wars—it is women and children that are increasingly caught in the crossfire of this relentless epidemic.

In Africa, an entire generation of children is in jeopardy. Already, in several sub-Saharan African countries, between one-fifth and one-third of all children have already been orphaned by AIDS. And the worst is yet to come. Within the next decade, more than 40 million children in Africa will have lost one or both parents to AIDS. 40 million. That is about the same number as all children in the United States living east of the Mississippi River. Or taken another way, it is almost the same number as all children in public school in this country. Left unchecked, this tragedy will continue to escalate for at least another 30 years.

In just a few short years, AIDS has wiped out decades of hard work and steady progress in improving the lives and health of families throughout the developing world—infant mortality is doubling, child mortality is tripling, and life expectancy is plummeting by twenty years or more.

AIDS is not just a health issue; it is an economic issue, a fundamental development issue and a security and stability issue.

AIDS is having a dramatic effect on productivity, trade and investment—striking down workers in their prime, driving up the cost of doing business, and driving down GNP. Professionals have been hit particularly hard in sub-Saharan Africa, including civil servants, engineers, teachers, miners, and military personnel. In Malawi and Zambia, more than 30% of teachers are HIV positive. Some mining firms in South Africa are reporting that nearly half of their workers are already infected. And many businesses are hiring at least two workers for every one skilled job, assuming that one will die from AIDS.

According to the Economist magazine, recent studies have found that AIDS is seriously eroding the economies of many of our partner nations. In Namibia, AIDS cost the country almost 8% of its GNP in 1996. By 2005, Kenya's GNP will be over 14% smaller than it would have been without AIDS.

Similarly, in Tanzania, The World Bank has predicted that its GNP will be 15% to 25% lower as a result of AIDS. The South African government has estimated that this epidemic costs the country 1% of its GNP each year, a situation that will only worsen without strong intervention.

AIDS is also effecting stability in the region. As you all know, the UN Security Council recently held a day-long meeting on HIV/AIDS. This historic event highlighted the growing awareness that AIDS is a security threat that requires a global mobilization. This reality was also addressed in a report recently released by the

National Intelligence Council. The Report draws several very disturbing conclusions including the following:

- The epidemic is far worse than predicted.
- Development of an effective global surveillance and response system is at least a decade or more away.
- The economic costs of infectious diseases—especially HIV/AIDS—are already significant and could reduce GDP by as much as 20% or more by 2010 in some sub-Saharan countries.
- Some of the hardest hit countries in sub-Saharan Africa—and possibly later in South and South-East Asia—will face a demographic upheaval as HIV/AIDS and associated diseases reduce human life expectancy by as much as 30 years and kill as many as a quarter of their populations over a decade or less, producing a huge orphan cohort.
- Nearly 42 million children in 27 countries will lose one or both parents to AIDS by 2010; 19 of the hardest hit countries will be in sub-Saharan Africa.
- The relationship between disease and political instability is indirect but real.

The prevalence of HIV in the armed forces of many African countries is already staggeringly high. The Economist has estimated the HIV prevalence in the Congo range at 50% to 80%. Other recent reports have projected that the South African military and police are also heavily impacted by HIV. Moreover, as these troops participate in an increasing number of regional interventions and peacekeeping operations, the epidemic is likely to spread.

Extremely high levels of HIV infection among senior officers could lead to rapid turnover in those positions. In countries where the military plays a central or strong role in government, such rapid turnover could weaken the central government's authority. For those countries in political transition, this kind of instability could slow or even reverse the transition process. This is a dynamic that deserves serious attention not only in Africa, but also in the Newly Independent States of the Former Soviet Union, and in India where AIDS is intensifying its deadly grip.

The South African Institute for Security Studies has also linked the growing number of children orphaned by AIDS to future increases in crime and civil unrest. The assumption is that as the number of disaffected, troubled, and under-educated young people increases, many sub-Saharan African countries may face serious threats to their social stability. Without appropriate intervention, many of the 2 million children projected to be orphaned by AIDS in South Africa alone will raise themselves on the streets, often turning to crime, drugs, commercial sex, and gangs to survive. This seriously affects stability and promotes the spread of HIV among these highly vulnerable young people.

Yet my message to you today is not one of hopelessness and desolation. On the contrary, I hope to share with you a sense of optimism. For amidst all of this tragedy, there is hope. Amidst this terrible crisis, there is opportunity: the opportunity for us—working together—to empower women, to protect children, and to support families and communities throughout the world in our shared struggle against AIDS.

It is important to remember that what we are talking about today is not numbers but names, not facts and figures but faces and families. Let me tell you the story of one inspirational grandmother I met in a small village outside of Masaka, Uganda.

Bernadette has lost 10 of her 11 adult children to AIDS. Today, at age 70, she is caring for her 35 grandchildren. With loans from a village banking system, she has begun growing sweet potatoes, beans, and maize, raising goats and pigs, and trading in sugar and cooking oil.

With the money she earns, she is now able to send 15 of her grandchildren to school, provide modest treatment for the 5 who are HIV+, and begin construction on a house big enough to sleep them all. In her spare time, she participates in an organization called "United Women's Effort to Save Orphans"— founded by the first lady of Uganda, Mrs. Museveni—linking in solidarity thousands of women allied in the same great struggle.

And these women are not alone. From the young people doing street theater in Lusaka to educate their peers about HIV to the support groups in Soweto providing home and community based care for people living with AIDS—communities are mobilizing and creating ripples of hope.

These are the faces of children and families living in a world with AIDS. And their spirit, their determination, and their resilience lead us on.

The good news is, we know what works. With our partners in Africa we have developed useful knowledge and effective tools. Together, we have designed model programs and proven that they work. And today, we know how to stem the rising tide

of new infections, how to provide basic care to those who are sick, and how to mobilize communities to support the growing number of children orphaned by AIDS. Uganda has demonstrated that with strong political commitment and sustained nationwide programs, HIV prevalence can be cut in half. And Senegal has shown that HIV can be stopped in its tracks and prevalence can be kept low. But there is more, much more that needs to be done if we are to bring these successes to scale.

The United States has been engaged in the fight against AIDS here at home since the early 1980s. But increasingly we have come to realize that when it comes to AIDS—both the crisis and the opportunity have no borders. We have much to learn from the experiences of other nations, countries, and the suffering of citizens in our global village touches and affects us all.

The United States has been the leader in the battle against AIDS. The Administration has taken an active role in sounding the alarm on the AIDS crisis in Africa, and in ensuring that the United States supports African efforts to combat this deadly disease.

Since 1986, this nation has contributed over $1 billion to the global fight against AIDS. More than 50% of those funds have been used to address the epidemic in sub-Saharan Africa. Overall, nearly half of all of the development assistance devoted to HIV care and prevention in the developing world has come from the U.S. The United States has also been the leading supporter of the Joint United Nations Programme on HIV/AIDS—UNAIDS—contributing more than 25% of its budget.

It is a strong record of engagement and one of which we can be proud, but unfortunately it has not kept pace with this terrible pandemic. We have done much, but there remains much more that the United States and other developed nations can and must do.

During the past year and a half I have made four trips to eight African countries. Together with members and staff from both parties and chambers we went to witness firsthand both the tragedies and triumphs of AIDS in Africa. In response to the findings of these trips, the Administration requested and the Congress appropriated an additional $100 million in FY2000 to enhance our global AIDS efforts.

This new initiative provides for a series of steps to increase U.S. leadership through support for some of the extraordinary community-based programs currently being funded through USAID and to provide much needed technical assistance to developing nations struggling to respond to the needs of their people infected and affected by AIDS. This effort more than doubles our funding for programs of prevention and care in Africa, and challenges our G–8 and other partners to increase their efforts as well. This initiative is a significant increase in the U.S. government's investment in the global battle against AIDS and it begins to reflect the magnitude of this rapidly escalating pandemic.

The initiative focuses on four key areas:

- *Prevention.* Specifically, we hope to implement a variety of prevention and stigma reduction strategies, especially for women and youth, including: HIV education, engagement of political, religious, and civic leaders, voluntary counseling and testing, interventions to reduce mother-to-child transmission, and enhanced training and technical assistance programs.
- *Home and community-based care.* This will help create and enhance counseling and support systems, and help clinics and home health workers provide basic medical care (including treatment for related illnesses like STDs and TB).
- *Care of children orphaned by AIDS.* We hope to improve our ability to assist families and communities in caring for their orphaned children through nutritional assistance, education, training, health, and counseling support, in coordination with micro-enterprise programs.
- *Infrastructure.* These funds will help to increase the capacity for the effective delivery of essential services through governments, NGOs, and the private sector. We also need to enhance surveillance systems so that we can better track the epidemic and target HIV prevention efforts.

Some of the other key components of this initiative include an increase in our efforts to include the AIDS epidemic in our foreign policy dialogue, both to encourage and support political leadership in hardest hit countries and to promote an increased response by our developed nation partners. We are also taking steps to increase our coordination with the private sector and the many non-governmental organizations working in Africa, including religious organizations.

You will find a more complete description of this initiative—both the problems and solutions—in the report released by the Administration last summer. I have submitted a copy to this Subcommittee and would like to request that it be included in the record as part of my remarks.

While this new initiative greatly strengthens the foundation of a comprehensive response to the pandemic, UNAIDS has estimated that it will take $1 billion to establish an effective HIV prevention program in sub-Saharan Africa. Currently all donors combined are contributing less than $350 million to that end. In addition, UNAIDS estimates that it will take a minimum of $1 billion to begin to deliver even the most basic care and treatment to people with AIDS in the region. We have not even begun to scratch the surface when it comes to delivering treatment.

In the face of such tremendous need, the Administration has requested, in the President's 2001 Budget submission, an additional $100 million increase to enhance and expand our efforts to combat AIDS in Africa and around the world. These funds will enable us to bolster our efforts already underway at USAID and CDC, and to expand our approach to include the Departments of Labor and Defense for efforts to address HIV/AIDS transmission in the workplace and in the military.

Let me repeat, however, that the United States cannot and should not do this alone. This crisis will require engagement from all segments of all societies working together. Every bi-lateral donor, every international lending agency, the corporate community, the foundation community, the religious community and every African government must do their part to provide the leadership and resources necessary to turn the tide. It can be done.

The bottom line is this: We have no vaccine or cure in sight, and we are at the beginning of a global pandemic, not the end. What we see in Africa today, frankly, is just the tip of the iceberg. As goes Africa, so will go India and the Newly Independent States of the Former Soviet Union. There must be a sense of urgency to work together with our partners in Africa and around the world to learn from the experiences there and to share the successes and avoid the failures in countries now standing on the brink of disaster. Millions of lives—perhaps hundreds of millions of lives—hang in the balance.

We look forward to working closely with each and every one of you, and are so grateful that this issue is receiving the broad-based bipartisan support it deserves. AIDS is not a democratic or republican issue—it is a devastating human tragedy that cries out to all of us for help.

We are one world—and in many ways—Africa's destiny is our destiny. There is hope on the horizon—but that hope will only be realized if we take constructive action together. Today, let us commit to seize this opportunity. And let me conclude by thanking this Subcommittee for its interest in this issue, and offer my continued assistance as you seek ways to respond to this terrible tragedy. As Archbishop Tutu said: "If we wage this holy war together—we will win."

Thank you.

Senator SARBANES. I did not have an opportunity to make an opening statement. I am going to have to depart, and I regret that. But, I just want to——

Senator FRIST. Take a few minutes now.

Senator SARBANES. I just wanted to commend you for holding this hearing. I think it is a very significant and important initiative, and I know that you and Senator Feingold have been very much focused on this issue, along with other members of the committee.

It seems to me that we ought to be able to enact an important piece of legislation in this Congress this year, and in the next few months. I think it is a very important priority.

I want to thank the Surgeon General, and I want to thank Sandy Thurman, who I think has done an absolutely terrific job of focusing attention on this issue and providing some very significant and important leadership.

And I very much hope that before this Congress adjourns, in fact, well before that, that we can get something on the books that will provide a framework within which they can work and make some important and significant advances.

I mean, this is—I am encouraged by the sense now that there are some paths we can follow that will provide some solutions. I mean, everyone comes in and says how terrible the situation is, and I

think we need to do that to make people appreciate how severe the problem is.

Although, I think, one reason some people are reluctant to come to grips with it is because they do not see any way out of it. And I think if you can combine an emphasis on how serious the problem is, but also presenting alternatives for working through the problem, we might be able to develop a greater willingness both here and indeed over there, as well, because I understand that is a very significant problem.

A greater willingness to come to grips with this problem. So, I look forward to looking with you, and Senator Feingold, and your other colleagues, Senator Biden and others who have taken a keen interest to see if we cannot get some legislation on the books.

I do apologize to these other panels that we will be hearing from today that I cannot stay. And I do want to say to Father D'Agostino that I have heard a great deal about the good work that he is doing at his orphanage in Kenya. And one of the members of your board, Ben Polumbo, is a close friend of mine, and he has very much brought me up to date on the extraordinary work that you are doing. And I apologize to my colleagues and to those giving testimony that I cannot stay.

Senator FRIST. I appreciate your comments, and the reason this construct of this hearing is very much to talk and hear about the successes instead of just the money, and just the investment which is critically important, and the construct of this hearing is very much to look at the very positive things to show the great advances that have been made. And that is why this panel itself is important. Senator Biden, do you want——

Senator BIDEN. I would ask that my opening statement be placed in the record, and as we say in this body, I would like to associate myself with the remarks of Senator Sarbanes in thanking both of you for being so committed to dealing with this.

And also that the one thing that came across to me was the point that Senator Sarbanes made. I think part of the reason why there is this sense of impotence, and as a consequence, a notion that no matter how much money we appropriate or spend, it does not make any difference, is that I would bet you that if you took a national poll, and you gave the American people the statistics about the circumstances in Africa, south of the Sahara in particular, the American public would say we would like to help, but there is nothing to do.

And so we must emphasize what we can do and how what we do can be of consequence. And the last point I will make, is I happen to belong to what used to be called an Arms Control and Observer Group, which is a fancy way of saying there is ten of us that have been appointed to a committee to deal with the strategic balance in arms control issues that are going on with Russia now.

And Mr. Talbott is testifying in the secret room we have, S–407, at 4, and I am going to have to go to that because of my responsibility on that committee. But, I will stay until then and maybe a little beyond, and I do apologize to the other panels.

It is not out of lack of interest. It is because I am on another committee that I happen to rank higher on and am supposed to be

there more on. And so—both of these guys know a hell of a lot more than I do anyway, and I follow them both.

Senator SARBANES. He is going to make Secretary Strobe Talbott appreciate why AIDS control ought to rank up with arms control in terms of significance in dealing with the international environment.

Senator BIDEN. Bring him down here. We will just have the meeting right here. But, thank you, Mr. Chairman.

[The prepared statement of Senator Biden follows:]

PREPARED STATEMENT OF SENATOR JOSEPH R. BIDEN, JR.

I would like to welcome all of our witnesses to today's hearing and to thank each of you for coming. The subject of HIV/AIDS in Africa is one of intense interest here in the Senate, as evidenced by the presence of my colleagues who will testify shortly, and the number of bills that have been introduced since we began the legislative session this year aimed at halting the spread of this deadly disease.

HIV/AIDS is the 21st century's bubonic plague. There is no need for me to tell anyone of our witnesses what a devastating impact that AIDS is having in sub-Saharan Africa. It is destroying the very fabric of African societies. According to news reports, it is killing the professional classes, the civil servants, the teachers, and military officers. Teachers are dying faster than academic institutions can train replacements. I have read that some African militaries have an infection rate upwards of 40 percent.

AIDS is devastating the rural areas. AIDS orphans are shunned, ignored and neglected because of the stigma associated with the disease, due to fears that they might be infected with the virus, and due to ignorance about how the disease is spread. Millions of children are left parentless in countries where government social safety nets are too weak to support them. They are left to fend for themselves.

The result is millions of orphans literally living in the streets. They may or may not be HIV positive, but they are almost certain to die of starvation, or to become the victims of some sort of violence or exploitation.

In essence we have a situation where two generations of people are being lost. The adults are dying at an astronomical rate. The children are being neglected to the point where it will be almost impossible for them to contribute in any meaningful way to society when they reach adulthood.

James Wolfensohn's remarks before the UN Security Council about the level of funding needed to combat the disease in Africa are truly sobering. If he is correct, this means that the efforts of the international community are only one tenth those needed to halt the spread of this modern day plague. It is apparent that more needs to be done.

I will close by underscoring two things: First, the international community cannot fight AIDS in Africa alone. We are going to need more than cooperation from our African partners. We need their active participation. The focus and commitment of African governments, heads of state and of civil society is urgently required if the spread of HIV/AIDS is to be slowed at all, let alone checked and halted.

Second, there are treatments available in the United States which can considerably lengthen and improve the quality of life of those living with HIV/AIDS. The impact in Africa should these drugs be made affordable and available would be profound. At the very least, it would slow the loss of the professional and working classes which are the backbone of these countries. It would cut down on the number of AIDS orphans and the resultant social problems.

There has to be a way to make these treatments available to those living with AIDS in Africa, and I hope that we are able to explore the possibility during the course of this hearing.

Again, I thank each of our witnesses for coming here today and I look forward to hearing your testimony.

Senator FRIST. If you let me just ask one question and then I will turn to my colleagues. We do have three—three, or two additional panels. Doctor Satcher, Africa is 10 percent of the world's population. You have 70 percent of the world's infections. What is the short answer as to why AIDS has spread so extensively in this continent and has taken such a hold in Africa as we have heard? In

truth, it is worldwide, but why there, why the hold there sooner than other continents?

Dr. SATCHER. I think the shortest answer is, I do not know. I think we do not know, and I think the conference out in San Francisco recently demonstrated that. Every time we look at data, we learn something new. For example, we learned that in different countries in Africa where the behaviors are the same, the Rabi infections are different.

And we do know, for example, that there are some things like the problem with respect to sexually transmitted diseases that influence the transmission of HIV, but we are also beginning to think that there is some host genetic factors. I think in one study, about 15 percent of commercial sex workers demonstrated resistence to HIV.

They were very active commercial sex workers, a lot of different partners, and yet after years, they had not become infected. In one case, some of them took off 2 months, and when they came back to that profession, they were infected. And the question is, why? What was the difference?

What was the nature of the resistence that broke down with this period off? So we are still learning. So we do not really know all the reasons, but let me just say that I think we do know that there are some factors that tend to perpetuate this infection, and exacerbate it. And certainly, denial, when we are not open in discussing it, and—this similar thing happened in India.

We have not talked about India, but six and a half million cases are there in India, and I am not sure what the future holds, but we are concerned about it. But, injection drug use and heterosexual spread are factors. Primarily in Africa, it has been a heterosexual spread of this disease.

As I said, we think it started with commercial sex work with travelers and then spread. But in environments of poverty and environments for women do not have the kinds of rights that give them some say in control in terms of sexual relationships, and in an environment where people are not educated about the risks, I think they are fertile environments for the spread of this virus. So you have to say that is part of it, but we also have to admit that we do not know the full answer.

Senator FRIST. Thank you. Could you just comment on the subtype C virus? I get asked all the time to bring people up to date, and that is why I appreciate you coming here in terms of the science itself. HIV I-subtype C virus is the principal cause of AIDS in Africa, is that correct?

Dr. SATCHER. Well, in some areas, there are differences. We are doing a study right now, and the reason I am going to be hesitant to respond because we have a special study going looking at the subtypes in Africa, and we are going to need to see that through.

But, subtypes are different in different parts of the world, and that is why also, when you are developing a vaccine, you really have to target the subtypes in different areas. But certainly, the subtypes in Africa and the subtype C is more prevalent.

Senator FRIST. And from the exact same standpoint, which is important as we develop strategies and give incentives, is there a

subtype that is more likely to be amendable to vaccine development?

Dr. SATCHER. I do not think we know yet. I really do not think we know the answer to that, yet.

Senator FRIST. Thank you.

Dr. SATCHER. But we have got to find out sooner.

Senator FRIST. That's right. Makes every day critical. Thank you. Senator Feingold.

Senator FEINGOLD. Mr. Chairman, Dr. Satcher spoke of the importance of testing. What can you tell us about some of the lower cost testing options that are available now, specifically saliva-based testing. Is it effective, and is it widely available?

Dr. SATCHER. Well, again, saliva-based testing is fairly new. We still rely primarily on testing of the blood, but we know that saliva-based testing can be accurate when done appropriately. But it is very early, I mean, in the use of it in terms of large populations of people.

And so, we still primarily rely on blood. You know, I worked with Uganda. One of the most important things, I think, was the development of rapid testing. If you can test people when they come to the site, and they can get their results in terms of having to go home and come back in 2 weeks, most people are not going to come back in 2 weeks.

So the rapid testing technique which we developed in conjunction with our colleagues, I think has made a big difference in terms of prevention, testing and counseling prevention.

Senator FEINGOLD. Let me ask both of you. Well, you have talked about the spread of AIDS in Africa and the epicenter moving from eastern to southern Africa, and as everyone has said, you see the progress in Uganda and Senegal.

Could each of you speculate on the future of this in Africa, the places that are likely to be hot spots, in the negative sense, in the future, and where can we look to for successes, such as Uganda and Senegal in the relatively near future? Start with Dr. Satcher and then Ms. Thurman.

Dr. SATCHER. Well, I think—history, I think, tells us that we can look for successes in those countries where you have the leadership, progressive leadership, in discussing this epidemic, and in providing the resources.

One of the things we have not talked about, and I want to make sure that we do not miss it. I did talk about the importance of aggressive treatment of sexually transmitted diseases.

That requires a primary care system being in place. We talk a lot about the drugs, but in the absence of a primary care system in place, people do not get treated for sexually transmitted diseases that we know how to treat.

And therefore, in those countries, we know that the spread is going to be exacerbated. The success stories are going to come, I think, in the countries where there is leadership, where there is commitment to supporting a primary care infrastructure.

Senator FEINGOLD. Is there anywhere in particular where you feel that leadership is coming in addition to the country's——

Dr. SATCHER. Well, honestly, we know a lot about Uganda. We know a lot about Abidjan, Cote d'Ivoire——

Senator FEINGOLD. Ivory Coast.

Dr. SATCHER. Tanzania, Senegal, but I also think that South Africa is working very hard now. They have a lot to overcome. They have 1,500 new infections every day in South Africa, but they are committed to working hard.

We are working very closely with them. We expect to see some success there because they have good leadership and a commitment to primary care, making sure that we treat opportunistic infections that go along with this epidemic, we are aggressive about it. Those things, I think, are going to make the difference.

Senator FEINGOLD. Thank you, Doctor. Now, Ms. Thurman.

Ms. THURMAN. I think I would add to that that we see some real success in Zambia, for instance. Real leadership on the part of President Chiluba. We have seen a drop now in infections in young people in the age range of 15 to 19. And so I think that is encouraging.

Certainly, President Mbeki in South Africa has taken this issue on and is showing great leadership. We see leadership in Tanzania and Kenya. We are seeing some real movement there. Certainly in Ghana and West Africa, which has a low prevalence rate, we have seen a lot of activity on the part of the First Lady and the President in addressing HIV and AIDS head on.

We hope they will share this success of Senegal, by getting ahead of the game and keeping the prevalence low. I think we are—I see a trouble spot, however, in Nigeria. We see the infection rate beginning to creep up. The infection rate currently in Nigeria is a little less than 6 percent in the population overall.

We understand that military personnel coming back from peacekeeping missions are now showing a 15 percent prevalence rate. So that tells us that as people move around, we can see Nigeria getting in trouble. I think that is an area we need to put some special attention.

Senator FEINGOLD. That is very helpful. Let me just followup with you on another matter. You indicated to me a while ago that the administration was reviewing the Feinstein/Feingold amendment which prohibits the Government from pressuring countries using legal means to gain access to HIV/AIDS pharmaceuticals. What has been the result of that review?

Ms. THURMAN. Certainly, that Feingold and Feinstein amendment, I believe, supports the administration's policy. And so we support——

Senator FEINGOLD. The administration supports that amendment which is in the Growth and Opportunity Act at this point. I thank you for that, and I thank you, Mr. Chairman.

Senator FRIST. Senator Biden.

Senator BIDEN. I would like to followup if I may with both you on many questions, but on two issues that have already been raised. You pointed out at least in one country, possibly two, where African heads of state have taken an interest, you have had progress.

I was quite frankly surprised, and I do not know why I should have been, but I was surprised to find out that when the conference was called in Zambia last September, inviting nine African

heads of states, not one head of state showed up, including the President of the host country.

Why in the heck was that? I mean, what is—let me explain a little more precisely. We all know the cultural/religious/moral and we could go on, differences that for the longest time paralyzed our debate about AIDS here in this country.

And we would be foolish if we did not acknowledge that there was a need for a broader education in crossing religious and cultural boundaries. So there is something there. I mean, I am a plain old politician. I am not an African President, but African Presidents are plain old politicians, whether they are totalitarian or democrat.

There is no difference. God has not made a new brand of politician in the millennium. So there has got to be some reason. What is the political, or social, or cultural reason for what is by a Western standard at least, ignoring or the attempt to ignore or deny the existence and/or the extent of the problem?

Dr. SATCHER. I will be brief because I do not really know the answer to that, but I think we do know that going back to what I said about the nature of AIDS and the fact that people can be infected for years, 10 years or more, and not even know they are infected.

This epidemic can be very quiet. And I think there is a tendency to deny the fear that it is going to hurt the image of a country, tourism, et cetera. I think all of those things are factors. And there are many examples of where leaders have waited until this epidemic exploded.

Senator BIDEN. Well, how many heads of state have acted? I mean, if you had to count of all the African countries, which heads of state would you count? You do not have to give me their names, but the number; how many would you count as being fully engaged and energized in dealing with this problem? An honest answer.

Dr. SATCHER. Senator Biden, I would say that within the last 2 years, I think the leadership in South Africa has stepped up to the plate. And apologize for, in fact, ignoring and denying the existence of this problem, and the negative attitude toward women that went along with it in terms of the blame. In some countries, women are blamed for this problem, and sometimes they are put out of their homes when the men discover that they are positive, even though in many cases he was the one who brought it into the home in the first place. So we have seen all of that. We have seen all those things, in fact.

Ms. THURMAN. I think certainly, all the things that you have mentioned. I mean, there is stigma, and there are cultural norms, and all the rest, but I think from a political standpoint the thing that has been our most difficult challenge is that when leaders name a problem, then they are compelled to have to do something about it.

And in countries that are very poor and countries that spend only $5 per capita on health care overall, in countries that are in armed conflict and spending a lot on military, or countries that are trying to make ties with other nations and development investment, all of those are issues that I think prohibit many leaders from stepping up to the plate and taking this on head on.

I think that is why it is so important, however having said that, that this Congress, this Senate, that the President, that the Vice President, that the other people and leadership in this Nation are being very open and vocal about the need to do something about AIDS in Africa and showing a willingness to take this on because it sends a very strong message to leaders, not only in Africa, but elsewhere.

Senator BIDEN. Well, my time is almost up. Let me follow up on one other part that you both touched on. One of the things that I personally have been involved in and wish I had not been involved in it as I am, is this notion of training peacekeeping forces, or the need for peacekeeping forces.

And up until a few years ago, Third World countries have viewed participation in that as a way to earn dollars. And has caused some serious dilemma in a two tiered world system here at the U.N. and other places about the utility of the use of these forces and so on.

But, you said something that struck me. We are having a significant increase in the number of African troops that we, the United States, are helping train for peacekeeping missions. And yet you point out that in the case of Nigeria, that there is a 15 percent infection rate of those very troops as they head back home.

AIDS requires mobility to spread geographically. Are we doing the right thing? I mean, is there reason to be concerned about "training African troops" I mean, if I read the numbers, my staff tells me and correct me if I am wrong, 40 percent—estimates are that 40 percent of all military—is that the number, 40 percent of all military personnel extending to South Africa—is it all military or just South African military?

In the South African military, reports have suggested that as much as 40 percent of their military may be infected with HIV. Now if that is true in South Africa, I would assume since you have given us numbers and other data has indicated that other states may have a higher infection rate, in terms of sound public policy, international in this case public policy, what is the right thing for us to be doing here? I mean, should we be—maybe that is not for you to answer, but could you talk to me about that piece of it?

Ms. THURMAN. Well, I think that when we look at military, it is one of the reasons that the administration has requested money in the DOD budget to deal with HIV and AIDS. And the fact of the matter is that there are very high rates of infections in Africa, but that is going to be the same in the rest of the developing nation as we look down the road a few years.

I think our challenge is going to be to use those militaries which are some of the best infrastructure that we have in Africa, certainly much better organized and funded than the health care infrastructure is, and to use that opportunity to provide education and training, and in some instances, some basic health care counseling and testing and the rest. We have seen, again, great success in Uganda, and in fact, Uganda's response to the epidemic was in large part due to the high infection rate in their military. And so I think we have an opportunity that we would be very remiss if we did not seize to use our military apparatus to engage with other militaries to provide education and support.

Senator BIDEN. And again, if I just close this, Mr. Chairman, I beg your indulgence for another 60 seconds here. I guess I should not be asking you two the question that is really sort of perplexing me right now.

The military is the structure that is the most disciplined and the most bureaucratical manageable, and it is a good thing for the United States military to be training African military in terms of awareness. Keep in mind however, that the only reason we are training them is for them to pick up from their African country and go abroad.

That is the reason we are training them. We are training them to participate in peacekeeping activities in far foreign nations. Is that good public policy?

Because if you are picking up an infrastructure that you are training, not withstanding the fact that you are training them as well about the disease, if we do that, you are still sending somewhere between 15 and 40 percent of those folks into another area of the world who are infected with the disease, and I doubt whether you assume that they will be celibate the entire time they are out of country. That is not the history of militaries for the past three centuries.

Senator FRIST. I need to move to the next panel. Let us respond quickly.

Dr. SATCHER. It is a major challenge and a major opportunity and we are working very closely with South Africa around that. But also, look at our experience with Thailand. It was primarily a problem with the military, major problem, but I think the success in Thailand demonstrates that you can deal with that.

I think we have an opportunity to work very closely with the military in Africa. U.N. Security Counsel discussed that problem in its January 10 meeting, but I think it is an opportunity as well as a challenge today.

Senator BIDEN. I thank you both.

Senator FRIST. It is an important issue that we had the opportunity to discuss before and I think further discussion and further disclosure on that in getting real direction, is critical. Senator Feingold.

Senator FEINGOLD. Mr. Chairman, just before Senator Biden leaves, he has asked as always, a couple of very good and tough questions. And I will defer until later to talk about the attitudes of the Presidents. But, his issue about the military, I think is very important.

I would just note that a country like Nigeria is involved with sending its troops to different places, regardless of our policy any ways, such as in Liberia, and that this is a problem in any event. We have an opportunity to get involved in trying to educate these countries about how to solve this problem.

I just want to put in the record, that my understanding is that Senator Levin, the ranking member of the Armed Services Committee has a strong interest in working on this aspect of the problem.

Senator BIDEN. Let me make it clear. I am not suggesting that we should not train. I was not suggesting that. I was just wondering. Thank you.

Senator FRIST. Provocative as always. Thank you, Senator Biden. I think what we will do is keep the record open for another 6 days to submit questions. Again, I appreciate it very much your perspective. It's very useful in terms of setting the stage for today. Thank you both very much.

Our third panel to come forward, Dr. Jeffrey Sachs, director, Institute for International Development, Harvard University, who has testified numerous times here, is with us once again. Dr. Harvey Bale, director-general, International Federation of Pharmaceutical Manufacturers Association from Geneva, Switzerland.

Dr. Peter Lurie, deputy director, Public Citizen's Health Research Group, here in Washington, DC. A number of issues we will touch upon today including the economic impact of AIDS during this panel. Dr. Bale, in particular, I want to welcome you from Geneva.

He is an economist with the International Pharmaceutical Manufacturers which represents people broadly across the world, who will focus on the economic research and development of drugs to treat AIDS, and Dr. Peter Lurie, who is a physician, will be telling us more about drug companies and the licensing issues to treat AIDS in Africa.

Welcome to all three of you and I think we will have your presentations in the order that I introduced you. Dr. Sachs first. Welcome.

STATEMENT OF DR. JEFFREY SACHS, DIRECTOR, INSTITUTE FOR INTERNATIONAL DEVELOPMENT, HARVARD UNIVERSITY, CAMBRIDGE, MA

Dr. SACHS. Thank you very much, Mr. Chairman. Thank you for the opportunity to be here. I apologize for not having prepared testimony before hand, but I have a good excuse. I am just coming back from Nigeria last night, so I bring you fresh information.

And I hope it is worth the bargain. You have heard many eloquent statements in the last hour about the depth of the crisis. And I think the task at hand is very clear and that is to fashion an effective response. There can be no doubt that this is one of the greatest challenges in the entire world.

Ms. Thurman noted that this will wipe out decades of developments. I would just rephrase a little bit what she said when she said decades of steady progress. If only it were true.

This is going to set back a continent that has not had steady progress, that is already, even without this epidemic, been in an extremely deep, and I would say deepening crisis, were the measures had been taken in the last 20 years through the multi-lateral institutions and our own AID agencies have not been very effective to date.

And then, this crisis comes on top of what is already an extraordinarily a deep crisis. We face therefore, a very grave challenge. I have had the opportunity to discuss these issues with this subcommittee before and let me just repeat a point that I had a chance to make last time we talked, and that is that when one looks at the development crisis in Africa, even without AIDS, one has to say that the public health crisis may be the most important single factor of all in Africa's failure to achieve sustained economic growth.

So we normally think of development producing good health, but I think the research is showing, and the experience and common sense is showing, that the Congress proposition, that poor health is a fundamental barrier to successful development, is equally true.

And when we ask why Africa of all the regions of the world that has had the very hardest time, there is little valid in my mind that the profound diseased ecology of the continent, the fact that you have the most efficient vectors of malaria by far, that you have for many, many deep reasons of the tropical environment of Africa, a burden of infectious disease that is many folds higher than in other parts of the world, that that has been one of the core conditioning factors of Africa's poor economic development.

We have to address the health crisis, in other words, in order to get at the development crisis. And unfortunately, we did not really recognize this for a long time. All of the structural adjustment programs of the last 20 years, I thought that by turning macroeconomic dials, one could save the days. I am a macro economist.

I believe in turning those dials, but I can also tell you that they do not get to where we need to go when you have a continent where the burden of disease is such that life's expectancy is already only 52 or 53 years even before the AIDS epidemic started to hit.

So we have a fundamental public health crisis in Africa that needs to be addressed, of which HIV/AIDS has become, by far, the dominant factor, but it was bad enough already, and it needed a major—it was a fundamental challenge for us and for Africa, even beforehand.

Let me also note that the economic effects of AIDS, or malaria, or cystosomiasis or of the other multiplicity of diseases and disease groups in Africa are extremely complex. They are not well understood.

They are multi-factorial, and they hit the economy in so many different ways that the cumulative effect is absolutely profound. They effect not just the lost days of work and the lost years of life, but also the possibility of running stable educational systems, the possibility of investing in ones own future, the possibility of attracting foreign direct investment where we know that the malaria barrier or now the AIDS barrier is keeping out foreign investors that might otherwise go into the continent and be a major force for development there.

My own guess, but it is purely a guess, is that the AIDS epidemic will take off 1 to 2 percentage points of growth per year, in GDP, but that is on top of another couple of percentage points that malaria and other interactions of malnutrition and infectious disease already take away, so that we are talking about a continent in the grips of a generalized public health crisis, and a development strategy should start at that point.

We are not there yet. There is no plan that I know of that our Government or the international institutions has formulated. And one of the things that this committee could be extraordinarily helpful on, in addition to completing legislation this year, would be to push the administration to develop a more comprehensive framework, and to push the administration to work together with the rest of the world to develop a global framework.

This is not in place as far as I can see right now, and it is one of the main messages that I would like to leave under my brief remarks. We need a global plan in two senses. One is a global plan that engages the global community. Of course, it should engage Africa, but it should engage all of the major donor countries. This is not just a U.S. burden. This is a worldwide effort that needs to be raised and the multilateral institutions need to play a very important role. We need a global plan in a second sense which is that it should be global in the sense of a comprehensive development strategy, working together with Africa in which HIV/AIDS is seen as part of a more general set of problems that need to be treated together.

We have heard, for example, many of the previous witnesses have noted that without a working health care system more generally, it is very hard to do some of the effective AIDS interventions. But we do not have working health care systems in a lot of the continent, and I will come back to a basic reason for that in a moment.

Now, I would say that there are at least three basic directions that a comprehensive plan should have. First, there are many types of interventions that could probably be effective already now.

We have heard some of the preventative interventions and other kinds of surveillance and treatment interventions. We could discuss those in more detail in questions if you would like. Second, we need much more focus on basic science. We do not have the answers to a lot of the most basic questions, and as Dr. Satcher noted, when you asked him about the clads of HIV virus in sub-Saharan Africa, in the February 11 issue of Science, they report the latest findings from studies, and essentially, and I will just paraphrase, there is tremendous perplexity about the fact that you cannot lick the extent of the epidemic with nature of sexual behavior, so clearly as one would imagine.

So as the Science issue reports, researchers found little connection between HIV prevalence and life time numbers of sexual partners, contact with sex workers, condom use with sex workers, or age at first sex.

And what they say is that we believe that differences in sexual behavior will probably outweigh differences in the efficiency of HIV transmission. This is a startling finding, but it shows how much basic science and immunology, and epidemiology is yet to be done and in situ for us to get sound answers but we are not investing very much in that, as usual, for that kind of in situ, immunological and epidemiological investigation.

And third, there is the applied research for vaccines which will be absolutely fundamental. Let me talk about funding sources briefly, if I might. I see four types of sources which I would like to mention.

First is debt cancellation and debt relief aid, an issue that we have discussed before. I can tell you, Senators, we have not yet done what needs to be done in that most basic mechanism.

And to this day, the IMF does not seem to understand that there is a link between AIDS, for example, and debt cancellation. So to this day, and I mean until yesterday evening in Laos, you have the IMF saying, "You do not need that relief," without even looking at

the social conditions. In Nigeria where President Obasanjo has said, "This is what I truly need to be able to fund social spending."

Last year, we got from Nigeria $1.9 billion of debt service, and you know what they spent on health care? $360 million. We took six times more out of the country in debt servicing than they spent on health care. This, if I could characterize it, is not serious international policy by the IMF, the World Bank, the U.S. Treasury, the U.S. Government, or the other creditors.

If you want to find a lot of money for this, look to the debt service payments because we are bleeding the continent, and to this moment, the IMF is not registering the reduction in correspondence with the crisis. And I have written to the IMF in the last couple of days, saying that in the first four debt reduction cases that they put on their web sites, I have gone back to look at the underlying analysis.

There is not even a paragraph of attempt in any one of the four countries who link social spending to the amount of debt relief. It is as if the issue is not even joined. This is the first place to look because we can get billions of dollars of relief, but to this day, the administration has told Nigeria, we are not discussing debt cancellation with you.

And if ever there was a policy that could leverage our funding for about $150 million of appropriations for Nigeria, we probably leverage about $25 billion of worldwide relief for Nigeria, a lot of which could be turned into increased social expenditure. So, there are tricks to this that really make a great deal of sense and we are not even at the starting line on this yet.

Senator BIDEN. Mr. Chairman, let me briefly intervene. The Secretary of the Treasury is coming up to testify to us his single highest priority is debt relief.

Dr. SACHS. And I would be happy to submit some queries that I have about how to make the connection between what is on offer and what is really needed? Because we are not there yet. The logical connection has not been established.

He is on the right side of the issue within the sense of pushing hard to get it, but we are not getting the connection between the depth of the relief or the coverage of countries and the social needs. We have an absolutely bizarre bureaucratic mechanism for deciding these things where the relief is linked to an arbitrary multiplier of exports, not to anything about social conditions, AIDS, needs, programs. It is weird. It is absolutely very strange. Second——

Senator FRIST. Let me get you to summarize, and we will come back and question and answer.

Dr. SACHS. I will stop in 1 minute then. The second point that I think is very important is we will make appropriations I think, in addition to debt cancellation, although I tell you, debt cancellation through growth leverage for our buck that you can find if it is deeper than we have right now.

We have to decide whether to put that through USAID or through the UNAIDS. And I think we make a mistake actually, to put this strongly to a USAID rather than through the global UNAIDS effort.

This is not hugely popular in this Congress, perhaps, but we have a multilateral international group of actors that are charged with the global coordination, and we do not fund them, and we do not help them to operate effectively. So I would urge that we put them into the global effort and then multiply our contribution by demanding that what we put in gets multiplied by five or by ten by other donor countries. And we make the real package that is really global, not a bunch of particular projects of our own USAID agency.

This is not going to make friends necessarily with an agency that I work closely with, but I do not think that in this case we are doing the best to get the global leverage if we do not fund the international program more effectively. A third, I will mention, I am a big fan, and I have tried to analyze this carefully as possible a kind of vaccine promotion initiative, and I just want to be on the record definitely as supporting the direction that we are moving, although I think there are a lot of details that need to be discussed. And the fourth place where we can get some help is from the pharmaceutical companies.

I know my friend, Harvey Bale, will speak to that. I do believe in two tier pricing for a number of the most important AIDS drugs, particularly those that stop vertical transmission.

We have to engage the private sector constructively, not to break their markets here, but to push them, and urge them, and help them to deliver, at cost, these drugs to the poorest countries in the world. And I think that those are four ways to proceed.

Senator FRIST. Good. Thank you. And I am sure that we will come back to this discussion. Thank you, Dr. Sachs.

Dr. Bale, welcome.

STATEMENT OF DR. HARVEY E. BALE, JR., DIRECTOR-GENERAL, INTERNATIONAL FEDERATION OF PHARMACEUTICAL MANUFACTURERS ASSOCIATION, GENEVA, SWITZERLAND

Dr. BALE. Thank you, Mr. Chairman. Thank you Mr. Chairman and members for inviting me. I am visiting over here on my way to Tokyo from Geneva, and it is a pleasure to participate in such an important forum as this. As you—well, perhaps you do not know, IFPMA represents the industry to the World Health Organization, UNAIDS, the World Market Profit Organization, the World Trade Organization. We are also partners in the Global Alliance for Vaccines and Immunization and the Medicines for Malaria Venture.

I would like to sum up by making a number of key points that are in the written testamony in fuller detail.

Our industry is dedicated to augmenting its effort to fight the AIDS crisis. Our primary role is in providing and combating AIDS through its new discovery and development capabilities, vaccines, medicines, and treatments. Today, there are about 15, as Dr. Satcher mentioned, about 15 antiretrovirals on the global market, with more in the industry's research pipeline. Today, there are over 100 new AIDS medicines in our industry's R&D pipeline, including 35 new antivirals [ARVs] and 10 vaccines for HIV prevention. This research will yield shorter-course treatments, such as Navirapine from Boehringer-Ingelheim for preventing mother-to-child trans-

mission of HIV; more convenient and tolerable regimens, such as tests of "one-pill-a-day" regimens being tested by various research companies, including Bristol-Myers-Squibb; and scientific breakthroughs which could open up whole new avenues to fight HIV, such as a recent announcement by Merck scientists that they have found two experimental compounds which were able to obstruct the activity of an enzyme called integrase which plays a critical role when the AIDS virus infects cells.

Second major point, we believe that the HIV crisis requires a comprehensive multi-sector response. I think this has been said already. And let us get a coalition of stakeholders. No. 1, set up educational programs that change attitudes and behavior to curb the HIV spread. Two, enhance the capacity of health systems to deliver essential medical care. Three, encourage new innovation, new therapies, and new vaccines while improving access to existing ones in such regions as Africa.

More generally, innovative approaches are needed to attack disease patterns in the poorest countries. And more resources are required as Jeffrey has mentioned. Fortunately, novel approaches are being explored in a sense that the WHO, and the World Bank, and UNAIDS are looking at ways to guarantee a market for vaccines for diseases predominant in developing companies—heading up an idea that has been raised before by Professor Sachs.

The Medicines for Malaria Venture is another way of introducing public-private partnerships and we are proud to be a full partner in it. This public-private partnership is designed to develop new antimalarial drugs as an investment in resources to find new treatments for this wide spread disease. We would urge the Congress as part of its' attack on poverty and disease in Africa and elsewhere, to back this public-private partnership by joining several other countries that have already funded the MMV.

The financial requirements to contribute positively to this are very small at the beginning but have major potential benefits, if we can find one new antimalarial every 5 years, is enormous. Another mechanism can be explored: the orphan drug legislation, the tax credit, and market exclusivity provisions of the U.S. orphan drug legislation.

We note positively the proposal by the administration to set up a market-based mechanism to support vaccine development for HIV, malaria, and tuberculosis. New incentives, however, should not be limited to vaccines. Breakthroughs in drug treatments may come more quickly than new vaccines and may provide cures, which would have an important impact in quality of life for those millions already living with disease. Despite the large amount of research being conducted into HIV/AIDS, most estimates still reflect a view that a very effective vaccine may still be at least 5 or 10 years away.

Let me summarize with some major conclusions because I think a number of points have been made about infrastructure requirements, and these are enormous. And in fact, these infrastructure requirements dwarf the cost of medicines.

Cooperation among public institutions and the private sector is the only route. It is the only route that can work in an effective way. We in industry are working on more effective therapies and

vaccines, but delivery will be a critical problem and this involves several key issues, including the following: One, political commitment. Concrete actions by countries affected are needed to prevent the spread of AIDS and to treat those affected. Raising AIDS awareness is a priority and it is essential. It is only now being done in some countries.

As UNAIDS' executive director, Peter Piot has mentioned, pumping money into a country where AIDS is a low priority will do nothing to affect the epidemic.

Second, international funding. Professor Sachs has already mentioned this. More international funding is needed. Looking at the issue of drugs, bridging the cost gap in the case of drugs and future vaccines between the costs and prices of AIDS products that would be coming forward; while getting cheaper, they will often still be much more expensive than people in poor countries can afford.

How do we bridge that cost gap? You need more funding. Infrastructure and distribution improvements are obvious, so I will skip it. Serious partnerships are essential. Our companies have been working with UNAIDS and countries on pilot projects in several countries.

Cote d'Ivoire has been mentioned, Uganda, Chile, Thailand. A true partnership is required at the national level. Not all countries have responded positively to mother-to-child programs offers of medicines, even at a substantially discounted price.

It seems that some countries prefer to use an approach of charging that AIDS drugs have too much toxicity, or they try to find some other excuse for simply not treating their citizens. And finally, innovation. One of the most critical elements of a global strategy is to foster continued innovation through academic and industrial R&D.

We have responded, but we have to do more. We do not have a vaccine. We are working on them. But without a strong global patent system, we would not have these medicines today or we would not have them in the future.

Industry R&D can only continue when there is respect for implementation of full intellectual property rights. More and more concerns about access to AIDS medicine in Africa and elsewhere, but this access has very little to do with patents. In fact, I quote one or two of the executives that have been out to Africa in the last few weeks. They claim it is irrelevant. I will argue at least that it is not significant. Many developing countries today do not respect patents. There are generic versions of AZT on the market today. If one looks at India, where large populations with AIDS infections exist and AIDS is growing very rapidly, generic versions are prevalent in this part of the world. Should there be an access problem? In theory, no. But there is. The question is, why? The question really is, why where there are not patents being protected. There are a number of other issues, Mr. Chairman, that I would like to go into, and perhaps undoubtedly you will want to save for questions. I just want to say that there is a caveat.

We cannot address the AIDS crisis, neglecting the other issues of TB, hepatitis, upper respiratory ailments, and other disease that are becoming equal dangers in the future in Africa and elsewhere. Again, I urge the administration to look at the Medicines for Ma-

laria Venture. They are working on getting new antimalarials out there, and eventually, a vaccine.

In closing, I just want to convey to this committee, the global pharmaceuticals industry's commitment to be a partner in this exercise and increasing its efforts in the future. Thank you.

[The prepared statement of Dr. Bale follows:]

PREPARED STATEMENT OF DR. HARVEY E. BALE, JR.

INTRODUCTION

Mr. Chairman and other Members of the Subcommittee: I am the Director-General of the International Federation of Pharmaceutical Manufacturers Associations (IFPMA), based in Geneva, Switzerland, representing the research-based industry in over 55 countries. The Pharmaceutical Research and Manufacturers of America (PhRMA) is one of our important members. We represent our industry before the World Health Organization, the World Trade Organization, the World Bank, the World Intellectual Property Organization and other UN agencies, and the OECD. We are also full partners in the Global Alliance for Vaccines and Immunization (GAVI) and the Medicines for Malaria Venture (MMV).

Our mission is to seek to work with international agencies and national governments to find new ways to bring the therapeutic technologies and know-how of our industry together with efforts to reduce disease burdens. We also address the most important conditions necessary to strengthen the capability of our industry to continue to develop innovative therapies and vaccines: i.e., intellectual property rights, competition-based health care delivery systems, effective product regulatory systems and open information delivery policies for health care professional and patients.

We are here today to focus on one of the most serious global threats to public health globally and the worst threat to Africans' well being and the economic development of the sub-Saharan African region. The research-based pharmaceutical industry is strongly committed to helping people living with AIDS—who wait for better and less costly therapies and, hopefully in the not-too-distant future, a vaccine or vaccines to effectively prevent further HIV infections. I will seek to relate our perspective on this serious problem and to suggest what is needed.

THE SERIOUSNESS OF THE HIV/AIDS PANDEMIC

HIV/AIDS is indeed *the* public health crisis in Africa. Over 34 million people in the world are currently infected with HIV/AIDS, with 95% of those living in developing countries. Most tragically, over 13 million children have lost one or both parents. Two-thirds of those infected live in sub-Saharan Africa, and more than 80 percent of the world's HIV/AIDS deaths have been in this region. HIV/AIDS is now the number one killer in Africa, taking more African lives each year than all the conflicts in the region combined, and HIV-related illnesses are an additional burden on already weakened public health services. According to WHO's 1999 World Health Report, HIV/AIDS has become the disease with the greatest impact on mortality in Africa. Indeed, life expectancy in Africa is declining because of AIDS, and in some places may fall back to 1960s levels, according to Dr. Peter Piot, Executive Director of the Joint United Nations Program on HIV/AIDS (UNAIDS). This would mean a drop in expected life spans from 59 years in the early 1990s to just 45 years by 2010. As Dr. Piot recently noted, "AIDS in Africa has become a full-blown development crisis, and is on its way to becoming the single greatest threat to human security on the continent. . . . Few sectors of African society remain untouched by AIDS. The epidemic is wiping out health, social and economic gains that Africa has worked towards for decades." Furthermore, AIDS is decimating the most productive elements of African society. UNDP Administrator Brown declared at the first meeting of the UN Security Council this year that "an extraordinary depletion of the region's human capital is underway. There are estimates that the number of active doctors and teachers in the most affected countries could be reduced by up to a third in the coming years."

INDUSTRY'S KEY CONTRIBUTION: SEARCHING FOR CURES

The pharmaceutical companies responsible for the discovery, development and supply of medical products for managing HIV/AIDS are acutely aware of the urgent need to tackle the epidemic in Africa and other parts of the developing world. We are devoted to finding hope for those affected by the tragedy unfolding before us, as literally millions of men, women and children are swept away to untimely deaths

by the rising AIDS pandemic. We call upon all parties, national governments and international organizations to take coordinated strong action to fight AIDS. We in industry are prepared to participate in augmenting our contribution to the struggle against AIDS, based on our special expertise and scientific and technical resources.

Industry's primary role in combating HIV/AIDS worldwide is through its unique role in the discovery and development of new vaccines, medicines and treatments for disease and disorders. Indeed, it is important to recall that, twenty years ago, AIDS was not yet identified. At that time AIDS was considered untreatable as well as incurable, subjecting those infected with HIV to certain misery and untimely death. Today, there are about 15 antiretrovirals on the global market, with more in the industry's research pipeline. This tremendous advance in treatment is possible thanks to the billions of dollars that the industry has devoted to AIDS medicines and vaccine research, including research into treating opportunistic infections related to AIDS. Today, there are over 100 new AIDS medicines in our industry's R&D pipeline, including 35 new antivirals and 10 vaccines for HIV prevention. Such research will, we hope, one day yield: shorter-course treatments, such as Navirapine from Boehringer-Ingelheim for preventing mother to child transmission of HIV; more convenient and tolerable regimens, such as tests of "one-pill-a-day" regimens being tested by various researchers, including Bristol-Myers-Squibb; as well as scientific breakthroughs which could open up whole new avenues to fight HIV, such as a recent announcement by Merck scientists that they have found two experimental compounds which were able to obstruct the activity of an enzyme called integrase that plays a critical role when the AIDS virus infects cells. New treatments developed by the pharmaceutical industry and introduced in the last several years—e.g., antiretrovirals (including the protease inhibitors and non-nucleoside reverse transcriptase inhibitors) as well as anti-infectives and antifungals to combat opportunistic infections—have begun to change the pattern of the AIDS epidemic.

Industry R&D can only continue when there is respect for and implementation of protection for intellectual property rights which promote and protect such research. The challenge now is to improve therapies and the search for cures, continue to extend access to these breakthrough medicines to all affected populations and ultimately to develop an effective vaccine—or several vaccines. Allowing market incentives to proceed without counterproductive interventions is vitally important in creating an environment favorable for developing new vaccines, treatments and possible cures for HIV and AIDS-related conditions. Drug research and development by the research-based pharmaceutical industry is financed by companies' own internal resources, and on average it takes hundreds of millions of dollars to research, develop and test a new medicine, including treatments for AIDS. It is vital that this research is not hindered by quick-fix solutions such as compulsory licensing, parallel trade and other measures which may sound attractive to some in the short term, but would fatally retard R&D into HIV/AIDS related medicines in the medium and long-term, disappointing the hopes of millions who look for a cure for AIDS. Today, we no longer speak of "incurable diseases"—only those diseases for which we have not *yet* developed a cure or vaccine. There are real concerns about access to AIDS medicines in Africa and elsewhere, but this access has little to do with patents, and weakening patents would not—I repeat, not—significantly improve access for reasons discussed below.

First, many developing countries are not yet TRIPS-compliant and some such countries, such as India, already produce generic copies of patented AIDS drugs. If patents were indeed the problem, large populations within these countries should have easy access to these copied, generic versions of AZT and other medications; but in India and parts of Africa this is demonstrably not the case.

Second, the cost of a pharmaceutical product is only a small part of the overall AIDS treatment costs, including training, patient diagnostics, treatment supervision and safe drug distribution—elements absolutely essential to ensure the effective use of complex AIDS treatment regimens.Third, the ex-manufacturer price of drugs in developing countries is often only a small part of the final retail price for consumers due to high import tariffs, taxes and wholesale and retail distribution margins. In America, these mark-ups may add perhaps 40-60% to costs. In Africa, they often add 100-300% to ex-manufacture prices.

Fourth, parallel trade and systematic compulsory licensing regimes (which were abandoned by Canada and New Zealand 10 years ago), weaken patent protection, but are claimed as cost saving policy instruments by advocates. Actually, when one observes price differences across national boundaries one is seeing differences in retail prices—which are reflective of many factors including the margins mentioned previously and which do not form a basis for parallel trade. In any case, where parallel trade exists (e.g., within the European Union) evidence shows that the benefits of parallel trade to consumers are small because such trade mainly benefits the par-

allel traders, not consumers, because the former capture most of the "rents" arising from the differences in ex-manufacturer prices across countries. Some activists promote compulsory licensing as another "solution" to access to AIDS drugs. Such advocates present compulsory licensing as a way to create a more competitive market akin to post-patent generic competition in the United States and a few other industrialized countries. However, as compulsory licensing is a deliberate action by governments, it can lead to a limited number of licenses being issued, with recipients potentially being chosen due to political favors rather than objective criteria. Thus, price benefits may be minimal, while the quality of a copied version may not be equivalent to the original.

Finally, many of the millions of people of Africa earning less than a US dollar a day, and their governments, cannot afford good quality generic versions of AIDS drugs either. Patent-pirated versions appear in Africa and their prices are often not significantly lower. And there are bottom limits to prices, set by costs; and at these levels the unit costs (especially when the rest of the full costs of a treatment are added in) are well beyond the capability of the poorest patients who need the most help.

PARTNERSHIPS AND NEW INCENTIVES FOR R&D

We believe that the AIDS crisis requires a comprehensive, multisectoral response, led by committed governments and intergovernmental institutions—the World Health Organization and the World Bank. We must as a coalition of stakeholders (1) step up educational campaigns to change attitudes and behavior to curb the spread of HIV; (2) enhance the capacity of health systems to deliver essential medical care to the people living with the disease; and (3) encourage further innovation into new therapies and vaccines while improving access to existing ones in regions such as Africa. We must also recognize that the problem of access to drugs for AIDS and related conditions is one aspect of the broader issue of access to adequate health care generally.

More generally, innovative approaches may be needed to attack disease patterns in the poorest countries. And more resources are required. Fortunately, novel approaches are being explored. For example, UNICEF, WHO, the World Bank and UNAIDS are looking at ways to guarantee a market for vaccines for diseases predominant in developing countries, picking up on an idea of creating a fund (to purchase vaccines) raised initially by Professor Jeffrey Sachs.

The Medicines for Malaria Venture (MMV) is another example of innovative public/private sector partnerships to address the need to develop new medicines for special categories of diseases—in this case malaria. This public-private sector partnership in the Medicines for Malaria Venture (MMV) designed to develop new antimalarial drugs is an excellent investment of resources to find new treatments for this widespread disease, which infects millions of people in developing countries, while researchers search for an effective antimalarial vaccine to protect future generations. We would urge the Congress and Administration to financially back the public/private MMV initiative, joining several other countries that have already done so. The financial requirements to contribute positively are relatively small compared to the very large potential benefits that will accrue to millions of malaria-threatened populations in Africa and elsewhere.

Other mechanisms should be explored as well. These include developing policy measures similar in concept to U.S. orphan drug legislation, which includes tax credit and market exclusivity provisions. We note positively the proposal by the Administration to set up a market-based mechanism to support vaccine development for HIV, malaria and tuberculosis. *New incentives should not be limited to vaccines, however.* Breakthroughs in drug treatments may come more quickly than new vaccines and may provide cures, which would have an important impact on quality of life for those millions already living with these diseases. As with all innovative drugs, the investment in developing new antiretrovirals and researching an HIV vaccine is immense. The continually mutating nature of HIV adds additional complications to the search for more effective treatments as well as possible vaccines or even cures for AIDS. We must accept that, despite the progress being made, bringing an effective treatment, cure or vaccine to market will be a long and demanding process. Despite the large amount of research being conducted into HIV/AIDS, most estimates still reflect a view that a very effective vaccine may still be at least five or more years away.

INDUSTRY PARTNERSHIPS IN THE FIGHT AGAINST AIDS AND OTHER DISEASES THREATENING AFRICA'S HEALTH AND DEVELOPMENT

Individual companies are working in partnership with the public sector and civil society to fight against AIDS worldwide, particularly in Africa. Such partnerships include the following:

- For over ten years, GlaxoWellcome's "Positive Action" and Merck's "Enhancing Care Initiative" have been offering support to communities for education, training, and social action projects to improve their capacity to deliver care to people in developing countries; GlaxoWellcome also partnered with UNICEF, providing sharply discounted antiretroviral products for projects in the Mother to Child Transmission (MTCT) Program as well as providing its products at substantially discounted prices through the UNAIDS HIV Treatment Access Initiative Pilot Program. GlaxoWellcome has also played a leading role in the Global Business Council on HIV/AIDS, bringing business leaders from many industry sectors together to develop, in cooperation with UNAIDS and NGOs, an effective corporate response to the epidemic.
- Bristol-Myers-Squibb has committed $100 million for HIV/AIDS Research and Community Outreach in five African Countries under their "Secure The FutureTM" Program, focusing on women and children in South Africa, Botswana, Namibia, Lesotho and Swaziland. An example of efforts supported by this initiative is a joint study of HIV-1C, a strain of HIV particularly prevalent in Africa, conducted by the Harvard AIDS Institute and the government of Botswana, supported by a US$18.2 million grant from BMS.
- Launched in November 1997, the UNAIDS HIV Drug Access Initiative is designed to develop innovative, effective models to improve access to needed drugs to treat HIV, its opportunistic infections, and sexually transmitted diseases in the developing world. The Initiative seeks to address the many challenges of developing-country drug access, such as lack of medical infrastructure, drug distribution channels, drug supply, professional training, and patient support through facilitating collaboration among pharmaceutical companies, health care providers, national governments, nongovernmental organizations, and people living with HIV/AIDS. Pilot projects designed to increase access are underway in Uganda, Vietnam, Chile and the Ivory Coast. Pharmaceutical partners in the UNAIDS initiative include: GlaxoWellcome, F. Hoffmann-LaRoche, Virco NV, Bristol-Myers-Squibb, Organon Teknika, Merck&Co., and DuPont Pharma.

There are also industry initiatives in the eradication and prevention of other serious diseases impacting developing countries: AIDS is by no means the only serious threat to the well-being of the poorest developing countries. Often overlooked are the extensive activities of companies contributing their patented or off-patent medicines or technology for specific diseases of poorer countries. These programs were launched and are succeeding because as preconditions governments were required to fully commit to the success of the campaigns. This commitment is critical and offers lessons for the attack against AIDS in Africa and elsewhere. Examples of such company actions include:

- Merck has donated ivermectin free of charge for as long as it is needed to fight onchocerciasis (river blindness). Key international partners involved with Merck have been the WHO, World Bank and the Carter Center.
- SmithKline Beecham and Merck are donating albendazole and ivermectin (two antiparasitic drugs for lymphatic filariasis) free of charge for use in countries where LF in endemic. This also done with support of WHO and other agencies.
- GlaxoWellcome is donating a antimalarial combination drug (Malarone) free of charge to the public sector in malaria-endemic countries for treatment of cases which are resistant to standard first-line treatments.
- To help in WHO's global fight to eradicate polio, Aventis Pasteur has donated 50 million doses of oral polio vaccine to cover the vaccine needs for National Immunization Days scheduled in five conflict affected areas in Africa in 2000-2002. Countries to be covered are Angola, Liberia. Sierra Leone, Somalia and South Sudan.
- Pfizer is donating an antibiotic azithromycin to combat trachoma in 5 developing countries (Morocco, Ghana, Mali, Tanzania and Vietnam) in collaboration with the Edna McConnell Clark Foundation.
- Recently, Aventis Pharma donated the patent rights on life-saving eflornithine to WHO to treat African trypanosomiasis (sleeping sickness). This concluded a 15-year old public/private sector collaboration between Hoechst Marion Roussel and WHO, during which the development of the drug and its approval by drug

authorities were finalized. The partnership in the effort to ensure efficient distribution of this drug includes WHO, Aventis and NGO's.

- Hoffmann-LaRoche has conducted the "Sight & Life Program" dedicated to the prevention of xerophthalmia and other adverse effects of vitamin A deficiency that impairs the health of children in numerous developing countries. In this initiative, Hoffmann-LaRoche donates vitamin A in many countries in Africa, Asia and Latin America, as well as educational materials.

There are other industry-wide efforts to improve health worldwide in partnership with the public sector including:

- The new *Medicines for Malaria Venture (MMV),* started in partnership between WHO, pharmaceutical industry and other parties has been established to stimulate the discovery and development of new treatments for this wide-spread disease. We are seeking to develop a new anti-malarial therapy every 5 years beginning in this decade. We do not preclude, indeed we hope, that a new malaria vaccine might also come from the MMV or separately.
- The IFPMA and its vaccine company members are in full partnership in the *Global Alliance for Vaccines and Immunization (GAVI).* Through the Alliance, member partners will address ways to accelerate the development and introduction of new vaccines specifically needed by developing countries. The vaccine industry members of the IFPMA will, in cooperation with their GAVI partners, work to ensure accessibility to the vaccines and other related elements that are necessary for the immunization of all the world's children, with a particular focus on poor populations and countries.
- The *WHO/CEO Roundtable process* involves not only a yearly meeting between the Director-General of WHO and CEOs of IFPMA's companies, but also WHO/industry working groups on issues relating to research and development, drug quality and access to drugs. For example, the WHO/CEO Roundtable process supports the "Malaria Pathfinder" initiative, which is a joint WHO/industry program examining ways to sustainably improve antimalarial access and rational use at the household level (in some cases, at the district level) as measured by improvements in rapid procurement and dispensing of appropriate treatments. A joint communique on the most recent meeting of the WHO/CEO Roundtable is available on the IFPMA and WHO web sites: (http://www.ifpma.org and http://www.who.int/medicines/).

BARRIERS TO ACCESS TO HEALTH CARE

It must be recognized that only a committed effort by national governments can be effective in fighting AIDS, as the spread of AIDS is very much linked to poverty and underdevelopment which make people more vulnerable to becoming infected with HIV. Furthermore, there are several barriers to access to health care, barriers which industry can play only a limited role in overcoming. Indeed, the manufacturers' cost of pharmaceutical products is small in comparison to the overall distribution costs required to reach populations affected by AIDS or even to the retail price paid by the end consumer.

Understanding barriers to access is extremely important because they would make even free-of-charge antiretrovirais impossible for people living with AIDS in Africa to access regularly and effectively, making treatment useless and even possibly dangerous. Indeed, inappropriate use of these powerful drugs can and has resulted in strains of HIV developing which are resistant to all known treatments, making our search for a cure even more difficult. Also, due to the complexity of ARV regimens and the possible toxic side effects of these powerful drugs, appropriate medical support and careful monitoring is a vital part of using ARVs. According to UNAIDS and WHO, certain services and facilities must be in place before considering the use of antiretrovirals in any situation:

- Access to functioning and affordable health services and support networks into which ARV treatments can be integrated so that the treatments are provided effectively;
- Information and training on safe and effective use of ARVs for health professionals in a position to prescribe ARVs;
- Capacity to diagnose HIV infection and to diagnose and treat concomitant illnesses;
- Assurance of an adequate supply of quality drugs;
- Sufficient resources should be identified to pay for treatment on a long term basis; patients must be aware that treatment is "for life";
- Functioning laboratory services for monitoring, including routine hematological and biochemical tests to detect toxicities, must be available;

- Access to voluntary HIV counseling and testing (VCT) and follow-up counseling services should be assured, including counseling people living with HIV/AIDS on the necessity of adherence to treatment.

The barriers to access detailed below make it very difficult and even impossible to create the infrastructure described above which is so vital for the effective use of antiretrovirals and other medications for treating AIDS and related conditions. Therefore, examining access to AIDS health care from a broader perspective will help policy-makers focus their attention on reforms in the areas likely to have the greatest impact.

Military, Social and Political Issues

- Military spending priorities: The existence of international and civil wars in many developing countries increase peoples' vulnerability to HIV-infection and prevent people living with AIDS from being treated. Even in countries where there are no wars or external threats, governments give a higher priority to spending money on "defense" than on healthcare, including AIDS.
- Lack of priority due to political cynicism: Effective treatments are being offered by companies (often at substantial discounts) and cheaper therapies are becoming available. Yet, in some countries, groundless excuses for not increasing spending on AIDS treatments, such as an alleged excessive toxicity of antiretroviral AIDS drugs, have been made. These excuses mask the basic cynicism that some governments have concerning treating poor people living with AIDS or in preventing mother-to-child transmission of AIDS. A very recent article in the African press quoted a government official from the region as saying that trying to prevent mother-to-child transmission in impoverished areas would only shift the cause of mortality later on. In other words, the government that this official serves is making policy based on the cynical observation that poverty and malnutrition could lead to the same result as HIV in the motherless and impoverished child.
- Tolerance of corruption: In countries where official corruption is prevalent, health care access is impeded through the pilferage and diversion of products and services, with the poorest elements of society being harmed the most.
- Inefficiency and wastage: UNAIDS has found that, although the World Bank and other international agencies make money available for AIDS projects in Africa, much of it goes unspent because of bureaucratic complexities and other problems;
- Literacy and language barriers: If the patient is illiterate and/or does not understand the language used by the health care providers, then they will have difficulty in accessing care;
- Minority (including ethnic or gender) groups may experience discriminatory attitudes from health care providers. Illegal immigrants may fear discovery or be not entitled to full access to health care facilities, thus hindering their access to care;
- Stigma: The stigma attached to being HIV-positive in many cultures has led to ostracization, abandonment, violence and even murder of people living with HIV. In light of these dangers, people will refuse to be tested for their HIV status and, if they do discover that they have HIV, they will be afraid to seek appropriate treatment due to the possible repercussions if others were to find out their status.

Financial Hurdles

- The shortage of financial resources in the poorer developing countries is the most important barrier to access to health care, including medicines, in these countries. International aid agencies, as well as industrialized countries, often play an important role in financing health care infrastructure in the poorest developing countries.
- In many countries in Africa and elsewhere, governments require patients to "copay" for therapy costs (including diagnostics, training, health care infrastructure, etc.), ranging from $35 to hundreds of dollars per month. Clearly few can afford such payments; so that less than 1% of HIV infected patients receive such therapy. (In comparison, in Brazil a much higher percentage of infected persons receive therapy; but Brazil is aided by World Bank funds.)
- Many countries due to insufficient resources can provide not even rudimentary health care. For example, annual spending on health in some African countries is under US$4 per capita. This lack of spending can also result from governments not setting health care services, including care for people living with HIV/AIDS, as a high enough priority in determining the use of national resources.

- Inadequate purchasing power for medicines and a lack of an adequate number of medical professionals and hospital facilities to deliver health care result from this lack of adequate financial resources.

Physical Infrastructure Barriers

Lack of physical access to health care facilities or personnel is another major barrier to access in developing countries. There are several factors leading to such inadequate access:

- Adequate clean food and water is needed. Therapy for HIV/AIDS requires healthy food intake in some relation to the time of drug ingestion as well as access to clean water. Both are often missing in the developing world.
- Inadequate health care facilities to meet the needs of a growing population due to insufficient public and private resources.
- Insufficient transportation infrastructure to permit access to medical care providers for much of the population.
- Unequal distribution of health care facilities that may be concentrated in densely populated urban areas, leaving wider, rural areas without adequate coverage.

Bad Micro-Economic Policies

- Protectionism: Many governments protect their local insurance and pharmaceutical companies from foreign competition, making local insurance and pharmaceutical costs higher than they should be. Tariffs imposed on imported pharmaceuticals raise drug cost margins to patients. In developing countries, the final price to a consumer is often 3-5 times the price received by the manufacturer, whereas in developed countries, the ratio is often less than twice the manufacturers level.
- Non-competitive distribution networks: Protected wholesale and other distributors can artificially raise distribution margins, making drug costs in developing countries high—perhaps even higher than in some developed countries.
- Poor Intellectual Property Protection: The lack of adequate and effectively enforceable intellectual property rights hurts access to health care and pharmaceuticals by eliminating incentives for research and development of new products in at least two ways:

  (1) local firms in countries with good scientific infrastructure devote resources to copying (often without regard to Good Manufacturing Practices (GMP)) instead of focusing on research into diseases prevalent locally; and

  (2) countries which allow international patent exhaustion (i.e., parallel trade) discourage local pharmaceutical investment and the offer of companies to supply the local market on terms that local patients and governments would find more advantageous.
- Price Controls: Governments may look at price controls as one solution to access. However, price controls tend to damage incentives for research and development industry, they can also negatively affect the development of a GMP-based local generics industry. Furthermore, price controls destroy competition and usually evolve from being limits on price increases (or "ceilings") to become fixed price "floors" preventing consumers from enjoying benefits of market competition. One need only look at comparisons in changes in post-patent prices between Europe, where price controls exist, and the United States.

Informational Gaps

- People may fail to access health care due to a lack of information about the need to treat diseases such as tuberculosis, hepatitis, or hypertension.
- Patients may not know how or where to access health care (particularly in the cases of minorities or immigrants).
- Self-medication by poorly informed patients may lead to ineffective drug utilization.
- Poorly informed physicians in developing countries often treat illnesses such as diarrhea inappropriately with antibiotics or they may not always be aware of the most cost-effective therapy.
- There is often the lack of information about the quality of generic products. In most developing countries, providers and patients prefer brand name products because they are unsure of the origin, safety and reliability of generic products.
- Lack of adequate training for inspectors and regulators regarding pharmaceutical product quality issues hinders people's access to quality health care. Such insufficient training allows substandard and counterfeit drugs to enter national markets, which endangers the population's health, engenders uncertainty about the effectiveness of treatments, and often crowds quality out of the market.

- Gray-market or illegal workers not contributing to the national tax system may be excluded from the social and workers health insurance system of their country of residence.

Cost and Price Issues

How important are price and cost issues? We firmly believe that they are secondary or tertiary problems in Africa compared to those discussed above. Some have charged that patents for pharmaceutical products reduce access to these products. This focus on patents (and prices) ignores the complexity of the access to healthcare issue and prevents policy-makers from considering real solutions to this issue. This is recognized by patient groups and public-sector decision-makers alike. For example, the European Coalition of Positive People publicly stated with regard to HIV/AIDS drugs recently that focusing on patent protection and pricing is "simplistic and fails to take into account the serious practical problems that need to be addressed . . ." Drugs could be free and still not be appropriately used without adequate health care systems. In fact, they would rapidly become ineffective. The cost of drugs to patients in Africa is determined principally by distribution, infrastructure, training and other factors discussed above. The issues of patents and prices of AIDS drugs are not the key issues.

Approaching the access issue solely through debates over price is not only simplistic, as noted above, but also factually incorrect. Patents do not, in fact, have an influence on access to the drugs, which the population in developing countries actually consumes. These are primarily off-patent drugs; for example, almost all of the products on the WHO Essential Drug List are off-patent. Furthermore, many developing countries do not currently have TRIPS-compliant intellectual property legislation and the poorest of these countries will not be required to implement such legislation until 2005, perhaps even later if they apply for a longer transition period. Therefore, access to the drugs for which this population is looking is *not* inhibited by patent protection. Indeed, developing countries without effective patent protection have already started producing their own versions of patented AIDS products, including India and Brazil.

An additional indication that prices are not the major barrier to access to drugs is shown by the experiences of several companies when they instituted the programs (mentioned specifically above) to donate their products for free or at dramatically reduced prices. Drugs that had been offered at a zero price could not find their way to patients until the barriers and issues were addressed that constitute the real obstacles. The targeted populations could only receive the drugs they needed after national governments and international agencies undertook concrete actions to ameliorate these barriers to access.

One would expect that, if intellectual property protection were really a barrier to access that some claim that it is, there should be no problem for the population of these countries to obtain drugs at "affordable" prices. However, the evidence shows otherwise: Again, why is it that in India—where patent protection is not required by TRIPS and where unprotected copies of AIDS drugs (patented in Europe and elsewhere) are available from a number of local producers—that there is a drug access problem and the AIDS epidemic is reaching alarming proportions?

Accepting the alleged, but spurious, links between intellectual property rights, prices, and access to pharmaceuticals could lead political decision-makers to institute policies such as parallel trade and compulsory licensing, which destroy the basis upon which further scientific progress is based: intellectual property rights. By threatening to take away the fruits of innovative companies' labor, the advocates of compulsory licensing and other attacks on intellectual property rights are driving research-based companies away from working on diseases particularly affecting developing countries. If there are to be cures and vaccines for diseases and conditions that are currently incurable or untreatable, further research must be protected and encouraged. After all, before one can realistically talk about gaining access to drugs and vaccines, these substances first need to be discovered, developed, tested and registered, a costly process taking years to accomplish. Without protection, companies simply cannot devote the huge resources (literally hundreds of millions of dollars) necessary for bringing new products to market.

V. CONCLUSIONS AND RECOMMENDATIONS

Industry, which has much experience—not only in developing the drugs available today to patients everywhere and in developing the drugs and vaccines in the pipeline for tomorrow's use—but also in health care delivery systems experience which can be brought to the table if asked to do so—firmly insists that there are a number of key elements to resolving the AIDS crisis. They are:

(1) Partnerships among public institutions and with the private sector is the only effective route. Recognize that no single solution will solve this problem. We in industry are working on more effective therapies and vaccines, but delivery will be a critical problem and this involves several key issues, including the following:

(2) Political commitment and concrete actions by countries affected to prevent the spread of AIDS and to treat those affected. Raising AIDS awareness and as a priority is vital. Prevention through education must be a high priority. Regarding funding, as UNAIDS' Executive Director has noted, pumping money into a country where AIDS is a low priority will not end the epidemic. "If a country does not recognize that it has an AIDS problem, then it is not willing to take on the tough questions," Dr. Piot said: "Outside support for something that can only be solved from the inside will not work." Figures in 1997 show that international aid paid for the bulk of the millions spent on AIDS prevention in Africa in 1997. Uganda accounted for much of the money that the African countries spent. National priorities in Africa need to be shifted away from arms and weapons towards healthcare, including AIDS care, if this epidemic is to be fought effectively;

(3) International funding is needed to meet the crisis: Bridging the cost gap, in the case of drugs and future vaccines, between costs and prices of AIDS products and what people in poorer countries can afford will need new international financial support.

(4) Infrastructure and distribution improvements: So much of current drug supplies are wasted. Why is it that the price paid by a patient for quality AIDS and other drugs in parts of Africa and other developing countries is three to five or more times the price received by the manufacturer—because of the level of taxes, tariffs, monopolistic distribution systems, etc.—so that if you were to cut the manufacturers' price by, say, 50%, patients would not significantly benefit; and then if you counted in the cost of the health support services needed for AIDS treatments, a drug price reduction may not reduce overall costs of delivery at all.

(5) Serious Partnerships: Our companies have been working with UNAIDS and countries on the pilot projects but supplying medicines and expertise in their use. Industry knows that it must contribute in this extraordinary crisis. But true partnership is required, not one-way partnership. For example, not all countries have responded positively to mother-to-child program offers of medicines, even at discounted prices. It seems that some countries prefer to use legalistic approaches to undermine patents instead of working together with industry. Partnership means we all must be committed. As a sign of the seriousness which the industry gives to partnership efforts, IFPMA and major pharmaceutical companies have represented the research-based pharmaceutical industry in deliberations of the International Partnership Against AIDS in Africa organized by UNAIDS, most recently in New York at a meeting convened by UN Secretary-General Kofi Annan. This partnership brings together stakeholders in this issue, including donor countries, NGOs, the private sector and the African countries themselves. It is our hope that this dialogue will create effective and practical ways for all of us to work together to fight the AIDS menace.

(6) One of the most critical elements of a global strategy is fostering continued innovation through academic and industrial R&D. The industry has responded to the need for AIDS medicines and has spent billions of dollars to make current treatments available; but we are not there yet. We do not yet have a cure. We do not have a vaccine. We are working on them. Over 100 new medicines are in the industry's development pipeline, including second-generation protease inhibitors, new drugs for opportunistic infections and vaccines against HIV. But without a strong patent system we would not have these medicines today or in the future. Attacking patents on AIDS medicines would means causing industrial R&D to shift away from AIDS research to more research on heart disease, cancer, depression. etc. The only winner in a strategy to weaken patents is the industrial copier or parallel trader, and the loser is the AIDS patient worldwide who is waiting for help.

One caveat must be raised here. We cannot, in addressing the AIDS crisis, neglect the importance of addressing other serious threats to the health of Africa and other poor regions of the world. Malaria, TB, hepatitis, respiratory ailments and other diseases may become equal dangers in the future. I urge the Congress and Administration to support public-private initiatives such as the Medicines for Malaria Venture and the Global Alliance for Vaccines and Immunization. Let's also explore new vehicles for developing new vaccines and drugs taking the tax credit and market exclu-

sivity aspects of the U.S. Orphan Drug legislation as examples of possible approaches that may be needed in addition to traditional patent protection.

In closing, I want to convey the desire of the R&D pharmaceutical industry that IFPMA represents to work more with countries, WHO, UNAIDS and other parties on this most serious matter for Africa. With resolve and with positive partnerships, we believe that we all can make a real difference.

Senator FRIST. Dr. Bale, thank you. Thank you for being with us. Dr. Lurie.

STATEMENT OF DR. PETER LURIE, DEPUTY DIRECTOR, PUBLIC CITIZEN'S HEALTH RESEARCH GROUP, WASHINGTON, DC

Dr. LURIE. Good afternoon. I would like to take my time to describe the details of a rather straightforward six point plan that I think can make a big difference in the HIV epidemic in the short-term. I am not going to focus on research issues like on vaccines, important as they are. These proposals pay off relatively quickly.

Many of these elements are extremely cost effective, and others, would in fact, cost the U.S. Government absolutely nothing to implement. But instead, we will see United States policies that are low on funds, short on specifics, and in some cases, are actually antagonistic toward some of the proposals I will put forth.

Proposal No. 1, prevention of infant transmission. We have heard quite a bit about this today. Data showing 50 percent reduction in HIV transmission from mother-to-infant due to the drug Navirapine. What this means is it costs $40 in drugs to save the life of an infant.

There is very little more cost effective in medicine today. If there is only one thing that you could do to make an impact on HIV/AIDS in sub-Saharan Africa tomorrow, this would be it.

No. 2 and this point has been made as well today, the treatment of sexually transmitted diseases. A 1995 study from Tanzania showed a 42 percent reduction in the transmission of HIV if sexually transmitted diseases were appropriately handled. Again, though, there is an enormous gap between science and policy.

The larger parts of sub-Saharan Africa do not enjoy the benefits of this cost-effective intervention, $218 to prevent an HIV infection. And, in particular, they do not enjoy a stable supply of pharmaceuticals, in part, because of price.

No. 3, compulsory licensing and parallel imports. I do not think this is the place to get into details of the economics. And we agree that infrastructure is important.

But this is a pharmaceutical company's rather lame excuse for avoiding the issue of pricing. Infrastructure and pricing are important. Both must be addressed. And because they are two things that need to be addressed, it does not mean that you simply cower away from the other.

This issue has produced an avalanche of misleading information from the pharmaceutical industry and the unseemly specter of the U.S. Government interceding on behalf of multi-billion dollar pharmaceutical corporations at the expense of the lives of people in developing countries.

Now, we heard Dr. Satcher briefly refer to the notion of HIV resistance to antiretroviral drugs. I discussed this in my written testimony, and shall not go into it in great detail here except say that

this argument has neither a scientific nor a moral basis. What industry seems to be arguing is that people in sub-Saharan Africa are best protected by us—by us—from the dangers of these drugs. That is paternalism in the extreme. But let us be clear, compulsory licensing and parallel imports do not require any country to engage in these practices. But the aggressive posture of an industry and of this administration has prevented these developing countries from exercising choice as to whether or not to use these legal mechanisms.

In the background in this funny debate over resistant strains is the unstated concern that the resistant HIV strains that we are worried about are ones that are going to come back and infect Americans. What the pharmaceutical industry is really arguing is that Africans should remain untreated so that Americans might live longer. This is reprehensible and is also not scientifically supportable.

We also heard much about the need for profit on the part of pharmaceutical industry. The argument is that if we just allow the companies to continue doing their research, the right affordable drug will come along. Try making their argument to an HIV-infected person in sub-Saharan Africa today where, in a world where compulsory licensing and parallel porting are relatively infrequently invoked, they still do not have access to the potentially lifesaving medications that we now have. Why should they have any reason to believe that it will be different the next time? The drug companies are rolling in profits.

Research and Development are not a top priority for the U.S. drug companies. The top ten firms realized an average of 1.5 times more in profits than they invested in R&D in 1998, and the pharmaceutical industry is the most profitable in the United States where profits are measured by the return on sales, assets, or equities. And the pharmaceutical industry has been a median 1.7 times more profitable than other industries in this country.

We as tax payers are engaging in an enormous handout to the pharmaceutical industry; $27.4 billion in income tax credits, including the research and experimentation credit, between 1990 and 1996.

Research is often conducted at the NIH and has produced important drugs. Boehringer-Ingelheim did not come up with Navirapine. The NIH funded that study. The same is true for AZT and DDI, and some others.

Nonetheless, the administration has devoted itself to acting as a bagman for this highly profitable industry at the expense of access to drugs for people in developing countries. Time and again, in South Africa, Thailand, now in Brazil, we have the U.S. Government interceding on behalf of the pharmaceutical industry to either oppose compulsory licensing and parallel importing, or else try to undermine a local generic drug industry.

President Clinton says that all of this is going to change. But if you are on the ground in the Dominican Republic, or if you are on the ground in Thailand, things do not feel any different. The last three quick points. Treatment of opportunistic infections. This is what people who have HIV ultimately die of, from lack of sulfa-like

drugs that are relatively cheap right now or could be made so by compulsory licensing or parallel importing.

Five, debt relief. Dr. Sachs is absolutely right, but I want to turn his notion around and to say that while we have looked at the impact of HIV upon the economy and upon development, we have not looked at the notion that the structural adjustment policies imposed on these countries, now producing these massive debt burdens, may in fact be in part responsible for the mess that we now find ourselves in.

These export-driven programs have helped undermine rural economies by focusing on agri-business over local subsistence economies. The programs have built up massive transportation infrastructures to serve export economies so that people are moving back and forth perhaps transmitting disease. They have concentrated people in cities where drug use and commercial sex work is more prevalent.

And finally, they have undermined government social spending so that there is not sufficient money around for condoms, for education, for sexually transmitted disease treatment, and the like. These programs, in part, are at the root of the problem that we look at today.

And to have debt repayment of the size proposed, as Dr. Sachs pointed out, is minuscule compared to what is needed, and is conditioned sometimes upon a repeat of the conditions that we seem to have made in the past. This seems to me absurd.

Finally, we always say do not throw money at a problem, but the fact is that you do need money in this particular circumstance. The President is proposing an increased budget for international AIDS effort, and that is all to his credit.

But, nonetheless, it amounts to an anemic $10 per person living with AIDS or HIV. If we are going to make a difference, we have to go beyond mere statements of support to encompass the kinds of concrete actions that I have described in this testimony. To not do so will undermine the U.S. claims to be a world leader in the world's fight against HIV/AIDS. Thank you.

Senator FRIST. Thank you, Dr. Lurie. Dr. Lurie, in terms of the money that is currently being spent and I know you commented on the budget in the future, the money that has been spent in the past in your studies, has it been spent well, or poorly, or inadequately as you look at the challenges that we have?

Dr. LURIE. There is an enormous amount of need out there. And it is very difficult to put blame in that sense. Really what is needed is enormously more money than has been provided, but I think personally, that not enough money has been directed at the kinds of things that I have talked about today.

I think that counseling and testing as advocated by Dr. Satcher is probably not going to have a large impact upon the HIV epidemic in Africa. I think the kinds of social changes that would result from debt relief, pointed out by Dr. Sachs, are far more likely to have an impact.

Things that I have talked about are generally things that have been proven in randomized control trials to work. Mother-to-infant transmission, there is no question that these drugs work. There is

no question that sexually transmitted diseases treatment will result in a decrease in transmission of HIV. That, I think, is where our efforts need to be made.

Senator FRIST. Dr. Sachs, Dr. Bale, I guess both of you can comment on the incentives that might be given to the pharmaceutical companies to invest. These hearings need to focus on short-term and the long-term, and need to focus on the supply and the demand side of the equation. Dr. Sachs we will begin with you.

What are the sorts of things we can do in the year 2000 with the U.S. drug companies and the international drug companies that we might use to incentivize the system?

Dr. SACHS. I think broadly speaking, there are three stages to bringing an effective treatment all the way to implementation. The first is basic science and there is still a lot of basic science to be done, both here and in Africa. And, indeed, basic science should be funded in both places.

Second, is R&D within the pharmaceutical companies to support through tax incentives and other means. Some of the costs of development which are extremely high. Neither of those which are so-called push mechanisms in the jargon which is now being used, really would bring either drugs or vaccines all the way to availability of very poor people.

Poor people could not afford the end product and they do not provide a market by themselves. Somebody has to buy that stuff in the end. Moreover, if it is going to be developed through phase one, two, three clinical trials, for example, to get a vaccine, the pharmaceutical companies and the biotech firms which are going to do a lot of that in the end, are going to have to know that somebody is going to buy it.

So the notion is to put a poll mechanism in place as well. And that is some notion of a guaranteed market. The way that the Clinton administration has proposed to add our part in fiscal year 2001 budget is ingenious, but I am not convinced it is enough, and it has to be multilateralized.

The ingenious is to say rather than a fund, we will give a tax credit, so we will double whatever somebody pays to buy the drug. If UNICEF is going to end up paying $1, the company, in effect, will get $1 tax credit.

It will be as if there is $2 of market incentive there. I support that very much. Now, but I am not sure that by itself without also providing the guaranteed funding for UNICEF which does not have anything like this amount of money available, that we have really done the full job of creating the poll mechanism.

I know because of many of discussions of this issue in Europe in the last couple of months with senior officials in all of the major European governments, that there is tremendous multilateral interest in the concept of creating a committed market to get a spur to R&D. And I hope the Clinton administration is doing the work to create the multilateral framework. It has taken an important step with an innovative mechanism that it has proposed. But, now to combine that with Germany, which has expressed interest, the Netherlands, and many, many other governments, is something

that could be done by the time of the summit to really nail down the poll mechanism in addition to——

Senator FRIST. The structure that that is done through—the forum it is done, the multilateral component is what?

Dr. SACHS. If it is for that, it seems to me that we have a framework called GAVI which has been established partly to house the new Gates funding, but it is in a sense a multilateral effort that is creditable, in my view, bringing together the public sector and the private sector, and it could be the house of a multilateral effort from scientific credit ability helping to usher in tests and bringing partnership with the recipient countries and helping to coordinate a United States, European, Japanese contribution at the same time. So I would point to GAVI as a very promising way to proceed in a legislative forum and in a negotiating forum.

Senator FRIST. Let me go ahead and turn to Senator Feingold and Dr. Bale, I will let you comment after that.

Senator FEINGOLD. Thank you, Mr. Chairman. Let me ask all of you something. Article 31 of the agreement on trade related aspects of intellectual property rights outlines conditions, of course, under which countries may legally resort to measures like compulsory licensing.

Referring specifically to quote, "The case of a national emergency or other circumstances of extreme urgency." Now starting with Dr. Lurie, would you agree that the AIDS epidemic in Africa is the type of situation referred to by Article 31 and the other clauses and referred exemptions from standard patten protection procedures?

Dr. LURIE. If the AIDS epidemic is not it, it will never come along.

Senator FEINGOLD. Dr. Sachs.

Dr. SACHS. I think it is a national emergency. It could justify the use of this mechanism.

Senator FEINGOLD. And Dr. Bale.

Dr. BALE. Well, I think in principal, it could be, but if a country has a national emergency and AIDS is the No. 1 threat to it's national security, then I think you have to look at the details of the case.

One country in particular that has been mentioned quite often is South Africa. It has been mentioned as a case-in-point, where there are legal cases that are pending in both the courts in international disputes. Here is a case where AIDS is a serious problem. But, is it the No. 1 issue? I am not sure, because clearly what we see here last fall was a decision by the South African Government to spend $5 billion on new submarines, aircraft carriers, and other things for which they do not need because they know they do not have any enemies.

On the other hand, they refuse to buy AZT or Navirapine and claim that the drugs are toxic. So I think you have to look at the issue case by case; but there are clauses that are in the TRIPS agreements, are there for a purpose which is to provide an escape valve for certain cases that go beyond the normal circumstances that we see from day to day.

Senator FEINGOLD. I take your point about South Africa, but I did hear you say that you would not necessarily say this does not fall within the language, is that correct?

Dr. BALE. That is correct.

Senator FEINGOLD. Thank you very much.

Thank you. Dr. Lurie, I understand the UNAIDS program has recently issued a document on the ethical conduct of HIV vaccine trials. And I understand you have done some work on this.

Dr. LURIE. That is correct.

Senator FEINGOLD. Could you just comment on the report and its conclusions a little bit?

Dr. LURIE. Yes, it has been an ongoing consultation process that took about 2 years to produce this document. And this document should be seen as part of a conserted effort by people in the research industry, by whom I mean the pharmaceutical industry, the NIH and the CDC, to water down the existing protections that exist for research subjects.

Under the current guidelines, the Declaration of Helsinki, in particular, one is obligated if one is a researcher to provide the best known effective therapy. And there is no qualification for if you are in a poor country for example.

What these UNAIDS vaccine guidelines, as well as attempts to water down the Declaration of Helsinki itself, and another document that goes by the acronym CIOMS, would allow the injection of an economic factor into this such that if you lived in a poor country, it now would become acceptable to not provide effective therapy.

And indeed, as we have seen in the case of the mother-to-infant transmission studies, the results of which have been referred to numerous times today, literally thousands of women were provided with placebos even though more effective medications existed.

There are the kinds of studies that could take place. And again, I emphasize the leading role that the NIH and the CDC have taken in the watering down of all these different guidelines.

Senator FEINGOLD. Anybody else want to comment on that one?

Dr. SACHS. I cannot comment on the particular recommendations, but I do want to say that economics belongs here centrally because we face the tragic reality that these countries are now spending about $5 per capita in total health spending for everything.

So, the notion that our standards could just be transmitted or that is the moral way when it might be a $16,000 drug regiment is not a realistic approach. I am not talking about a $4 dose for Navirapine. I am talking about antiretrovirals and others.

Just to make very clear, we are talking about places where you have per capita income of $200, that even if by some miracle, because most countries do not do this, even if they mobilize 5 percent of gross national product for health, that would be the principal sum of $10 per capita per year.

That is for everything and they face crises all over the place, like getting clean water, diarrheal disease, acute lower respiratory infection, and many, many other absolute killers of millions. We have a generalized public health crisis in these countries. They need a lot more money. We need to be spending a lot more money on this problem, but we are also absolutely going to have to design the regiments to face these economic realities.

Senator FEINGOLD. Dr. Bale.

Dr. BALE. Senator, I just also wanted to say that in a crisis such as we face today, we have to look at the appropriate tools. I mean, the question of legality may not be the key issue, whether a policy instrument is legal or not. The question is, is it the right policy?

I think funding is the issue. I think the industry's contribution and innovation and trying to lower the cost of medicines through innovation and through competition, is another way. I do not believe, quite frankly, that any of the messages that I have heard regarding issues such as compulsory licensing and parallel trade are solutions.

So maybe at one extreme and unusual circumstances, such as a health crisis potentially legal, the question is, do such measures make good policy? And there have not been any cases recently that show that.

Senator FEINGOLD. Well, I thank all of you, and Mr. Chairman, my time has elapsed.

Senator FRIST. While we are getting another panel together, let me just give any of you an opportunity to make some closing comments. I know we had a lot of things going back and forth, and I appreciate all of you being relatively brief. Your entire statements, sirs, are made a part of the record so we will have that opportunity. But let me say, Dr. Lurie, any final comments?

Dr. LURIE. Yes, I suppose I would just add on that compulsory licensing issue again. Nobody is operating from the naive notion that compulsory licensing or parallel importing is going to magically solve the problem so the developing countries have access to medications.

I mean it is one component of that. For some particular countries, compulsory licensing will mean the difference between access and non-access. And for some particular people who live in some poor countries, it will mean the difference between access and non-access.

So to simply disregard it because Dr. Bale can come up with some problem that he sees as larger, I think is really not the appropriate policy approach.

Senator FRIST. Thank you. Dr. Sachs.

Dr. SACHS. I wanted to bring greetings from President Obasanjo and also to convey his plea, actually, to the United States which is that he has said that he regards the debt reduction as fundamental for the future of Nigeria, for the consolidation of democracy, and for the ability for a debt-starved government to address these social emergencies.

I regard, as a professional economist, I regard his assessment as absolutely correct. And I think that for an extremely small amount of money, we could do a vast amount of good for the most populous country of sub-Saharan Africa and to more generally, help the whole region if we generalized that.

Just to conclude since you are seeing the Treasury Secretary next week, if there was a serious attempt to link the capacity to pay not to some notion of exports which came out of thin air, but to the real sale of the crisis that these countries face, what would happen is that all of the debt servicing would stop.

The debts of these poorest countries would be canceled, and we would find no more effective way to get the billions of dollars that

are needed to rebuild health care systems in the region than that. And we know that the total cost to the U.S. tax payer would be tiny if we did that because what we would do is leverage the entire world creditor community of which we are only a small part.

So I must say, to this moment, I still remain perplexed at our hesitancy in taking that leverage. When President Clinton announced that for some of the poorest countries the U.S. would cancel 100 percent of the debts, and Congress partially funded that in fiscal year 2000, immediately the UK came in and said, "OK. We will do that, too." And then France jumped in and said, "No, we will do that to." We are world leaders in this.

And if we take the lead, we will leverage the entire world in getting a realistic savings from these countries. If we just stop the outflow of this, you will find billions of dollars per year that can then be mobilized to the problems and we really could fund the UNAIDS objectives, and we really could get clean water, and existing vaccines to those who need it.

That is President Obasanjo's message for Nigeria, and I think it is a more general message for us. We are very close to that, but we have not grabbed it yet.

Senator FRIST. Well said. Dr. Bale.

Dr. BALE. Just in closing, Mr. Chairman, to come back to your question about incentives, and where they should be placed, and how they should be placed very quickly. As I mentioned, there is a lot of work that is going on in AIDS and we certainly do need to work toward an AIDS vaccine, and anything that can be done to incentivize that through tax credits, market exclusivity, funds, et cetera, I think would be worthwhile doing.

I would say that more importantly in some of the disease areas that are really neglected, we in the industry will admit more has to be done even though companies are doing research on TB and malaria. We have to focus in on a lot of these areas and look at the truly neglected areas of research.

In this regard, I will repeat again. I urge the administration and Congress to consider very carefully these new malaria initiatives that are partnerships of these multilateral institutions that Jeffrey has talked about. These are multilateral initiatives.

The UK, the Dutch Government has started to contribute funds to this project, this Medicines for Malaria Venture. And it points out the problem that while vaccine technology in the field of TB, malaria, and AIDS is right now very difficult, we can make progress on some very good breakthrough medicines. So let us put some focus on there: incentivize breakthrough medicines as well as vaccines. Thank you.

Senator FRIST. Thank you. Again, I apologize for keeping on schedule. We will probably have questions to submit, but thank all of you for your participation today. We will ask our fourth panel to come forward. Again, a panel that comes back to a lot of the issues that have been referred to today, and that is the infrastructure.

We will hear from two panelists today, Father Angelo D'Agostino. He runs a large orphanage in Nairobi, Kenya. And Mr. Franklin Graham, president of Samaritan's Purse in Boone, North Carolina. Father D'Agostino, as we have heard earlier today mentioned, has

been a tireless advocate for orphans, and Mr. Franklin Graham has been a forceful proponent of using missions hospitals throughout Africa in fighting AIDS. Clearly, in terms of infrastructure, missions hospitals throughout Africa play a large role as they are a very high percentage of health care facilities in Africa. And we will first begin with Mr. Graham.

STATEMENT OF REV. FRANKLIN GRAHAM, PRESIDENT, SAMARITAN'S PURSE, BOONE, NC

Mr. GRAHAM. Thank you, Mr. Chairman. And I want to thank you for your personal interest in this crisis in Africa and personally going yourself to see for yourself the situation that exists.

As one who has spent over 20 years traveling to Africa and working in the area of health care, I have gained some knowledge concerning the AIDS epidemic that is ravaging the sub-Sahara in Africa. The social, political, economic and spiritual problems are immense. Perhaps the following comments will be of some value.

No one infected with the AIDS virus has ever survived. Some people may have reprieve of as much as 8 to 10 years as a result of multiple drug HIV treatments, but everyone infected with the AIDS virus will die from it unless they die of something else first.

No magic bullet drug therapy is likely to become available, at least, for several years. If it ever does become available, it will no doubt be very expensive and therefore not readily available to people in developing countries.

Current triple drug therapy for HIV-positive individuals is very expensive and it only buys time. Patients who are HIV-positive develop suppression of their natural immune systems defenses and are easily prey for infections, especially TB. Because of AIDS, tuberculosis has become a major health threat worldwide, with the number of patients with active TB rapidly escalating.

Furthermore, drug resistant TB is becoming a major threat worldwide, and even flying on a commercial airliner presents a risk of contracting TB.

Compassionate and caring Christians first introduced health care to Africa. In the mid-1880's, Dr. David Livingston, a Scottish doctor, was one of the first to bring missionary medicine to Africa. History considers him one of the most important European explorers in Africa and one of the pioneers in the abolition of the slave trade. He blazed the trail for future missionary medicine to be practiced across the continent.

Since the days of Dr. Livingston, there have literally been thousands of Western missionary doctors who have followed in his footsteps. After World War II, there was a huge increase in the missionary medical effort in Africa. Most nations in the sub-Sahara have church-related mission hospitals that would either be Protestant or Roman Catholic. The total number of church-based hospitals and clinics in Africa today is well over 500.

In almost every instance, these mission hospitals provide the very best health care in the entire country. And I emphasize, the very best health care in the entire country. Unfortunately, most African governments are politically corrupt and guilty of gross mismanagement at every level, pilfering treasuries and natural resources for personal use.

U.N. sponsored programs reflect many of the same problems. Government run hospitals and clinics are mismanaged, poorly staffed, and are not in a position, in most cases, to deal with this grave crisis.

There are exceptions, of course. There are excellent hospitals in South Africa, Zimbabwe, and a few good private hospitals, such as in Kenya; however, most of these private hospitals are out of the reach of the poor. The mission hospitals carry the brunt of the health care in the sub-Sahara.

I do not believe that any effective program addressing the HIV virus can be carried out while ignoring the church in Africa. The missionary doctors and nurses, themselves, are dedicated to the care of the physical, mental and spiritual needs of the African people. Many have years of experience dealing with the HIV virus.

Short of a medical anecdote for the HIV virus, the only true solution to the AIDS epidemic in Africa and worldwide is behavioral change. While governments, schools and others seek to educate people in how to avoid becoming infected by the HIV virus through practical, safe sex means, such as use of condoms, these measures are inadequate. This has been shown to be particularly true as the African crisis has escalated.

Education is inadequate without the teaching that the only reliable way to avoid contracting AIDS through sexual conduct is by maintaining a life-long monogamous relationship. But just as important, we must recognize that the ability to adopt such dramatic lifestyle changes is almost impossible without the moral conviction that sex outside of marriage between a man and a woman is contrary to God's law.

The crisis will be curbed only when the moral teaching of God's word permeates African society. In this matter of AIDS, this will happen only through the work of the Christian church and when the church and mission-based hospitals and clinics are strengthened and equipped in their physical, social and spiritual ministries.

Where do we begin? By enlisting the help of all churches across Africa, and especially the churches involved in health care, because the church is in every Africa community.

From there, I believe we must educate at the local level by enlisting the help of pastors, tribal chiefs, political leaders, and policymakers at the community level, informing each group as to the facts about HIV—how it is transmitted, who is at risk, et cetera.

In Kenya, where one out of nine adults is infected with HIV, the organization I work with, Samaritan's Purse, helps train members of Africa Inland Mission in Kenya to lead the community in AIDS awareness.

In Uganda and the Congo, Samaritan's Purse provides AIDS training materials and HIV test kits for potential blood donors. In addition, we help orphan children, many of them orphaned through AIDS.

While our efforts are just a drop in the bucket, the combined work of mission hospitals and Christian relief organizations throughout Africa has provided healing and comfort to countless thousands of individuals. Last year, we placed over 400 doctors and nurses in Africa as short-term volunteers. They served in over 20 mission hospitals.

The church, and specifically missionary medicine, is the key, Mr. Chairman, to reaching people in Africa, presenting to them the spiritual, moral and medical reasons for monogamous sexual relationship with one person of the opposite sex to whom one is married and with none other.

If this happened, even then, everyone in the world will still have to face possible infection by the AIDS virus through blood transfusions. Everyone in the world will also have to deal with the increased risk of becoming infected with possibly drug resistant TB and other super infections which are developing secondarily because of the AIDS epidemic.

This ultimately results from those who persist in having this always deadly HIV virus to others as part of seeking sexual gratification for themselves. There are Biblically based moral standards that cannot be ignored. And these must be taught if we are to win the battle. This is why it's imperative for the church to be at the heart of this effort.

What can Congress do? First, I urge you to look favorably on requests for funding of the AIDS package, to help with the AIDS crisis in Africa, but be sure that education efforts include instruction on the importance of sexual abstinence outside of marriage.

And please, please consider earmarking substantial funds to strengthen the church and mission-based hospitals and clinics that hold the key to reducing this crisis situation.

With God's help and by looking to Him, I believe He will give us the answers and show us the way. If we choose to ignore God and His standards, I believe this plague of Biblical proportions will not only continue to consume millions of Africans, but will eventually consume many millions in this country.

We cannot ignore the Hand of God. If we fail to ask for His help, we will be the ones to suffer.

[The prepared statement of Rev. Graham follows:]

PREPARED STATEMENT OF REV. FRANKLIN GRAHAM

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Patients who are HIV positive develop suppression of their natural immune system defenses and are easy prey for other infections, especially TB. Because of AIDS, tuberculosis has become a major health threat worldwide with the number of patients with active TB rapidly escalating. Furthermore, drug resistant TB is becoming a major threat worldwide (and even flying on a commercial airliner now presents the risk of contracting TB).

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Unfortunately, most African governments are politically corrupt and guilty of gross mismanagement at every level, pilfering treasuries and natural resources for personal use. UN sponsored programs reflect many of the same problems. Government-run hospitals and clinics are mismanaged, poorly staffed, and are not in a position in most cases to deal with this grave crisis.

There are exceptions of course. There are excellent hospitals in South Africa and Zimbabwe, and a few good private hospitals such as in Kenya; however, most of these private hospitals are out of reach for the poor. The mission hospitals carry the brunt of health care in the sub-Saharan.

I do not believe that any effective program addressing the HIV virus can be carried out while ignoring the Church in Africa. The missionary doctors and nurses, themselves, are dedicated to caring for the physical, mental, and spiritual needs of the African people. Many have years of experience dealing with the HIV virus.

Short of a medical antidote for the HIV virus, the only true solution to the AIDS epidemic in Africa—and worldwide—is behavioral change. While governments, schools, and others seek to educate people in how to avoid becoming infected by the HIV virus through practical, safer-sex means, such as use of condoms, these measures are inadequate. This has been shown to be particularly true as the African crisis has escalated.

Education is inadequate without the teaching that the only reliable way to avoid contracting AIDS through sexual contact is by maintaining a lifelong monogamous relationship. But just as important, we must recognize that the ability to adopt such dramatic lifestyle changes is almost impossible without the moral conviction that sex outside of a marriage between a man and a woman is contrary to God's law.

This crisis will be curbed only when the moral teachings of God's Word permeate African society. In the matter of AIDS, this will happen only through the work of the Christian church, and when church and mission based hospitals and clinics are strengthened and equipped in their physical, social and spiritual ministries.

Where do we begin? By enlisting the help of all churches across Africa, and especially the churches involved in health care, because the Church is in every African community. From there, I believe we must educate at the local level by enlisting the help of pastors, tribal chiefs, political leaders, and policy makers at the community level, informing each group as to the facts about HIV. How is it transmitted? Who is at risk? etc.

In Kenya, where one out of nine adults is infected with HIV, the organization I work with, Samaritan's Purse, helps train members of Africa Inland Mission in Kenya to lead the community in AIDS awareness. In Uganda and the Congo, Samaritan's Purse provides AIDS training materials and HIV test kits for potential blood donors. In addition, we help orphaned children; many of them orphaned through AIDS. While our efforts are just a drop in the bucket, the combined work of mission hospitals and Christian relief organizations throughout Africa has provided healing and comfort to countless individuals.

The Church, and specifically missionary medicine, is the key to reaching people in Africa, presenting to them the spiritual, moral, and medical reasons for a monogamous sexual relationship with one person (of the opposite sex) to whom one is married, and with none other. If this happened, even then, everyone in the world will still have to face possible infection by the AIDS virus through blood transfusions. Everyone in the world will also have to deal with the increased risk of becoming infected with possibly drug-resistant TB and other "super-infections" which are developing secondarily because of the AIDS epidemic. This ultimately results from those who persist in passing this "always deadly HIV virus" to others as part of seeking sexual gratification for themselves. There are biblically based moral standards that cannot be ignored, and these must be taught if we are to win this battle. That is why it is imperative for the Church to be at the heart of this effort.

What can the Congress do? First, I urge you to look favorably on requests for funding of aid packages to help with the AIDS crisis in Africa. But be sure that educational efforts include instruction on the important of sexual abstinence outside of marriage. And, please consider earmarking substantial funds to strengthen the church and mission-based hospitals and clinics that hold the key to reducing this crisis situation.

With God's help, and by looking to Him, I believe He will give us the answer and show us the way. If we choose to ignore God and His standards, I believe this plague of biblical proportions will not only continue to consume millions of Africans but will eventually consume many millions in this country. We cannot ignore the Hand of God. If we fail to ask for His help, we will be the ones to suffer.

Senator FRIST. Thank you, Mr. Graham.

Father D'Agostino.

STATEMENT OF FATHER ANGELO D'AGOSTINO, NYUMBANI ORPHANAGE, NAIROBI, KENYA

Father D'AGOSTINO. It is getting late, Mr. Chairman. And I know we're all tired. I do appreciate your giving me this opportunity.

So, I will put aside the text and get right to the point, which is, essentially, what you have just heard.

I have been in Africa for 20 years, now. And I see the corruption at work. I see the disintegration of governments and poverty increasing to a dimension that is unimaginable. The slum sections have grown threefold since I have been there.

So, we must remember that the missionaries have been in place for over 100 years. They know what they are doing. They are reliable. They are knowledgeable. They are God-centered and committed. They are not working for profit. And they are, in the case of medicine, which I am acquainted with, providing very good medicine, even in pretty—some pretty dire circumstances.

So, it is a fact that the USAID did make a token attempt at providing churches with some kind of help, but it was just a token. What the—what Franklin just said is—cannot be stressed enough. Some very direct aid to the church structures—they have the infrastructures that they have worked out over the years that we can capitalize on. They can—they are willing to do it. They want to do it. They are unable to do all they can, because they do not have the financial resources.

If you could take the example, for instance, of how Communists was—communism was defeated in some way. But the avoidance of the governmental structures and having the U.S. Government funds and aid of food go directly to the church structures in Poland, I think you will see that that really contributed greatly to the demise of communism.

And I think it can contribute likewise to the demise of—the conquering of the AIDS problem in Africa, if we can get directly to the proven structures that have been able to bring help to the people. And those are the churches.

Now, in the countries I know, especially Kenya and Tanzania, there are very well developed structures of churches, organizations of churches; the NCCK—the National Council of Churches of Kenya, and the Kenya Catholic Episcopal Conference that work quite well together and can be used as a conduit to bring that help to those—to the churches. They—it would be an excellent ecumenical effort and very much worthwhile.

The thoughts of the Muslim churches—the Muslims have come in, in cooperation with these churches recently. And also, the Hindu churches, which are quite numerous in Kenya.

There is one last point I would like to bring up, and that is the question of condoms, which I would like to leave aside the fact that

in this forum, I—let me speak as a physician. They do not work in Kenya. They—the reason is the cultural imperatives. There are cultural demands and—that just make it an uphill fight. Despite all the millions of dollars that—and hundreds of millions of condoms have been distributed, there has been no significant change in the rate of instance of disease.

There are two countries, Uganda and Senegal, and they are given as some kind of an example of the success of condoms. That is—there is some very recent studies to show that, on the contrary, at the same time the condom campaigns were instituted—very serious church campaigns for—exactly what Franklin was just talking about—were instituted—and especially in Uganda—I know the person, the imminent Irish Catholic nun physician who devoted her whole life, although she was a surgeon by training, to setting up behavioral change programs and were very successful throughout the country.

So, now, they are taking a second look and seeing that maybe they had just as much or maybe more effect than the condoms. And Senegal is known to be a religiously oriented country, too. And so—I do not know as much about that, but I think that has a lot to do with it, too.

I do agree that poverty, however, is a great contributor to the whole problem of AIDS. And Dr. Sachs was right in the debt reduction. But one has to be very, very careful. Just a straight debt reduction is not going to help anything, except the corrupt governments already. One has to really think hard on how to do that debt reduction. Believe me, this—you are up against some formidable forces, and it has to be really closely studied before it is put into effect.

That is all I have to say.

Senator FRIST. Thank you. Father D'Agostino, how many children do you have in your orphanage now?

Father D'AGOSTINO. At the moment, we have 70 children. That is only a drop in the bucket. What we have done is institute a community-based program to extend the care to these HIV-positive children in the community, by identifying extended family members, as was mentioned earlier, and supporting them in one way or another.

That was started 2 years ago, and recently aided and abetted by a grant from USAID, which is doing quite well.

Senator FRIST. And all of the children are HIV-positive.

Father D'AGOSTINO. Yes. We have—they are all HIV-positive and orphans.

Senator FRIST. And are they—are they treated in any way—medically treated?

Father D'AGOSTINO. Well, not with the antiretrovirals, no. We just cannot afford that at all.

Senator FRIST. And what do you use?

Father D'AGOSTINO. Just the—the regular antibiotics for opportunistic infections—Bactrim, Septra, and that sort of thing.

Senator FRIST. And what you have heard today from the previous panel, do you see that medicines, if the price is low enough, will be able to infiltrate the structure that you see on the ground? You

are the one witness today who we have heard from who is really on the ground in Africa, taking care of individuals.

How do you put this perspective of having medicines? Can you make them inexpensive enough to where it will have an impact?

Father D'AGOSTINO. Yes. I think that in our hands and in the hands of the mission clinics, it will definitely have an effect, but giving it across the board to prevent children born—to lower the incidence of the in vitro transmission is very difficult. The infrastructures are not there. Women come in and—at the last minute or maybe they deliver at home or in the bush, and you just—it is very difficult to contact them. And it is difficult to be able to quantify the—to deliver what you want to have delivered.

Senator FRIST. And the children that are HIV-positive, how long do they live?

Father D'AGOSTINO. Pardon me?

Senator FRIST. How long do they live?

Father D'AGOSTINO. There are two groups. The rapid—the rapidly progressive disease. They only live, if they are born HIV-positive, a few months. And then others in our hands live—well, we have one boy who is 18 years old. If they are given good nutrition, good all around care and the antiopportunistic medications, they can live—well, the bulk of them are eight or nine to ten. And I think that they could live quite a bit of time, even without the antiretrovirals. But with the antiretrovirals, it will certainly ensure that their life will be of normal expectancy.

Senator FRIST. And the other funding for your orphanage comes from where? You mentioned that you have started to get some money from USAID.

Father D'AGOSTINO. We start—for the first—unfortunately, 5 years ago, when I approached USAID, they turned me down; the same year they gave $10 million for the preservation of elephants.

They have changed their tune a bit lately. And as I say, we are getting some, but the ones that helped us originally were from Italy, the very generous Swiss Foundation, the Japanese Government, the Dutch Government, other governments, but not the United States, until just recently.

Senator FRIST. Thank you.

Senator Feingold.

Senator FEINGOLD. Mr. Chairman, you have been so generous with your time that I am not going to ask this panel any questions. I am just going to make a couple of comments. And I do want to say that you have been tremendously generous to do this long of a hearing. I appreciate it.

I just want to be absolutely sure that as we look at this problem, we make sure that we do not look at anything that would reflect on suggesting that the people of Africa are really to blame for what has happened here.

I would note some of the success stories in Africa—Uganda, dominantly a Christian country; Senegal, I understand, dominantly an Islamic country. A country that I was in recently, where—frankly, a wonderful country, but where things appear to be in some denial is a dominantly Protestant country—Namibia.

So, I want to make sure that nothing we say here today could suggest that somehow this is something that is going to be solved simply by following any particular religious approach.

And I would also suggest, in respectful disagreement with the comments about debt relief, that when you are dealing with a country, like Nigeria, with such a dramatically, very cultural, religious and ethnic background, if the President of that country, as he has done, both to Dr. Sachs and to me and others, says the debt relief is the thing that they need, and given the turnaround that has at least begun in Nigeria, I think we ought to at least listen and hope that maybe that would have something to do with stopping AIDS in its tracks in a country that apparently is just on the upsurge now, but does not have anywhere near the rate of infection of some the countries in southern Africa.

So, I would just offer that with all respect and gratitude to the witnesses for being here today. And again, Mr. Chairman, this has been an outstanding hearing. And I look forward to working with you and under your leadership to come up with a package that we could present to the Senate.

Thank you so much.

Senator FRIST. Thank you. And again, I think we will have several questions for this panel, as well.

Mr. Graham, You have mentioned there are 500 or approximately 500 mission hospitals. We heard Father D'Agostino say it took USAID a while, and the funding came, and there had been other priorities in the past. Do you have any impression of whether or not aid is coming to these mission hospitals, in terms of addressing the HIV issue?

Mr. GRAHAM. Mr. Chairman, I would say I know of a few of the hospitals that have received USAID for specific projects. Usually, they are development projects. But that would be just a handful out of that 500. Most would not receive a penny from USAID. And some of that is because they are church-related or—well, they are all church-related, but that may be some of the reasons why they have not been given any money.

But as our friend here said, these people are compassionate people. These doctors and nurses are not there for profit. They have been called by God to that part of the world. And they are giving their lives to these people of Africa. And they will do all they can to save the lives of all Africans.

Let me just say something about debt relief concerning Nigeria. This country is one of the leaders in human rights abuses in Africa. In some of the northern states, they are instituting Islamic law; forcing Christians to become Muslims. And I would hope that we would not forgive one penny of debt until they guarantee human rights for all of its citizens and the freedom to worship God, as all citizens see fit. And I think that is a very important question.

Senator FRIST. Thank you both. As I said in my earlier comments, it is rare that Congress has such a clear understanding of making life and death decisions, and to have both of you before us, really is testimony to that.

The issue of infrastructure: people actually on the ground; how the resources that are devoted to that continent, to those nations,

are actually used and fulfilled is something that I hope that we can continue to both oversee and, in part, direct.

It is clear that we need more resources in this entire arena, but I think it is equally important that we make sure that the resources that we use are used wisely and in a way that both prepares for the future, but also carries out our responsibilities today.

It is clear—and Father D'Agostino, you made it very clear that we are not going to be able to help everybody in the classical sense of having any medicine that is going to successfully treat and cure individuals. And there is much that we need to do. Yet, based on the information that we learned today, and hopefully have established a foundation today, we will be able to develop a cohesive, comprehensive policy on the part of the U.S. Senate, the U.S. Congress, and the United States of America.

As we heard, it is a global effort. It is an effort that requires a lot of strategy, a lot of resources, both unilaterally and multilaterally.

And I just personally want to thank both of you, who came a long way to testify today, for your contribution to our better understanding what is an issue that affects each of us indirectly, some of us very directly, but affects the world in a very, very real way.

With that, thank you very much. And I appreciate everybody's interest today. It is an issue that we will continue to address in a very aggressive fashion.

We stand adjourned.

[Whereupon, at 5:18 p.m., the hearing was adjourned.]

[Additional questions and additional related statements follow:]

ADDITIONAL QUESTIONS AND STATEMENTS FOR THE RECORD

RESPONSES OF SURGEON GENERAL DR. DAVID SATCHER TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

Question. What are the biggest barriers to care for HIV in the developing world?

Answer. It is important to keep in mind that the care and treatment of person living with HIV/AIDS (PLWHAs) include mental as well as physical care and treatment. I strongly believe that the one cannot be separated from the other. However, I will focus on physical care and treatment in my response.

The following classes of drugs are the most important for the care and treatment of PLWHAs: anti-infective drugs, anti-cancer drugs, palliative drugs, and antiretroviral drugs (ARVs). There has often been a focus on ARVs, but the other classes of drugs are often at least as important and often more cost-effective.

Most developing countries face one or more of the following challenges to increasing access to care and treatment: limited financial resources, problems with prioritization of drug needs, inadequate health care (medical and public health) infrastructures, and inadequate distribution and administration systems. In addition, even when there is access to care and treatment there are issues around correct and supervised use, adherence, and development of resistance.

It is important not to generalize about all developing countries. There are many differences among countries even in sub-Saharan Africa. There are opportunities for the use of all four classes of drugs including ARVs in a number of developing countries even in the face of the aforementioned challenges.

Question. What programs have been successful in reducing these barriers? What programs have already proven successful in making lower-cost drugs available to people in the developing world?

Answer. Programs based upon public-private partnerships and focusing on the continuum of medical and public health interventions from research to prevention to care and treatment has been previously or potentially successful. Public-private partnerships include two or more of the following categories of partners: recipient countries (e.g., countries in Asia, Latin America, and sub-Saharan Africa); donor countries (e.g., Australia, Belgium, Canada, Denmark, Finland, France, Germany,

Japan, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States as well as the European Union); international organizations (e.g., the United Nations in general, Joint United Nations Program on HIV/AIDS (UNAIDS) cosponsors UNICEF, UNDP, UNFPA, UNDCP, UNESCO, WHO, and the World Bank in particular, and regional institutions); nongovernmental organizations (NGOs) (e.g., AIDS service organizations (ASOs), colleges and universities, community-based organizations (CBOs), foundations, private voluntary organizations (PVOs), and professional associations); and the private sector (e.g., pharmaceutical companies). Two examples of public-private partnerships are the HIV Drug Access Initiative of UNAIDS and the Secure the Future Program of Bristol-Myers Squibb.

UNAIDS launched the HIV Drug Access Initiative on November 5, 1997. The aim of the initiative is to make HIV-related drugs more accessible to broad sectors of populations in developing countries. The participant countries in the trial phase of the initiative are Chile, Côte d'Ivoire, Uganda and Vietnam. The four countries were chosen to allow for adequate evaluation of the initiative in a variety of geographic, social, cultural, economic, and structural situations and to allow for adequate assessment and subsequent adjustments of the functioning of the new mechanisms and structures being established in a wide range of settings. The participant pharmaceutical companies are Bristol-Myers Squibb, GlaxoWellcome, Hoffman-La Roche, Organon Teknika, and Virco N.V. Participant countries will work to adapt their health infrastructures to ensure effective distribution and use of the HIV/AIDS-related drugs, and the participant pharmaceutical companies will subsidize purchases of the drugs. Côte d'Ivoire and Uganda announced the arrival of the first shipments of drugs and their distribution on June 30, 1998.

Bristol-Myers Squibb (BMS) launched the Secure the Future Program on May 6, 1999. The aim of the program is to find sustainable and relevant solutions for the management of HIV/AIDS in women and children and provide resources to improve community education and patient support. The objectives of the program are to develop and implement models for managing HIV/AIDS, develop and implement a capacity-building program for the care and support of HIV/AIDS, and develop and implement local training programs to strengthen public health capacity. The participant countries are Botswana, Lesotho, Namibia, South Africa, and Swaziland. Other participants include the Joint United Nations Program on HIV/AIDS (UNAIDS), Baylor College of Medicine, Texas Children's Hospital, Morehouse School of Medicine, the Medical University of Southern Africa (MEDUNSA), Harvard AIDS Institute, and the International Association of Physicians in AIDS Care (IAPAC). The two components of the program are the BMS HIV Research Institute and the BMS Foundation Community Outreach and Education Fund. BMS has committed $100 million over five years for the program.

Question. If compulsory licensing of AIDS drugs is permitted as a response to the spread of AIDS in Africa then what justification is there for limiting compulsory licensing to AIDS treatment? What is the rationale for permitting compulsory licensing of AIDS drugs but denying that policy with respect to other life-saving drugs? If compulsory licensing is a valid response to the HIV problem, isn't it a valid response to all health care and infrastructure development problems in the developing world? For example, couldn't the rationale underlying the use of compulsory licensing in this context be used to justify future compulsory licensing of water purification, sanitation and other environmental technologies, architectural and engineering technologies to construct earthquake-resistant structures, communications and computer technology to improve access and delivery of critical human services (such as in the areas of medicine and education), and the use of patented medical techniques and processes in developing countries? Isn't it true that all U.S. holders of patents on products, processes, and/or techniques that have applications in the developing world could potentially be subject to compulsory licensing if this precedent is established?

Answer. It is important to note that the Office of the United States Trade Representative (USTR) and not the Department of Health and Human Services (DHHS) develops and implements United States Government (USG) trade policy. However, the President announced on December 1, 1999 that "there will be a more direct interaction between USTR and [DHHS] on health-related intellectual property issues . . . [and USTR and DHHS] will develop a cooperative approach on health-related intellectual property matters consistent with [the USG] goal of helping poor countries gain access to affordable medicines." He explained that the aim of the approach is to "ensure that the application of U.S. trade law related to intellectual property, consistent with international trade treaties, is sufficiently flexible to respond to public health crises." He recognized that "the challenge of improving access

to treatments without stifling innovation is one that eludes simple answers." He also recognized that "a modern patent system helps promote the rapid innovation, development, and commercialization of effective and safe drug therapies for diseases such as HIV/AIDS." He declared that "sound public health policy and intellectual property protection are, and must continue to be, mutually supportive." However, it would be best to address general questions on USG trade policy and specific questions on compulsory licensing to USTR. I will make a few observations.

The Agreement on Trade-Related Intellectual Property Rights (TRIPs Agreement) of the World Trade Organization (WTO) allows compulsory licensing under conditions described in Article 31. The conditions include the following:

> (b) Such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of a national emergency [such as HIV/AIDS] or other circumstances of extreme urgency or in cases of public non-commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly;
>
> (g) authorization for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorized, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;
>
> (g) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;
>
> (g) the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member; and
>
> any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member.

It is important to note that compulsory licensing is only one of a number of mechanisms which have been suggested to increase access to care and treatment. Other suggested mechanisms have included the following: bulk purchasing, drug donations, generic production, parallel importing, preferential pricing, purchase funds, arid tax credits.

Question. Wouldn't compulsory licensing undermine the development of technology for use in the developing world? In fact, as a development policy, doesn't it limit the incentives for investment in developing uses that could benefit developing countries? As a response to health care problems, doesn't compulsory licensing act as a disincentive to the development of medical and pharmaceutical technologies for use in the developing world? If this policy is adopted, aren't the incentives for developing vaccines for AIDS, malaria and other diseases actually undermined, if not, altogether eliminated?

Answer. As above, it is important to note that the Office of United States Trade Representative (USTR) and not the Department of Health and Human Services (DHHS) develops and implements United States Government (USG) trade policy. It would be best to address general questions on USG trade policy and specific questions on compulsory licensing to USTR. However, as above, I will make a few observations.

Very few medical and public health practitioners see compulsory licensing as a panacea. Some practitioners see a possible potential use of compulsory licensing in limited cases under the conditions described in Article 31 of the TRIPs Agreement.

The United States Government (USG) has worked and will continue to work to increase incentives and decrease disincentives for the research into and development of vaccines for AIDS, malaria, and other diseases for the developing world. The President recently announced the Millennium Vaccine Initiative. The Millennium Vaccine Initiative has the following five components:

- $50 million in the President's FY2001 budget as a contribution to the vaccine purchase fund of the Global Alliance for Vaccines and Immunization (GAVI); Presidential leadership to ensure that the World Bank and other multilateral

development banks (MDBs) dedicate an additional $400-$900 million annually of their low-interest rate loans to health care services;
- Significant increases in federally funded basic research on diseases which affect developing nations;
- A new tax credit for sales of vaccines for infectious diseases to accelerate their invention and production; and
- A call to our Group of Seven (G–7) partners to join our efforts to ensure a future market for these vaccines.

RESPONSES OF DR. JEFFREY SACHS TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

Question. How would you evaluate and strengthen the Administration's proposed tax credit scheme for new vaccines, as announced in the State of the Union speech? Since a number of observers believe that vaccines for HIV, TB and malaria could be many years off, should we also try to "incentive," new breakthrough drug therapies for these three diseases? Finally, should we distinguish the three disease areas in terms of type or coverage of any new incentive plan?

Answer. By far the key strengthening needed is to internationalize the program so that all major countries are contributing to the package of incentives. The participation of the other countries would give tremendous leverage to the initiative. The Administration should be encouraged to work with other countries to have them contribute to an overall international package of incentives. While the tax credit is an important and worthy step in the right direction, the creation of a vaccine purchase fund to which each country makes a financial commitment to the future purchase of vaccines, would probably be a more straight-forward, long-term strategy for the major countries to coordinate their actions.

Please note that the legislation introduced by Senators John Kerry and Bill Frist includes the creation of such a vaccine purchase fund.

Yes, we should also contribute to drug development schemes, although the design of such schemes would have to be somewhat different from the vaccine approach. As noted below, the MMV is a useful program for developing new anti-malarials, but it does need strengthening in its design.

There is a case for creating distinct incentive funds or tax-credit allowances for each of the disease categories. Though the details of how much to segregate or combine the incentive schemes requires some further elaboration.

Question. What is your view of the GAVI and the MMV? Should. the U.S. Congress support these programs?

Answer. GAVI is extremely important and can provide a core institutional framework for all of the global vaccine efforts. The U.S. should work with GAVI and also contribute directly to GAVI.

The MMV is also a useful initiative for developing anti-malarial drugs. It should be strengthened, however, to combine the R&D support that is now in the initiative with some kind of market-incentive strategy.

RESPONSES OF DR. HARVEY E. BALE, JR., TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

Question 1. If compulsory licensing of AIDS drugs is permitted as a response to the spread of AIDS in Africa; then what justification is there for limiting compulsory licensing to AIDS treatments? What is the rationale for permitting compulsory licensing of AIDS drugs, but denying that policy with respect to other life-saving drugs? If compulsory licensing is a valid response to the HIV problem, isn't it a valid response to all health care and infrastructure development problems in the developing world? For example, couldn't the rationale underlying the use of compulsory licensing in this context be used to justify future compulsory licensing of water purification, sanitation and other environmental technologies, architectural and engineering technologies to construct earthquake-resistant structures, communications and computer technology to improve access and delivery of critical human services (such as in the areas of medicine and education), and the use of patented medical techniques and processes in developing countries? Isn't it true that all U.S. holders of patents on products, processes and/or techniques that have applications in the developing world could potentially be subject to compulsory licensing if this precedent is established?

Answer. It is indeed important to note that compulsory licensing of HIV/AIDS drugs could set a dangerous precedent for using this extreme measure for other treatments as well. Furthermore, there is the danger that, if compulsory licensing is used for drugs, this mechanism could also be used to force U.S. and other patent-holders to give up their rights to their inventions in many sectors which could have applicability to problems in developing countries. This spill-over effect could have a serious impact on industries aside from the pharmaceutical industry which depend on intellectual property for their survival.

It must be realized that, in TRIPS, compulsory licensing was designed to be used only under very stringent conditions in a non-discriminatory manner, not as a "cure-all" for endemic infrastructure problems in developing countries, which is apparently the aim of some international activists. It is unfortunate that some governments have seized upon the arguments given to them by international activists (that patents are the problem for access) and use them as an excuse for not taking serious steps to fight the epidemic in their countries. Indeed, there are cases of countries experiencing explosive growth in AIDS which prefer to spend their resources on armaments and military adventurism rather than on health care for people living with AIDS. As these governments do not themselves set health care as a priority for their own people, it is wrong to charge that the industry is not doing enough in the fight against AIDS.

Question 2. Wouldn't compulsory licensing undermine the development of technology for use in the developing world? In fact, as a development policy, doesn't it limit the incentives in developing uses that could benefit developing countries? As a response to health care problems, doesn't compulsory licensing act as a disincentive to the development of medical and pharmaceutical technologies for use in the developing world? If this policy is adopted, aren't the incentives for developing vaccines for AIDS, malaria and other diseases actually undermined, if not altogether eliminated?

Answer. Compulsory licensing and other attacks on intellectual property rights strongly discourage investment and research in the areas covered by the compulsory license or even threatened with a compulsory license. Allowing market incentives to proceed without such counterproductive interventions is vitally important in creating an environment favorable for developing new vaccines, treatments and possible cures for HIV and AIDS-related conditions. After all, drug research and development by the research-based pharmaceutical industry is financed by companies' own internal resources, and on average it takes hundreds of millions of dollars to research, develop and test a new medicine, including treatments for AIDS. Such financing comes about solely through the revenues generated by existing products already on the market; if that revenue stream is unfairly curtailed, then funding for further research will suffer correspondingly.

It is vital that research is not hindered by quick-fix solutions such as compulsory licensing, parallel trade and other measures which may sound attractive to some in the short term, but would fatally retard R&D into HIV/AIDS related medicines in the medium and long-term. As such innovation is vital for progress in fighting diseases and other conditions, including those particularly affecting developing countries, the use of compulsory licensing would dramatically undermine the incentives for conducting research in this area. In the end, the ones who would really suffer from these policies would be people living with AIDS and other diseases for which there is currently no effective treatment or cure and whose hopes for new developments would be dashed by such a policy.

Innovation and development through the pharmaceutical industry's R&D efforts can only continue when there is respect for and implementation of protection for intellectual property rights which promote and protect such research. The challenge now is to improve therapies and the search for cures, continue to extend access to these breakthrough medicines to all affected populations, and ultimately to develop an effective vaccine—or several vaccines, which, as UNAIDS says, is the only way to effectively stop and one day roll back the spread of the HIV pandemic.

Question 3. What are the biggest barriers to care for HIV in the developing world?

Answer. In looking into the issue of barriers to access to care, it must be recognized that a prerequisite for even starting to approach these barriers is the commitment of national governments in developing countries to take committed action. Only a committed effort by these governments can be effective in fighting HIV/AIDS, as the spread of HIV is very much linked to poverty and underdeveloprnent which make people more vulnerable to becoming infected with HIV. Furthermore, there are several barriers to access to health care, barriers which industry can play only a limited role in overcoming. Indeed, the manufacturers' cost of pharmaceutical products is small in comparison to the overall distribution costs required to reach

populations affected by AIDS or even to the retail price paid by the end consumer. The top four barriers to access can be grouped into the following categories:

- Military, Social and Political Issues
- Financial Hurdles
- Physical Infrastructure Barriers
- Unhelpful Micro-Economic Policies

(For a fuller discussion of the barriers to access, please see my prepared testimony.)

Questions 4 and 5. What programs have been successful in reducing these barriers? What programs have already proven successful in making lower-cost drugs available to people in the developing world?

Answers. Several programs have been effective in helping overcome barriers to access to healthcare and pharmaceutical products in developing countries. A key element in all of these strategies has been decisions by national governments in developing countries to take serious and concrete action to overcome these barriers; the pharmaceutical industry has worked together with such governments to complement their efforts to improve health care for their people.

In the fight against AIDS and other diseases or conditions particularly affecting developing countries worldwide, individual companies are working in partnership with the public sector and civil society, particularly in Africa. (For details of individual company programs, please see my published testimony.) Furthermore, industry-wide efforts to improve health worldwide in partnership with the public sector are underway, including the new *Medicines for Malaria Venture (MMV),* the *Global Alliance for Vaccines and Immunization (GAVI),* and the *WHO/CEO Roundtable process.* (Further details on these programs are available in my published testimony). We would urge the Congress and Administration to financially back the public/private MMV initiative, joining several other countries that have already done so.

More generally, innovative approaches and more resources will be needed to attack disease patterns in the poorest countries. Fortunately, novel approaches are being explored. For example, UNICEF, WHO, the World Bank and UNAIDS are looking at ways to guarantee a market for vaccines for diseases predominant in developing countries, picking up on an idea of creating a fund (to purchase vaccines) raised initially by Professor Jeffrey Sachs. Other mechanisms should be explored as well. These include developing policy measures similar in concept to U.S. orphan drug legislation, which includes tax credit and market exclusivity provisions.

Question. It was said in the hearing by Dr. Lurie that Navirapine is the product of the NIH? Could you comment on this and on the more general question of the role of government vs. industry research in the AIDS and other disease areas?

Answer. Drug discovery and development are overwhelming conducted by the research-based pharmaceutical industry, not by governments. To take the concrete case addressed at the hearing, Navirapine was not a government-origin drug. In fact, it was discovered at Boehringer-Ingelheim's laboratories in Ridgefield, Connecticut, and the development and registration trials were done solely by Boehringer-Ingelheim. The only involvement of the National Institutes of Health (NIH) was through the cooperation in the use of Navirapine in clinical trials in Uganda for preventing mother-to-child transmission of HIV. This use of Navirapine by NIH was only for investigating this *specific* application—product development and clinical trials for registration purposes were all done by Boehringer-Ingelheim.

While NIH and other public-sector researchers are indeed doing very important work, experience shows that it is industry which discovers the vast majority of new pharmaceutical substances. Furthermore, only research-based pharmaceutical companies undertake the very expensive and lengthy process of trials and development to bring a product to market. This is especially true in terms of AIDS research. It is important to recall that, twenty years ago, AIDS was not yet identified. At that time AIDS was considered untreatable as well as incurable, subjecting those infected with HIV to certain misery and untimely death. Today, there are about 15 antiretrovirals on the global market, all of which were tested, developed and brought to market by pharmaceutical companies. Ten of them were discovered by industry, including all of the protease inhibitors and nonnucleoside reverse transcriptase inhibitors which are key to breakthroughs in triple therapy.

Furthermore, there are over 100 new AIDS medicines in our industry's R&D pipeline, including 35 new antivirals and 10 vaccines for HIV prevention. Such research will, we hope, one day yield: shorter-course treatments, such as Navirapine from Boehringer-Ingelheim for preventing mother to child transmission of HIV; more convenient and tolerable regimens, such as the "one-pill-a-day" regimens being tested

by various researchers, including GlaxoWellcome and Bristol-Myers-Squibb; as well as scientific breakthroughs which could open up whole new avenues to fight HIV, such as a recent announcement by Merck scientists that they have found two experimental compounds which were able to obstruct the activity of an enzyme called integrase that plays a critical role when the AIDS virus infects cells.

Question. You mentioned the Medicines for Malaria Venture (MMV) in your statement. Could you provide more details and explain further why you believe that the U.S. government should support it? How many other governments are financially contributing? What would be an appropriate amount to contribute each year?

Answer. The Medicines for Malaria Venture (MMV) is a new approach to the discovery and development of medicines for malaria, as well as an innovative example of public/private sector partnership to improve access to health care in developing countries. It intends to discover, develop and commercialize antimalarial drugs at prices that are affordable to the populations worst hit by malaria at a rate of one new product every five years. If funding targets are reached, it is expected that the first product to be generated by MMV will be commercially available before 2010.

The innovative nature of MMV is shown by its being structured like a small virtual R&D company which will use the pharmaceutical industry's expertise in drug discovery and development together with academia's and the public sector's experience in basic biology and field studies. All processes will be outsourced, but appropriately managed by a central unit. After discovery of possible compounds with antimalarial potential, MMV will identify and license companies to produce and commercialize successful products on criteria which ensure appropriate distribution and an affordable price.

Funding for MMV are coming mainly from government funding agencies, foundations and philanthropic donations. The initial goal for MMV is to raise US$15 million for 2000, with a target of US$30 million per annum for the following three years. To date, US$8.75 million have been raised for 2000, of which US$2.5 million have come from the government of the Netherlands, US$700,000 from the government of Switzerland, and US$1.5 million from the United Kingdom government, which has also pledged US$1.5 million for 2001. The balance of funding for 2000 has come from WHO's Roll Back Malaria program (US$2.5 million), the Rockefeller Foundation (US$1.3 million) and the World Bank (US$250,000). As the U.S. government generally supports programs such as UNAIDS with a quarter of the program's annual budget, a possible level for U.S. support to MMV would be US$3.75 million for 2000, rising to US$7.5 million for subsequent three years.

Question. You noted in your statement the problems with the use of "compulsory licensing" and "parallel trade." Could you explain further your concern and could you give the Committee references in the literature that would be reliable source materials?

Answer. In recent years, countries have strengthened intellectual property protection for pharmaceutical products and, as part of this trend, compulsory licensing policies have been withdrawn from use. The WTO TRIPS Agreement further narrows the scope of use of these measures and reflects the global trend to respect the right of innovators to have a limited period of effective patent protection. One should not read into the TRIPS Agreement's provisions on compulsory licenses support for compulsory licenses as a preferred public policy measure. While the TRIPS Agreement recognizes that there are circumstances that may require a country to issue compulsory licenses, it also recognizes that, if abused, compulsory licenses would negate the value of the market exclusivity provided by a patent. Thus, the TRIPS Agreement, while not seeking to outlaw compulsory licenses per se, severely curtails their abusive implementation through an enumeration of conditions for the grant of compulsory licenses.

There are a number of reasons why governments have come to the conclusion that compulsory licensing is a threat to good public health and innovative treatments, and not a solution:

- WHO states that about a third of the world's population has no guaranteed access to quality essential medicines, most of which are generic, or off-patent copies of originals.
- The real challenge to access to medicines is the repair of the breakdown of the health delivery system in many countries.
- In addition, there are hundred, indeed thousands, of unmet needs that can only be addressed through innovation—e.g., AIDS and other infectious diseases, cardiovascular disease, cancer, etc.
- The risk of R&D is largely borne by the research-based pharmaceutical, biotechnology and vaccine industries, which will invest tens of billions of dollars annually in research and development.

- The only feasible model for promoting innovation in the high-risk and resource intensive pharmaceutical industry is to guarantee the innovator an adequate period of exclusive rights.
- The limited period of marketing exclusivity provided by intellectual property rights allow the innovator/patent-owner to capture revenue from sales of the product; but it does not grant unfettered discretion over pricing which is a product of intense competition among companies which have therapeutically-competitive patented and generic drugs.
- In fact, the erroneous "common sense" theory that patents, standing alone, enable a pharmaceutical manufacturer to charge "monopoly" prices for a product and thereby restrict access is fundamentally flawed—in the real world, a wide array of factors operate to determine ex-manufacture, wholesale and retail prices of pharmaceuticals: demand, taxes, custom duties, wholesale and retail margins, cost of delivery, pilferage rates, etc.
- Forcing the patent owner during the limited period of the patent term to share the potential revenue from sales of a product threatens the entire innovative cycle and makes pharmaceutical innovation and delivery a commercial unrealistic exercise. This is especially true in developing country markets where the product must be priced at very low level to be affordable.
- Compulsory licensing restrictions that are found in the TRIPS Agreement reflect the fact that these are intended to very rarely-employed remedies for situations far outside the normal market environment.
- Most importantly, however, the use of compulsory licenses does nothing to address the fundamental barriers to access to pharmaceutical products.
- Deficiencies in the health infrastructure that cause problems in delivering access to pharmaceuticals are not solved by creating two or more sources of products. In fact, doing so will erode the incentive for any drug manufacturers, whether pioneer or generic, to implement that infrastructure.

Simply put, compulsory licenses cannot begin to address the fundamental problems that create barriers to access to pharmaceuticals in developing countries, and cannot be portrayed as a solution to healthcare problems. Rather, compulsory licensing would deny patients around the world the future benefits of the valuable scientific, research and development capabilities of the research-based industry from which new therapies come.

One source of further background information and analysis of the problems of parallel trade is an article that I prepared and published in the *Journal of International Law and Economics* entitled "The Conflicts Between Parallel Trade and Product Access and Innovation: The Case of Pharmaceuticals" (1998, pp. 637–653). Two other papers are: Patricia Danzon, "The Economics of Parallel Trade" in *Pharmacoeconomics* (March 1999); and Barfield, C. and M. Broombridge, "Parallel Trade in the Pharmaceutical Industry" in *Fordham Intellectual Property Journal* (1999).

Question. The Administration has been "hot and cold" on pursuing strong intellectual property rights when it comes to patented pharmaceuticals in countries like South Africa. What is your view of the appropriate steps that this Committee could recommend to the Administration?

Answer. The Republic of South Africa clearly needs support in its efforts to improve its public health infrastructure, but actions such as compulsory licensing or parallel trade will be only counterproductive. At worst, they will force innovative, research-based pharmaceutical companies to pull out of the country and stop research on the diseases and conditions which particularly affect South Africa, including HIV/AIDS. Indeed, when a country crosses the line and transgresses its international obligations, as South Africa did in promulgating Section 15C of SAMMDRA, then other countries, including the U.S., should take action to bring the offending country back into line, as the protection of the international rules on intellectual property benefit the entire system. It must be emphasized, however, that the industry shares the aims of the government, in that it is clear that access to quality health care in South Africa must be improved. It is the means, not the ends, on which we differ with the South African government.

PREPARED STATEMENT OF THE AIDS VACCINE ADVOCACY COALITION

VACCINES FOR A NEW MILLENNIUM ACT: IMPORTANT STEPS TO DEVELOP HIV/AIDS VACCINE

The AIDS Vaccine Advocacy Coalition (AVAC) applauds the leadership of Senator John Kerry in developing and introducing the Vaccines for a New Millennium Act. "Ultimately, the only way to stop this still expanding epidemic is with a preventive vaccine. Scientists believe that a vaccine is possible. And not nearly enough is being done to develop a vaccine," said Rose McCullough, AVAC Executive Director.

"Both direct funding of research by government and industry and mechanisms that leverage private investment are needed to develop vaccines for HIV/AIDS and other deadly infectious diseases," said McCullough. The Congressional Research Service of the Library of Congress states that tax credits for research and development can be expected to spur investment by the private sector and are justified to correct failures in the market for these vaccines. She added, "Using the taxing power of government to leverage private investment, sends a clear message to industry from the people and it holds the pharmaceutical companies to their oft-stated humanitarian goals while supporting their proven business methods for getting things done efficiently."

The Vaccines for a New Millennium Act would take important steps to distribute existing vaccines; provide a research tax credit to industry to encourage them to develop a vaccine; create both a purchase fund and tax credit to help distribute a vaccine, when developed, worldwide; and create mechanisms for better coordination in the United States and the world.

AVAC's groundbreaking work to develop the research and development tax credit concept led to introduction in of the Lifesaving Vaccine Technology Act of 1999 by Rep. Nancy Pelosi and Senator John Kerry (H.R. 1278 and S. 1718). Beginning with innovative work by AVAC, IAVI and the World Bank, intense interest has been kindled in the desirability of creating a market for AIDS vaccines in advance.

Founded in 1995, AVAC is a coalition of volunteer advocates located throughout the country. In all of the work that we do, AVAC seeks to provide a well-informed, independent, and honest critique of current efforts by the U.S. government, the pharmaceutical and biotechnology industry, and other sectors toward developing an HIV vaccine. Our goal is to speed development of HIV vaccines without taking resources away from basic HIV research, drug development, or other prevention research. AVAC is a 501(c)(3) non-profit organization, donations to AVAC are tax deductible.

PREPARED STATEMENT OF CONSUMER PROJECT ON TECHNOLOGY [1]

Dear Senators Frist and Feingold:

Please include this statement as part of the record of the hearing on AIDS and Africa.[2] Our comments will focus on the following topics:

- What is US trade policy as it relates to access to medicines?
- What are the concerns of public health groups with regard to US trade policy?

I. U.S. TRADE POLICY AND ACCESS TO MEDICINES

For decades, the US government has advanced the interests of large pharmaceutical companies in its trade policy. The pharmaceutical sector is considered a major export industry, and US government trade policy has been focused almost entirely upon the commercial interests of companies like Merck, Bristol-Myers Squibb, Pfizer and other members of trade associations like the Pharmaceutical Research and Manufacturers Association (PhRMA) and the International Federation of Pharmaceutical Manufacturers Associations (IFPMA).

Among the features of US policy, as expressed in countless bilateral negotiations and multilateral fora, are the following:

1. The US government has pushed to end the exemptions for medicines in national patent laws.

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[1] http://www.cptech.org

[2] The Consumer Project on Technology was created by Ralph Nader in 1995. CPT has been engaged in extensive reviews of US trade policy as it relates to medicines and other health care technologies, as well as research into issues such as costs of development of new drugs, and the transfer to the private sector of commercial rights to government funded health care research. Our work on these topics is on the web at: http://www.cptech.org/ip/health.

2. The US government has pushed for a minimum term of 20 years in patent laws.

3. The US government has put pressure on governments to create patent extensions for pharmaceuticals.

4. The US has pushed for a broader scope of patenting, on issues such as patenting of doses and treatment regimes for medicines, formulations of medicines, patents on second uses of medicines, and patents on biotechnology.

5. The US government has been an aggressive opponent of the use of compulsory licensing of patents on medicines by developing countries.

6. The US government has objected when other countries have proposed US "Bolar" style patent exceptions for testing of bioequivalence of generic products.

7. The US government has opposed efforts by developing countries to require the use of the generic name of a product on pharmaceutical packaging, claiming this violates company trademark rights.

8. The US government has opposed the efforts by developing countries to require generic prescribing, or generic substitution laws, as a violation of company trademark rights.

9. The US government has opposed efforts by many countries to impose price controls on pharmaceuticals.

10. The US government has objected to efforts by many countries to use US style "managed care" formularies to obtain better prices on drugs.

11. The US government is seeking extensive non-patent regulatory barriers to entry for generic drugs, such as regulatory exciusive marketing rights for products not protected by patent.

12. The US government is asking countries to provide 10 years of commercial exclusivity for data used in regulatory reviews of the safety and efficacy of pharmaceuticals as a barrier to entry for generic versions—even though the US laws only provide five years of data exclusivity.

13. US trade officials oppose laws that would permit parallel imports of pharmaceutical drugs, thereby denying countries the ability to get the best world price on branded pharmaceutical products.

14. The US government has rejected proposals by public health groups to permit the World Health Organization to use US government rights in taxpayer funded health care patents, to expand access to medicines in developing countries.

15. The US government has opposed proposals that the World Health Organization advise developing countries on intellectual property policies, as they relate to access to HIV/AIDS drugs.

I could add to the list or simply refer persons to the National Trade Estimates (NTE) reports of the United States Trade Representative (USTR), other US government trade publications and CPT's extensive reports on trade disputes involving pharmaceutical drugs. These can all be found on the web here: http://www.cptech.org/ip/health.

While US trade officials sometimes claim they are merely protecting the legitimate interests of investors in intellectual property, the US positions are often perceived outside the US as extreme, hypocritical, unfair or protectionist, and increasingly are criticized by the public health community for the negative impact on access to medicines.

II. PUBLIC HEALTH CONCERNS REGARDING U.S. TRADE POLICY

The rising concern over the global AIDS crisis has highlighted the need to change US trade policy. With more than 22 million persons currently infected with HIV/AIDS in Africa, and millions more in developing countries outside of Africa, it is clear that the costs of treatment would be astronomical, if there ever was a serious effort to do so. A typical HIV/AIDS cocktail in the US costs more than $10,000 per year, for the drugs alone. At just $10,000 per year, it would cost more than $222 billion per year to provide drugs to the current population of African persons living with HIV/AIDS, and for significant portions of the population, this would not be effective without other investments in health care infrastructure. But even if one has far more modest treatment goals—the prices of drugs are important—as illustrated, for example, by the lack of access to fluconazole, an important, high priced, but cheap to produce, antifungal medicine.

This committee will hear from many informed persons who can describe the nature of the HIV/AIDS crisis in Africa and other developing countries. We will simply note the obvious, which is that this is an overwhelming tragedy that challenges all of humanity to fashion a response equal to the human suffering.

Certainly the Subcommittee will hear how complex are the problems in dealing with HIV/AIDS in Africa. There are many aspects of the problem—poor medical infrastructure, limited budgets, lack of education, ineffective prevention efforts, discrimination and bias, employment practices, the need to change sexual behavior, the failure of African countries to allocate greater funding to health care, the crushing burden of debt on African countries, the paucity of foreign aid, the high prices of drugs, the rules for the protection of intellectual property and bilateral trade pressures to protect the pharmaceutical industry.

There are many issues that must be addressed to save lives and limit suffering in Africa. There are no silver bullets, no single solutions—simply a large list of things that must be done. There should be no controversy that this list will include changes in US trade policy, and addressing intellectual property rules. And, while compulsory licensing and other measures will change private R&D incentives, it is worth noting that Africa only accounts for about 1.3 percent of the worldwide pharmaceutical market, and that much R&D on HIV/AIDS related medicines is funded by the US government.

Defenders of current US trade policy sometimes say that the price of drugs isn't the "the issue," pointing the many other problems. But as is often said, when someone says it isn't about the money, it is often about the money, and only a fool would suggest the price of drugs is not important to people in Africa who are infected, with HIV/AIDS.

Responding to increasing international and domestic criticism of US trade policies on pharmaceutical drugs, President Clinton announced on December 1, 1999, that he was removing South Africa from the USTR Watch list on intellectual property, and that US trade policy would be changed to facilitate access to medicines. That review is just beginning, and has produced very few results so far.

THE WTO TRIPS AGREEMENT AS A NORM FOR AFRICA

The World Trade Organization Agreement on Trade Related Aspects on Intellectual Property, known as the TRIPS agreement, is the most important international agreement on intellectual property rights. The TRIPS accord is extensive and comprehensive, covering patents, trademarks, copyright, trade secrets, undisclosed health registration data and other items. Under the TRIPS, all WTO member countries will have to extend 20 years of patent protection to pharmaceuticals. The TRIPS accord places restrictions on government use or compulsory licensing of patents, and provides countless other protections for the owners of intellectual property.

However, the US government does not accept the WTO rules as appropriate for African countries. It seeks much higher levels of protection—so called "TRIPS plus" levels of protection. US policy on this is itself a seeming violation of the WTO rules. Article I of the TRIPS says:

> Members . . . shall not be obliged to, implement in their law more extensive protection than is required by this Agreement . . . Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within, their own legal system and practice.

The public health community is split on the degree to which the WTO TRIPS agreement should be modified to address public health concerns. There is, for example, much controversy over whether or not poor countries should be required to have 20 year patents on pharmaceutical drugs. However, there is much less disagreement on the issue of TRIPS plus obligations. Given the huge suffering in Africa today, a policy of requiring TRIPS plus—more than the WTO rules for medicines—is morally repugnant.

A February 10–12, 2000 meeting of the TransAtlantic Consumer Dialogue (TACD) produced a set of recommendations on health care and intellectual property that provide a useful overview of public health community views on these disputes. I have attached the TACD resolutions to this letter. We ask the members of this Subcommittee to formally ask the US government to provide a written response to the TACD recommendations.

From these recommendations, I would highlight several issues that are a priority to public health groups.

1. The US and EU governments should not require TRIPS plus levels of intellectual property protection on medicines. This is an issue addressed in the Senate version of the African Trade Bill.
2. The US government should support the call to create a working group on access to medicines within the WTO. This would provide an important and

needed forum to discuss a number of important trade related aspects of the access to medicines problem.

3. The US government should permit the World Health Organization, UNAIDS or other international bodies to use US government funded patents in developing countries. It is shocking and ethically indefensible to withhold use of US government funded medical inventions in developing countries.

4. The US government should provide the WTO with a communication supporting an interpretation of Article 30 of the TRIPS that would permit patent exceptions for production of medicines for export.

I will elaborate briefly on item 4, concerning patent exceptions and exports of medicines. Under the WTO rules, governments can issue a compulsory license to a patent, but in most cases, the use must be limited to domestic consumption. The practical effect of this is that only a handful of developing countries will have a large enough domestic industry to manufacture their own products. Moreover, it is inefficient if not absurd to think of more than 100 different manufacturing facilities for each essential medicine that might be a subject of compulsory licensing.

If one was serious about providing treatments for HIV/AIDS medicines in developing countries, one would focus attention on those issues that would lead to the cheapest and highest quality production of medicines. This would involve:

a. Fast-track compulsory licensing (as has been proposed in South Africa and the Dominican Republic),

b. Coordinated global procurement, to take advantage of economies of scale, joint bargaining power and the best international production facilities, and

c. An agreement by the WTO that patent exceptions for production of medicine for export would be a reasonable use of TRIPS Article 30.

Finally, thanks to Senators Frist and Feingold for addressing this important issue.

Sincerely,

JAMES LOVE, *Director,*
Consumer Project on Technology.

[Attachment]

TRANSATLANTIC CONSUMER DIALOGUE (TACD)

TACD RECOMMENDATIONS ON HEALTH CARE AND INTELLECTUAL PROPERTY

Pharmaceuticals: Access to Medicines in Developing Countries

1. TACD recommends that public health considerations be paramount in trade policies as they relate to access to medicines.

The US and EU governments should review trade policies to ensure that developing countries do not face trade related barriers for access to essential medicines and other medical technologies, in a manner consistent with the World Health Assembly (WHA) Revised Drug Strategy, EB103/4, which calls upon member countries:

(1) to reaffirm their commitment to developing, implementing and monitoring national drug policies and to taking all necessary concrete measures in order to ensure equitable access to essential drugs;

(2) to ensure that public health interests are paramount in pharmaceutical and health policies; and

(3) to explore and review their options under relevant international agreements, including trade agreements, to safeguard access to essential drugs;

TACD asks the US, the EU and its member countries to report back to the TACD on the steps taken to implement the WHA Revised drug strategy in trade policy.

2. TACD supports the creation of a WTO Working Group on Access to Medicines.

This working group would identify problems concerning access to medicines, provide a public health framework for the interpretation of key features of WTO agreements, and evaluate and propose changes in the WTO rules that would expand access to medicines.

3. TACD recommends the US, the EU and other developed countries enter into an agreement to support far higher levels of R&D for neglected diseases.

Today there is very little research and development on diseases such as malaria, chagas disease and other illnesses that have an impact on the poor. R&D efforts for neglected diseases should be designed with access in mind, and address issues such as reasonable pricing and the allocation of intellectual property rights.

4. TACD recommends the US, the EU and its member countries enter into agreements with the World Health Organization (WHO) to give the WHO licenses to use publicly funded health care inventions in developing countries.

5. TACD asks the US and the EU to support patent exceptions for the export of medicines.

The EU and the US should send communications to the WTO supporting interpretations of WTO TRIPS provisions that would permit patent exceptions for production of medicines for export, when the legitimate rights of patent owners are protected in the export market. For example, patent exceptions should permit the production and export of a medicine to a country that had issued a TRIPS compliant compulsory license for medicine. A failure to address this issue will substantially undermine the usefulness of compulsory licensing of medicines in countries with small domestic markets.

6. TACD demands that the US and EU governments stop putting pressures on developing countries to adopt levels of intellectual property protection for medicines that exceed the requirements of the WTO TRIPS accord.

This is consistent with Article 1 of the TRIPS, which states that WTO member countries "shall not be obliged to . . . implement in their law more extensive protection than is required by this Agreement."

Pharmaceuticals: Data Exclusivity and Health Registration Data

1. TACD opposes the harmonization of data exclusivity for pharmaceutical registration data to 10 years.—The US and the EU both provide periods of "data exclusivity" in the regulatory approval of pharmaceutical drugs: in the US this is 5 years, in the EU it is 10 years. The EU period was originally designed to compensate for a lack of patent protection on pharmaceutical in some EU member countries, and the lack of patent protection on medicines from biotechnology. This rationale is no longer valid with the new WTO TRIPS rules that require broad patent protection in all EU member countries.

2. TACD recommends that companies that seek data exclusivity protections be required to disclose the costs of investments.—Data exclusivity provisions are part of a growing class of sui generis forms of protection that are designed to protect investment, rather than innovation. Because data exclusivity isn't a reward for invention (which is already rewarded by patents) but rather a protection of investment, there should be greater transparency of the basis for the protection and a reasonable relationship between the investment and the protection.

3. TACD asks the EU and the US to report on trade disputes that are related to introduction of generic forms of Paclitaxel in the EU Market.—TACD should be provided with copies of all correspondence and memorandums that have been sent between the US and the EU or its member countries on the trade related aspects of Paclitaxel registration in the EU. The US and the EU should also report to the TACD who invented Paclitaxel, and who sponsored the clinical trials used for EU and US marketing approval.

4. TACD asks the European Commission's DG Entreprise to report on the barriers to entry for generic forms of Paclitaxel in the EU market.

5. TACD asks DG SANCO to report on the public health consequences of barriers to entry for generic forms of Paclitaxel in the EU market.

Pharmaceuticals: Early Working of Patents and Research Exceptions

1. TACD supports so called "Bolar" exceptions in patent laws to permit firms to test generic drugs and prepare data required for marketing approval by regulatory agencies, prior to the expiration of a patent.—This is needed to ensure that consumers benefit from the timely introduction of competition when patents expire. Health and safety regulatory measures should not be misused as a barrier against competition.

2. TACD asks the US and the EU to reject overly restrictive interpretations of anti-discrimination language in Article 27.1 of the TRIPS.—Article 27.1 should not be interpreted as requiring a "one size fits all" patent law. The language in Article 27.1, that requires that "patents shall be available and patent rights enjoyable without discrimination as to . . . the field of technology," should not be interpreted as preventing countries from addressing public interest concerns in patents, when provisions to address those public interest concerns are consistent with the TRIPS framework. Article 30 of the TRIPS regarding exceptions to patent rights should be interpreted to permit countries to address public interest concerns, including those specifically related to fields of technology.

3. TACD recommends that the EU not require Central and Eastern European (CEE) countries to eliminate "Bolar" exceptions from patent laws as a condition for EU membership.

Pharmaceuticals: Transparency of Pharmaceutical Economics

1. TACD recommends the US and the EU governments undertake the following measures:

(i) Any application for data exclusivity should include a disclosure of the costs of data collection.

(ii) The EU and the US should require firms that market pharmaceutical drugs in the US or the EU market to disclose, for each product,

(A) annual global (and national) revenues,

(B) costs of clinical trials, disaggregated by timing and nature of trial (Phase I, II, III, IV, etc), the number of patents and the duration of the trial,

(C) when the product involves licenses from third parties, the royalty payments and terms, and

(D) the role of the government in the development of the drug, including the awarding of grants, cooperative research and development agreements, licenses, tax credits and other subsidies.

(iii) Governments should publish data detailing the government's own costs of conducting clinical trials, which can be used as a benchmark for the cost of clinical trials.

(iv) The government should publish reports detailing public expenditures on the purchase of products developed initially with public funds.

2. TACD recommends that consumers and policy makers obtain better information about pharmaceutical economics. One of the most vexing issues in pharmaceutical policy making is the paucity of data to justify pharmaceutical industry assertions regarding drug development costs, profit margins or other relevant economic data. Governments have been negligent in collecting independent data on pharmaceutical economics. Accurate data on the economics of the pharmaceutical industry are needed to evaluate a wide range of government policies, including, for example:

(i) patent extensions,
(ii) pricing,
(iii) market exclusivity for health registration data,
(iv) orphan drug market exclusivity,
(v) compulsory licensing,
(vi) government technology transfer policies,
(vii) scope of patents, and
(viii) taxes.

There is a substantial public interest in having more detailed disclosures of private sector R&D investments, to address such questions as what is the percentage of R&D investments spent on development of new and innovative products, as opposed to "me too" therapies? How much of the private sector R&D budget is spent on non-essential medicines? What is the private sector allocation of spending between pre-clinical development, clinical trials, and post approval R&D? How much R&D is spent on tropical illnesses and other diseases that affect the poor? How much did the drug benefit from public subsidies?

TACD POSITION ON PATENTS ON GENETIC DIAGNOSIS

TACD asks the European governments to immediately apply for compulsory licenses or to use patent exceptions, permitted under the TRIPS agreement, to address technologies used for the screening of genetic diseases.—Consumers and patients are harmed by unreasonable uses of patents that monopolize the screening for genetically determined diseases such as the BRCA1 and BRCA2 patents associated with breast cancer. Public health authorities and laboratories in Britain and Sweden say that unreasonable use of such patents presents a threat to the public health, and reduced access to screening procedures.

TACD asks DG SANCO to report on the public health and ethical consequences of patenting of genes and technologies for screening of genetic diseases.

TACD APRIL 1999 RECOMMENDATIONS ON PHARMACEUTICALS

The TACD recommends that the governments of the US and the EU should consider the following:

1. Regarding World Health Assembly and the World Trade Organization.

Require that a country engaged in WTO dispute resolution proceedings be permitted to request a report from the WHO on the public health aspects of the policies that are subject to review by the WTO.

2. Regarding Patents and Exemptions for Exports.
   Agree that a country may provide exemptions to patent rights to companies who are exporting the product to another country where patent rights have expired or where patent rights have been licensed under compulsory licensing and the legitimate interests of the patent owner has been protected under Article 31 of the WTO TRIPS agreement.
3. Regarding Parallel Imports of Pharmaceuticals.
   Not bring trade sanctions against poor countries who seek to use parallel imports to obtain cheaper access to pharmaceuticals.
4. Regarding developing countries and medical patents.
   Not use trade pressures against developing countries over access to essential medicines if those countries have satisfied WTO/TRIPS requirements for the protection of patents. Developing counties should not be prevented from using compulsory licensing to expand access to medicines, if the compulsory licenses are issued in compliance with Article 31 of the TRIPS agreement.
5. Regarding compulsory licensing.
   Agree that governments, the World Health Organization (WHO) and the World Intellectual Property Organization (WIPO) should consult with the academic community, consumer groups and a wide range of industry groups to determine where compulsory licensing of medical technologies is needed to overcome market failures, such as those that are related to complex inventions, follow on inventions, or for providing access to inventions on reasonable terms.

E-DRUG: LETTER FROM NIH DIRECTOR, HAROLD VARMUS

On September 3, 1999, Ralph Nader, James Love and Robert Weissman wrote a letter to NIH Director, Harold Varmus, "asking for NIH to give the World Health Organization, WHO, access to US government funded medical inventions." On October 21, 1999, Robert Weissman received Dr. Harold Varmus' response.

Mr. ROBERT WEISSMAN
Essential Action,
P.O. Box 19405,
Washington, D.C. 20036

DEAR MR. WEISSMAN: Thank you for your recommendation on how the National Institutes of Health (NIH) could interact with the World Health Organization (WHO) to provide it with commerical development rights to NIH-owned and -funded health care patents. As we are both aware, the licensing of Government inventions has received much attention in recent months from Members of Congress, patient advocacy groups, representatives of industry and the press. The public debate has been galvanized by concerns about the AIDS crisis in developing countries and the role of anti-AIDS therapeutic drugs in addressing that crisis.

This proposal, if implemented, would have powerful repercussions on the current framework for drug development arising from federally supported basic research.

I am concerned that your proposal that the NIH employ its "Government use" license authorities to grant WHO standing authority to contract for the production of Government-supported inventions so as to make anti-AIDS drugs available for less cost than offered by pharmaceutical manufacturers would put the current system at risk without necessarily resulting in greater accessibility to these drugs. I am also troubled by the implications of the NIH intervening on behalf of sovereign foreign governments in a situation in which many of those governments have the authority to achieve the same result and in which U.S. intervention on this matter has not been requested.

Moreover, the AIDS crisis in developing countries is a public health problem involving much broader issues than access to anti-viral drugs. The question of the supply of drug products must be considered in the context of the equally important issues of medical infrastructure, public health programs, treatment monitoring and compliance, and emergence of drug-resistant HIV strains. Unilateral action by NIH with regard to NIH-supported patent rights would consequently be ill-advised and unlikely to succeed.

My specific thoughts on the intellectual property aspects of this matter follow.

PROGRAMMATIC BACKGROUND

In the early 1980s, Congress enacted the Bayh-Dole Act and the Stevenson-Wydler Technology Innovation Act (with later amendments, including the Federal Technology Transfer Act of 1986) to encourage the transfer of basic research findings to the marketplace. The primary purpose of these laws is economic development: specifically, to provide appropriate and necessary incentives to the private sector to invest in federally funded discoveries and to enhance U.S. global competitiveness. To implement these mandates, the Department of Health and Human Services (DHHS) has designated NIH as lead agency for technology transfer for the Public Health Service (PHS).

While NIH respects and is sensitive to the economic development intent of the authorizing legislation, it carries out this mandate in accordance with its public health mission. For inventions developed within PHS laboratories, NIH (and PHS) Patent and Licensing policies consider public health needs as well as financial and market forces. For example, the PHS Patent Policy states that patent protection should be sought where further research and development is necessary to realize a technology's primary use and future therapeutic, diagnostic, or preventive uses. It is well documented that technologies with potential as therapeutics are rarely developed into products without some form of exclusivity, given the large development costs associated with bringing the product to the market. No benefit accrues to the public if the technology is left to languish and no product reaches the marketplace.

In conjunction with the patent strategy, the PHS licensing strategy gives preference to nonexclusive licenses so that market competition and broad distribution are fostered. Exclusive licenses are granted when such rights are believed to be necessary to ensure product development. As to inventions developed with NIH funding, the Bayh-Dole Act gives NIH grantees and contractors authority to retain title patents and to license inventions that arise from the NIH funding.

As you have pointed out, the Government has a royalty-free license to practice and have practiced an invention it owns or has funded on behalf of the United States and on behalf of a foreign government or international organization pursuant to a treaty or other agreement with the United States. This royalty-free license provides the Government with no-cost use of a technology it invented or funded.

It does not provide rights or access to a licensee's final product. The Government use contemplated by this provision has been interpreted generally to include research use, although its full scope has not been determined.

Providing the owner of the technology (licensor) freedom to do further research is a common and reasonable provision of exclusive licenses. To our knowledge, the Government use license has never been employed as you propose, as a blanket measure to facilitate direct competition with a commercial licensee.

GRANTING RIGHTS TO WHO

In principle, the U.S. Government can license patent rights to the WHO. Even if the doubts regarding WHO's authority to practice inventions under the Government use license could be overcome, I do not believe that the lack of such a license from the NIH is inhibiting developing countries from addressing their needs. As you stated, many of these countries can issue compulsory licenses, and those that have not enacted that authority to date can do so if they choose. The economies of scale you mention could be achieved by cooperation among these countries or direct interaction with WHO. The role of NIH in these sovereign matters is, appropriately, extremely limited.

NIH can only license or otherwise grant rights to patents in countries where the agency or its grantees have sought and obtained patent protection. Presently, NIH holds patent rights in selected countries to technologies that have contributed to the development of drugs reported as AIDS/HIV-related treatments.

In those countries where NIH or its grantees have neither sought nor obtained patent protection, NIH has no intellectual property rights to be licensed or otherwise granted.

In addition, there is an important distinction between having rights to a compound and having rights to the fully developed product. NIH does not license drugs that are ready for marketing. NIH biomedical technologies are early stage and, in almost all cases, require further research, development, and testing, usually in combination with other proprietary technologies, to bring a product to market. To achieve this, NIH and its grantees license the early technology to companies that are able to embark in the developmental and regulatory aspects of drug development.

Without patent protection it is unlikely that the companies would invest the resources needed to commercialize these technologies.

The distinction between final product and "raw technology" is important because others may well have filed for patents on non-NIH technologies that are required for the production of the final product. Therefore, even with NIH-granted rights, WHO or a contract manufacturer of such products may infringe patents belonging to others. Because it is the rule rather than the exception that multiple patents cover final drug products, NIH's granting of rights to the early compound or invention would be unlikely to significantly improve access to drugs.

Finally, I am concerned that granting rights to WHO for manufacture and distribution does not address the aforementioned requirement that a commercial entity develop early-stage compounds into safe and efficacious drugs. As a practical matter, it is reasonable to assume that companies will not undertake the development costs of these inventions if they believe the Government will readily allow third parties to practice the inventions.

On balance, I am not convinced of the benefit of the standardized transfer of manufacturing and distribution rights to the WHO or any other nonprofit organization.

Critical to successful technology transfer is the assurance that the Government will exercise its intellectual property rights in a responsible, prudent, and consistent manner. Undermining licensed intellectual property rights would, I believe, unnecessarily jeopardize the development of important therapeutic drugs.

NIH AND WHO INTERACTION

Not all technologies that would be of use to developing countries are currently licensed. In the past, the NIH and WHO have worked together on licensing joint inventions and in negotiating with third parties. In one notable instance, NIH approached WHO with the possibility of manufacturing certain vaccines important to developing countries.

Unfortunately, limitations of resources did not permit WHO to take advantage of such an offer. NIH welcomes, and is pursuing, further discussions with WHO on what can be done to assist developing countries with health care needs. I have directed my technology transfer staff to engage WHO on the intellectual property aspects of this matter. Discussions between my staff and WHO representatives are currently being facilitated by Dr. Stuart Nightingale of the Food and Drug Administration.

I appreciate the opportunity to explain our position on this issue.

Sincerely,

HAROLD VARMUS, *M.D., Director.*

PREPARED STATEMENT OF J. PERRIËNS, M.D.—PARIS 1999 CONFERENCE ON COMMUNITY AND HOME CARE FOR PEOPLE WITH HIV INFECTION

COMPULSORY LICENSING AND ACCESS TO HIV DRUGS

Ladies and gentlemen:

The title of my presentation today is "Compulsory licensing and HIV drugs," and I will speak in my personal name.

From the previous speaker you will have remembered that patents are a national affair, and that a compulsory licence can be granted under certain circumstances, such as a national emergency, or when a patent holder fails to supply the market with his invention at a reasonable price.

In a discussion on compulsory licensing it is useful to refer to the framework in which such discussion should take place. Our goal is to make HIV drugs more widely available to those who need them. In respect to the latter, I would like to highlight what our programme, UNAIDS, said about this at the WTO summit:

> The availability of HIV/AIDS drugs, like others, depends upon at least three main factors:
>
> (i) sustainable financing for drug procurement at the national level;
>
> (ii) national and local health infrastructure for delivering drugs and monitoring patient compliance;
>
> (iii) affordable drug prices.

Governments must ensure sufficient financing for procurement and adequate health system capacity to support care for people with HIV/AIDS.

Making drugs affordable to those who need them is a formidable challenge.

High HIV/AIDS drug prices are due, in part, to the fact that many HIV/AIDS drugs are protected by patents that on one hand are necessary to allow their devel-

opment, but that on the other hand allow the exclusive control of their manufacture and sale.

Patent holders have not yet introduced preferential pricing to the extent necessary to make the prices of HIV/AIDS drugs consistent with local purchasing power in many developing coutries.

THE UNAIDS SECRETARIAT POSITION

The UNAIDS Secretariat supports patent protection as an incentive for innovative research and development of new HIV/AIDS drugs and, hopefully, the discovery of HIV vaccines, in particular vaccines suitable for use in developing countries.

At the same time, however, intellectual property rights must be considered in the context of other social interests, such as the human rights concerning health and the benefits of scientific progress and its applications.

The UNAIDS Secretariat further supports:

(1) Preferential pricing of HIV/AIDS goods, including male and female condoms, and HIV/AIDS drugs and other pharmaceutical products, so that these products are priced affordably at levels consistent with local purchasing power.

(2) Reduction or elimination of import duties, customs and taxes on HIV/AIDS goods, including condoms and pharmaceutical products.

(3) Measures to promote generic drug competition and the "early working" of patented drugs (e.g., the so-called "Bolar amendment") so that generic HIV/AIDS drugs can be made available more rapidly.

(4) The UNAIDS secretariat recognizes that recourse to compulsory licensing may be necessary, as provided for under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), such as in countries where HIV/AIDS constitutes a national emergency.

WHY THIS ORDER?

You will have noted that UNAIDS mentioned compulsory licensing last in the series of actions that should lead to better HIV drug affordability.

Why is that?

The number one reason is that compulsory licensing can be used only when a drug or commodity is under patent protection.

The WHO and UNAIDS have just completed a review of the patent rights on 24 drugs of interest to people with HIV infection.

The preliminary outcome of this review is available as an appendix to Pascale Boulet's presentation from the WHO/UNAIDS booth.

I would like to share with you what was found out so far about some antiretrovirals.

WHO nor UNAIDS assert that the data are complete, and welcome additions, but the:

(1) d4T (Stavudine)—US and EU patents for Stavudine will expire in 2007 and 2008 (except in France, where protection will last until 2011). The only developing countries where d4T (Stavudine) is under patent protection are Egypt, South Africa, and the Philippines. There appears to be no patent protection for this drug in countries with a significant generics industry, such as Argentina, Brazil, Spain, Israel, or India. At least 2 of them produce their own generic alternative. It follows that intellectual property protection as such cannot be blamed for its unavailability or unaffordability in the majority of developing countries.

(2) Indinavir—US and EU patents for Indinavir will expire in 2012 and 2013. However, this is meaningless for most developing countries, because the only developing country where Indinavir is under patent protection is South Africa. Like for Stavudine there appears to be no patent protection for this drug in countries with a significant generics industry. Brazil will start the production of its own generic next year. Intellectual property protection as such cannot be blamed for its unavailability or unaffordability in the majority of developing countries.

(3) Saquinavir—The antiretroviral with the largest patent protection is Saquinavir, because of a patent delivered by the OAPI (Organization Africaine de la Propriete Intellectuelle), and (process) patents in Zimbabwe, Malawi and China. However, there appears to be no patent protection for this drug in countries with a significant generics industry, including South Africa. Intellectual property protection could be blamed for part of its unavailability or unaffordability in some developing countries.

I could go on with this list, but let me suffice to state that the situation of these 3 drugs is fairly typical for other drugs of interest to PLWH.

While it is clear that at present the scope of compulsory licensing agreements is limited, it might expand in the future. This potential led to the activism around compulsory licensing in recent times.

What does this say for the drug access agenda?

Now, if the patent situation of most HIV drugs is not the main reason for their poor affordability in most developing countries today (with the notable exception of South Africa), what needs to be done, in addition to just keeping the provisions of the TRIPS agreement intact (a likely consequence of the Seattle conference)?

You might have noted that I mentioned "Preferential pricing" as one of the remedies to increase drug affordability.

People in low-income countries simply cannot be expected to pay the same prices for drugs as people in wealthy countries. The principle of solidarity, namely that the richer pays absolutely and relatively more than the poor, is very common in national tax laws. We suggest that the same needs to be achieved in internationally.

There is a range of options which might be used to achieve preferential pricing, including voluntary licensing with transfer of know-how. But one does not even need to go this far: preferential pricing is already a reality today.

Drug costs in the UNAIDS-facilitated drug access initiative in Uganda and Cote d'Ivoire, which buys its antiretrovirals exclusively from the pharmaceutical companies that hold the patents to them in the USA and Europe, *are* less than drug costs in Europe or the USA: from 5600 US per year for a year of triple antiretroviral therapy, compared to approximately 11000 US per year. However, this is clearly still not in keeping with the local purchasing power.

When we flagged this as the main problem to expand coverage of the initiative, the more enlightened of our pharmaceutical counterparts stated that, in order for them to lower their prices, they first of all need political protection in their home markets. A second equally essential condition is that measures that prevent exporting of preferentially priced drugs to their home markets need to be in place (as was the case for the Drug Access Initiative).

Is this enough? The answer is "no".

Experience in the vaccine sector demonstrates that significant price differentials can be achieved between prices in developed countries and those in low-income countries. However, these differentials resulted in affordable developing country prices only after significant competition from generic manufacturers forced the prices down.

Experience from countries with "generic-friendly" policies clearly demonstrates that the resulting market competition greatly increases affordability of medicines for the population, stimulates genuine innovation within the research-based industry, and encourages increased production efficiency by the generic industry.

To promote generic drug competition the "early working" of patented drugs (e.g., the so-called "Bolar amendment") was given high visibility in our statement to the WTO.

I suspect that MSF will show data on the price of Zidovudine and Fluconazole in different markets, and I will therefore illustrate the point that generic competition is necessary with reference to the evolution of the price of 2 drugs in Brazil:

> A month of ddl costs 46 US in Brazil, and 186 US in the USA, or 25% of the US price. The evolution of its price over time is shown on the overhead.
>
> A month of ddC costs 38 US in Brazil, and 207 US in the USA, or 18% of the US price. The evolution of its price over time is shown on the overhead.

One of the factors that allowed a progressive decline in the price of both drugs is that they were produced locally, by state-owned companies, to whom orders were given as part of international competitive bidding.

In 1995 prices of these drugs from the original patent holders were at the same level in Thailand.

While incomplete, because ideally one would like to see more prices from more sources, the message from them is that, when generic competition is possible, prices do come down.

Is generic competition enough to make drugs affordable?

A glance at the cost of ARV treatment in Brazil as a fraction of per capita GDP might make one suspect that, even with all possible measures to decrease their cost, the antiretrovirals will remain too expensive for many developing countries, most of which have GDP's much lower than that of Brazil (where it is almost 5000 US).

To make a long story short, any treatment that costs more than the per capita GDP in a country is for all practical purposes unaffordable with very well developed national solidarity mechanisms. If those mecahnisms are less well developed, the af-

fordability benchmark probably looks more like a third of GDP. The challenge is therefore to get prices of antiretroviral therapy down to as low as 200 US a year, 15 to 20 times less than in Brazil.

This should be possible, but is in my view only in collaboration with those companies who developed the drugs in the first place, because they would likely be best positioned to get into cost+ pricing efficiently. (Cost+ pricing factors in only the cost of raw materials, production facilities, labor and a fixed disclosed profit margin to produce the goods, not marketing or development costs.)

Surprisingly, what is needed to make this a reality is nothing spectacular:

(1) Like now, pharmaceutical companies should increase the extent to which they apply preferential pricing. The limited value of the pharma market in developing countries makes this economically viable. To make it politically viable is a challenge for us all, and should be high on our agenda.

(2) Pharmaceutical companies should continue not to apply for or forego patent protection for HIV drugs in markets where they have no intent to recoup their R&D investments, i.e., developing countries, so that generic competition will remain possible. A solemn declaration to this effect could be issued by those companies that develop drugs of importance to people with HIV infection. If our pharma partners can work together in multi-drug clinical trials, some form of voluntary trade civism should be possible.

(3) Like now, pharmaceutical companies should continue to compete with generics manufacturers in those markets. To guarantee that this competition will remain possible, it is essential that the provision on compulsory licensing in the TRIPS agreement be preserved and enshrined in national law, in particular in developing country markets where patents for HIV pharmaceutical will be requested and HIV is a significant problem.

(4) Advocacy to ensure that trade contributes towards a more equitable distribution of economic benefits. This requires linking trade policies to sound social policies that recognize health as a global public good. In the pharmaceutical arena, for example, there is a need to provide sufficient incentives and patent protection to ensure development of new drugs, while ensuring affordability and access to existing drugs.

Last, there are actions that need more support. It is my conviction that in the debate around access to HIV drugs not enough attention went into the identification of those responsible for the state and the financing of the public health infrastructure in developing countries. Who is responsible for "linking trade policies to sound social policies that recognize health as a global public good"? Who sets import duties, customs and taxes on HIV/AIDS goods? Who condones corruption to the extent that prices of drugs at times cost more in developing than in industrialized countries?

Of course, action needs to be targeted, but in view of the outcome of the Seattle conference, I wonder whether a continued focus on compulsory licensing as a tool to reduce drug prices remains needed.

PREPARED STATEMENT OF BENJAMIN F. NELSON, DIRECTOR, INTERNATIONAL RELATIONS AND TRADE ISSUES, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE

GLOBAL HEALTH—THE U.S. AND U.N. RESPONSE TO THE AIDS CRISIS IN AFRICA

Mr. Chairman and Members of the Subcommittee:

We are pleased to provide our statement for the record, which gives our observations on the response by the United States and United Nations (U.N.) to AIDS in Africa.[1] This disease exacts an enormous toll on the developing world, and on sub-Saharan Africa in particular, where AIDS is a health problem, a development problem, and a humanitarian tragedy of epic proportion.

AIDS has killed almost 14 million people around the world, 11 million of whom lived in sub-Saharan Africa. Two-thirds of the 34 million people who are currently infected with AIDS live in sub-Saharan Africa, including 1 million children. Despite these alarming statistics and the efforts of the world community to halt the spread of AIDS, the epidemic continues to advance (see fig. 1). The World Bank estimates

[1] The human immunodeficiency virus/acquired immunodeficiency syndrome or HIV/AIDS is referred to in this statement as AIDS.

that 16,000 people become newly infected each day, with the greatest concentration of new infections in sub-Saharan Africa.

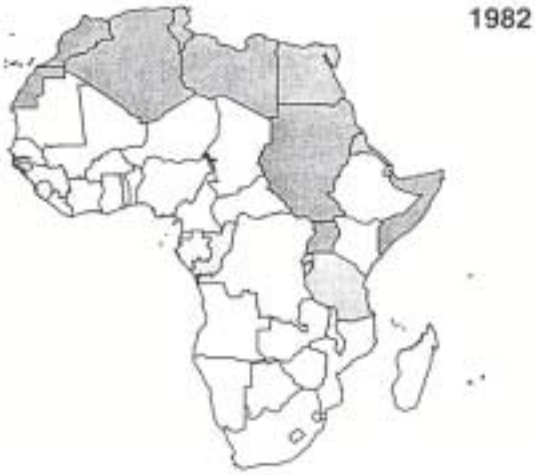
Specifically, this statement will focus on (1) the social and economic implications of AIDS in Africa and (2) efforts to combat the disease by the United States and the United Nations. This statement is based on our 1998 report issued to the House Committee on International Relations, *HIV/AIDS: USAID and U.N. Response to the Epidemic in the Developing World* (GAO/NSIAD-98-202, July 27, 1998) and updated information we recently obtained from the U.S. Agency for International Development (USAID) and the United Nations on their programs. In our work, we reviewed USAID's and the United Nations' AIDS programs and activities at their headquarters and in the Dominican Republic, Honduras, India, the Philippines, and Zambia.

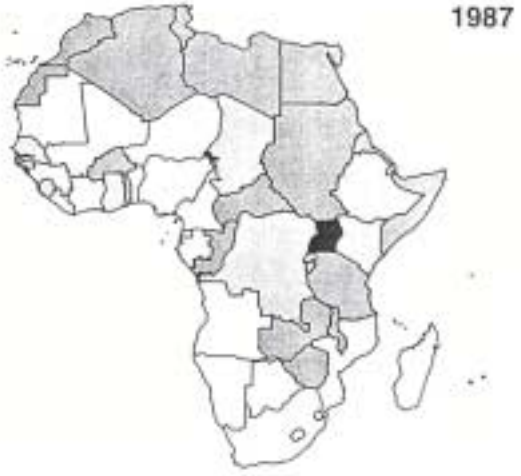
Summary

Despite some breakthroughs in treatment and techniques for preventing AIDS, the epidemic continues to grow. The broader economic and social consequences are becoming clear—and they are not good. Over the last decade, the life expectancy in nine African countries declined by over 17 years due to AIDS. By 2010, the United Nation's Joint Program on HIV/AIDS (UNAIDS) estimates that 42 million children in Africa will lose one or both parents to AIDS and that gross domestic product (GDP) in many countries will decline by as much as 20 percent.

The countries in sub-Saharan Africa are among the poorest in the world and have a limited capacity to address the epidemic. The United States and the United Nations have made some important contributions to the fight against AIDS. USAID supported research that helped to identify interventions proven to prevent the spread of AIDS and UNAIDS has played an important role as an advocate for increased spending for AIDS programs by national governments, private companies, and donors. However, the World Bank estimates that $1 billion a year is needed by the world community to address the epidemic in Africa—more than three times the current level of spending.

FIGURE 1.—THE SPREAD OF AIDS OVER TIME IN SUB-SAHARAN AFRICA, 1982–97



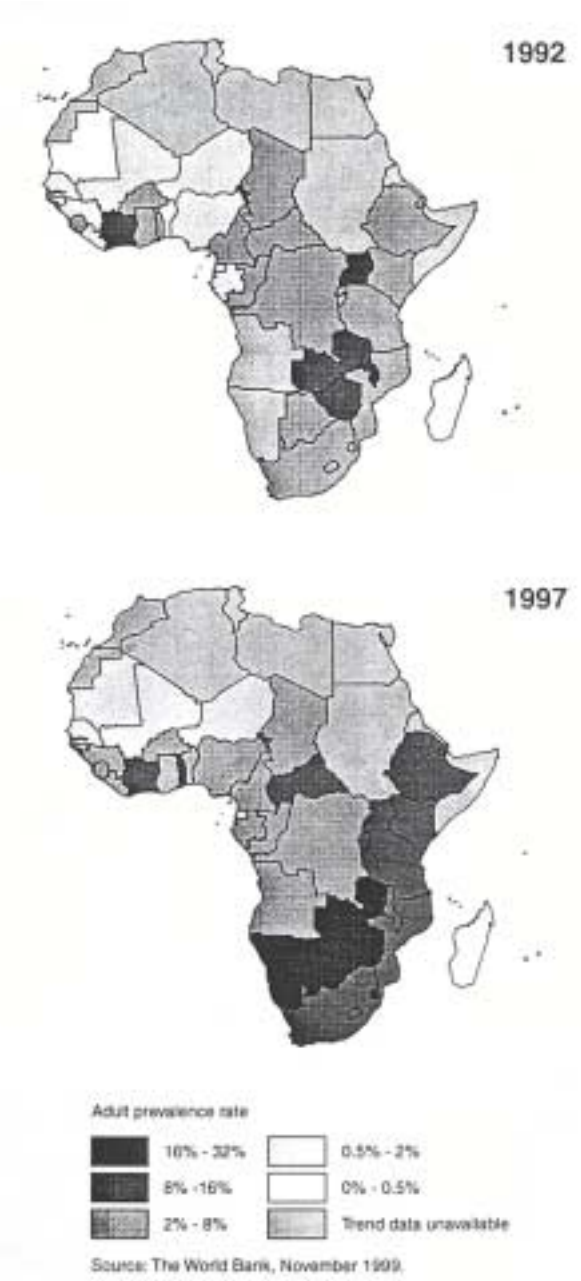


Adult prevalence rate

16% - 32%
8% - 16%
2% - 8%
0.5% - 2%
0% - 0.5%
Trend data unavailable

Source: The World Bank, November 1999

FIGURE 1.—THE SPREAD OF AIDS OVER TIME IN SUB-SAHARAN AFRICA, 1982–97—CONTINUED



The devastating social and economic consequences and human tragedy of AIDS have not been felt anywhere as severely as in the countries of sub-Saharan Africa. With only 10 percent of the world's population, sub-Saharan Africa carries the burden of more than 80 percent of AIDS deaths worldwide, losing 5,500 men, women, and children each day. Hard-won gains in life expectancy, child survival, education, and economic development are eroding in many countries on the African continent. According to the World Bank, the life expectancy in nine African countries with AIDS infection rates over 10 percent has declined by 17 years, from 64 to 47 years of age. In many countries in the region, infant mortality is expected to double over the next decade. UNAIDS officials estimate that the impact on productivity, profitability, and foreign investment will result in growing losses in GDP, reducing GDP by as much as 20 percent or more in some sub-Saharan countries by 2010. Barclays' Bank and British Petroleum have stated that they hire two people for every job, assuming that one will die of AIDS.

Many African families are overwhelmed by the burden of caring for victims of the disease. In some parts of the region, pregnant women have extremely high infection rates—for example, 73 percent of the pregnant women in Beit Bridge, Zimbabwe are infected with AIDS. According to U.S. Agency for International Development (USAID) officials, children are forced to become heads of household, unable to attend school because they must try to find food for their siblings. Currently, there are approximately 8 million African AIDS orphans and UNAIDS estimates that 42 million children will lose one or both parents to AIDS in the next decade (see fig. 2). These children are at serious risk of physical and sexual abuse as well as other forms of exploitation, including child labor abuse and organized crime group use as drug couriers. According to USAID officials, many orphaned children resort to prostitution for money to buy food. As a result, while many children are born HIV-negative, their fight for survival puts them at a serious risk of becoming infected by the disease.

The countries of sub-Saharan Africa are among the poorest countries in the world and their national capacity to respond to this epidemic is limited. While they have increasingly demonstrated leadership in fighting the epidemic, the entire health budget in many countries in sub-Saharan Africa is about $20 per person each year. In countries where less than half of the citizens have access to any form of health care, up to 80 percent of the beds in urban hospitals are filled with AIDS patients. USAID officials estimate that, on average, countries in Africa are contributing about 5 percent of the cost of their national AIDS programs. But even the most optimistic experts hope to increase the percentage that national governments can commit up to 30 percent of the total.

FIGURE 2.—CUMULATIVE NUMBER OF AFRICAN CHILDREN WHO HAVE LOST ONE OR BOTH PARENTS, JUNE 1998

Source: UNAIDS, February 2000

U.S. and U.N. Efforts to Combat AIDS

Donor nations like the United States and multilateral organizations like the United Nations are the largest sources of finance for national-level AIDS programs in Africa, spending about $300 million a year on AIDS in Africa. USAID and UNAIDS have made important contributions to the fight against the epidemic. USAID supported research that helped identify interventions proven to prevent the spread of AIDS. USAID's efforts have helped slow the spread of the disease in target groups such as truck drivers, sex workers, men who have sex with men, and intravenous drug users. To bolster these efforts, funding for the agency's AIDS program has increased from $117.5 million per year in 1997 to $200 million in the year 2000 (see fig. 3), and the program has been expanded from 18 to 52 countries—27 of which are in Africa. While primarily focusing on research and prevention in the 1990s, USAID has extended its program to include projects that address care for AIDS victims, mother-to-child transmission, health infrastructure, and support for AIDS orphans. In addition, USAID is working with the Departments of Defense, Health and Human Services, and Labor to attack the disease on all fronts.

FIGURE 3.—USAID AIDS FUNDING 1986–2000

[In millions of dollars]

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
							AFRICA							
na	na	55.2	60.3	77.1	25.5	23.3	23.7	30.6	40.4	58.9	51.1	51.1	56	104.7
							TOTAL							
11.1	50	34.6	47.1	48.5	78.4	96.7	124.4	112.8	120.6	117.8	117.5	121	125	200

Source: USAID, February 2000.

At the United Nations, UNAIDS was established to coordinate the efforts of U.N. cosponsoring agencies[2] to address the broad range of sociological and developmental factors that affect the spread of the disease. UNAIDS created "theme groups" in the field as the forum for coordinating projects undertaken by the cosponsoring agencies. These theme groups consist of representatives from all U.N. agencies working in the field on AIDS projects. UNAIDS officials report that they have also begun to include field representatives from bilateral donor agencies in the theme groups. UNAIDS has played an important role in advocacy, attempting to raise the level of awareness of the problem among national leaders and encouraging additional spending by donors and the private sector. In addition, UNAIDS has provided information on the techniques that have been effective in addressing AIDS. After a difficult start, UNAIDS has undertaken a number of efforts to improve the coordination of U.N. agencies in the field, and U.N. resources devoted to AIDS have increased. The United Nations Development Program's Regional Bureau for Africa recently increased the allocation to its regional AIDS project based in South Africa by $1 million. The United Nations Children Fund established 14 additional posts in Africa focused primarily on prevention programs for young people and the prevention of mother-to-child AIDS transmission.

The World Bank, one of the cosponsoring agencies of UNAIDS, has increased its global commitment to AIDS from $28.7 million in 1997 to $391.5 million in 1999. It has also initiated a significant program devoted to fighting AIDS in Africa, announcing that it will reexamine all existing African programs to ensure that they include projects to address AIDS and ensure that resources can be made available quickly for AIDS projects. However, the World Bank estimates that a significant increase in global spending is necessary—at least $1 billion a year—to provide basic prevention and blood safety programs, to care for people living with AIDS, and to begin to develop safety nets for AIDS orphans.

Mr. Chairman and Members of the Subcommittee, this concludes our statement for the record. I hope that this information will help the Committee as it deliberates the focus and size of any foreign assistance directed toward combating AIDS in Africa.

[2] UNAIDS' cosponsoring agencies include the United Nations Children's Fund the United Nations Drug Control Program; the United Nations Development Program; the United Nations Population Fund the United Nations Educational, Scientific and Cultural Organization; the World Health Organization; and the World Bank.

PROPOSED EMERGENCY ANTIDRUG ASSISTANCE TO COLOMBIA

FRIDAY, FEBRUARY 25, 2000

U.S. SENATE,
SUBCOMMITTEE ON WESTERN HEMISPHERE,
PEACE CORPS, NARCOTICS AND TERRORISM,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room SD–419, Dirksen Senate Office Building, Hon. Lincoln D. Chafee (chairman of the subcommittee) presiding.

Present: Senator Chafee.

Senator CHAFEE. Welcome, ladies and gentlemen. This is the Subcommittee on Western Hemisphere, Peace Corps, Narcotics and Terrorism, and a hearing on the proposed emergency antidrug assistance to Colombia. Today, the subcommittee is holding its first hearing of 2000 and my first as chairman, and this is a matter of great importance to Congress and the American people, the administration's proposal for $1.6 billion in aid to Colombia to combat drug trafficking.

Certainly the problem with drug abuse in the United States is severe and complex. In all, it costs our Nation over $100 billion a year. The most recent estimates put the number of current users of illicit drugs at 13.9 million. There are an estimated 4 million chronic drug users in America, 3.6 million chronic cocaine users, which is primarily crack cocaine, and 810,000 chronic heroin users.

Although the trends in drug use in the United States during the past 20 years are encouragingly downward, today's figures nonetheless remain substantial. Making continued progress toward ending this scourge will be time-consuming and expensive. We do recognize that.

The drug abuse problem here in the United States has led to a number of questions, including "where are the drugs coming from and how can we cut supply"? Today, these questions have led to Colombia, a nation which has experienced a dramatic increase in its output, being by far the biggest supplier of illicit drugs to the United States.

The cultivation of coca in Colombia has doubled between 1995 and 1999, helping make it the source of 80 percent of cocaine coming into the United States. It has also become a major source of heroin, going from virtually no production in 1990 to producing enough to meet half the U.S. demand today. In response to these troubling developments, Colombian President Andres Pastrana has proposed "Plan Colombia," a $7.5 billion antidrug program in which

Colombia would assume most of the cost. President Clinton has agreed to join President Pastrana in this effort, requesting an additional $1.3 billion from Congress for the U.S. contribution to this plan. Plan Colombia seeks to dramatically step up the Colombian Government's fight against drug traffickers, whose influence permeates that nation.

I am pleased to chair my first hearing of this subcommittee on a problem of such profound importance to the United States. Drug abuse has caused immense hardship on millions of Americans; it has killed good people, broken up families, and ruined careers. It infects all sectors of society—from the inner city to the wealthy suburbs. The immense monetary cost of drug abuse, as I said, $100 billion per year, is compounded by the immeasurable emotional cost to the people and families it affects.

This subcommittee recognizes that 75 percent of the funding in the administration's plan is proposed for fiscal year 2000 supplemental. That appropriations legislation will no doubt be taken up very quickly by Congress, giving this committee precious little time to consider the administration's proposal. Perhaps more importantly, the American taxpayers need to understand that their tax dollars are being used to dramatically and quickly escalate a program that will involve U.S. military personnel training foreign troops that may well become involved in a shooting war in Latin America.

It is our obligation as Members of Congress to ensure that this massive proposal is given careful scrutiny. There are many important questions that need to be addressed in considering this aid package:

First, what is our overall strategy in this endeavor and should we establish benchmarks for success?

Second, will the rapid increase in U.S. counterdrug assistance to Colombia further encourage cooperation between the Colombian military and that nation's paramilitary forces that have engaged in human rights abuses?

Third, does the Colombian Government and the nation at large possess the necessary skilled personnel, legal structures and other safeguards to prevent corruption and ensure that this huge amount of U.S. aid is well-spent?

Fourth, how can the administration realistically argue that Plan Colombia is aimed only at fighting a war on drug traffickers and not on counterinsurgency?

Fifth, will an increase in U.S. military activity in Colombia promote latent anti-Americanism in Colombia?

And sixth, what is the potential that this program will result in U.S. military casualties?

We must try to assess, will the end result at home—that is, will a military operation to reduce the supply of drugs coming from Colombia in turn reduce the severity of the drug abuse problem here in the United States? In my mind, that question ought to be at the center of any debate on fighting drugs. Many argue that as long as there continues to be a demand for illicit drugs here in America, there will always be a source to supply the product.

I would like to thank the witnesses here today for providing the subcommittee with the benefit of their informed views on this aid

package. I do look forward to healthy debate. We do need to be convinced.

Thank you, gentlemen, and welcome.

Seeing no other Senators here this morning, I will call on Hon. R. Rand Beers. Welcome, sir.

STATEMENT OF HON. R. RAND BEERS, ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS, DEPARTMENT OF STATE

Mr. BEERS. Thank you very much, Senator Chafee. It is a pleasure to be here. It is a pleasure to have the opportunity, with this distinguished team, to represent the administration's proposal with respect to dealing with the drug problem in Colombia and the Andean region. I will try to keep my remarks brief, and ask that my detailed statement be submitted for the record.

Senator CHAFEE. So noted.

Mr. BEERS. Thank you, sir. I would like to start with the chart on my right and talk a little bit about the regional problem, and then center in on Colombia. It is a regional problem. The chart on the right shows the general areas of coca that have been under cultivation in Bolivia, Peru, and Colombia for the past decade, but this is not a static situation. This is very much a dynamic situation—you can take down the first chart, please—and the dynamic situation I think is best represented by the second chart, which shows the change in the amount of cocaine that is believed to be coming from each of these countries to supply the world market.

You will notice there that the largest contributor to cocaine production in 1995 was Peru, and the largest contributor—and Bolivia was second, and that at the end of 1999 the largest contributor is, in fact, Colombia, by a very wide margin. What we have seen here is a situation in which successful programs in Bolivia and Peru, successful programs undertaken by both of those governments with U.S. assistance, has dramatically reshaped the drug market in each of those countries, but the problem with that is that the drugs have then, or the cultivation, I should say, has then moved most decidedly into Colombia, and the gains that were made in those two countries have almost nearly been recouped by the expansion of the drug crop in Colombia, and that is why the center of this effort is Colombia.

The drug crop in Colombia contributes a massive amount. We calculate 80 percent or more of the U.S. market of cocaine comes to us from Colombia, certainly in the final processing stage, but the effect of this drug production within Colombia is much broader than the effect of the drugs themselves on Colombia society. In addition to the enormous cost to the United States in terms of its citizenry and its treasure, in addition to that, within Colombia, this leads to a level of lawlessness and corruption that this drug production fuels in Colombia that is a serious threat to Colombian society.

In addition to that, this drug production is also linked up with the insurgents and the paramilitaries in Colombia who are also profiting and becoming stronger from this effort. Estimates are of wide range as to how much money each of these groups actually derive, but I think a conservative estimate is that there is probably

$100 million worth of profit on an annual basis that is available for these lawless elements in Colombian society that is derived directly from this drug production.

In addition to that, Colombia's economy has been battered not only by world market changes, but also by the effect of drug money within Colombian society. They have something called the black market peso exchange problem in which durable goods are purchased in the United States and sold below cost within Colombia, totally disrupting the normal licit economic activity within that country by having people who are simply trying to convert their money into apparently clean dollars, or pesos, and disrupting the Colombian economy.

In addition to that, there is an enormous effect on the environment. When farmers cut down the rain forest in Colombia to grow coca, they are cutting down a world resource. When they pour toxic waste into the river systems of the Amazon-Orinoco Basins as part of their effort to process these raw products into finished drugs, they are poisoning the two major river systems in Latin America, and this cost is often overlooked in this problem.

This effort, this program, this plan is an attempt to try to deal with all of these problems. We have success in Peru and Bolivia. We have a government in Colombia that is prepared to try to deal with this problem. That has never happened before in this region, and this is an opportunity that we should not miss.

The plan that we start from is a Colombian plan. It is a plan written by the Colombian Government. There was U.S. collaboration, but I can assure you that the ideas, the concepts, the plan is a Colombian plan which came from them and which we helped them put together into one single document.

It is a plan based on $7.5 billion in resources, of which the Government of Colombia is prepared to provide $4 billion. It is a plan which we believe is comprehensive in that it deals with the drug issue, the economy, the rule of law, and the peace process. It is an integrated plan. It brings together all the agencies of the Colombian Government that are necessary in order to deal with this plan, and expects them to act together in a coordinated fashion, and it is a balanced plan. There is no area that is underemphasized in our view. We think that it is the right balance, and it is our intention and effort in the plan that we are proposing to match this proposal in the same comprehensive, integrated, coordinated, balanced fashion.

In addition to that, because I have spoken initially of Colombia, I do not want to leave aside the regional effort. There is a modest regional component of Plan Colombia, but we also have a baseline budget. We have a baseline budget in fiscal year 2000 and 2001 of about $150 million, and that is for Colombia alone.

In addition to that, we have programs in Bolivia and Peru which represent programs on the order of $75 million in each of those countries which are directly or indirectly related to the drug program efforts, so the baseline plus what is in the overall plan represent the sum and total of our regional effort.

I would like to go now to the program itself. Could you take down that chart, please? And I would like to use this simple budget

chart, which is in some of the congressional presentation documents, to speak to the overall effort.

What we are proposing is a $1.6 billion package combining new moneys with current funding. Building on the current funding of over $300 million, as I said, in fiscal year 2000 and 2001, our request includes $955 million in fiscal year 2000 supplemental funds, and $318 million in fiscal year 2001.

While discussions of this proposal have centered on its security assistance, roughly 21 percent of this effort will fund projects to strengthen the economy, assist farmers, promote human rights, and support other social programs. Spending between enforcement and social programs becomes more evenly balanced when the $7.5 billion Colombian proposal is taken as a whole. This balanced and integrated approach is the strength of the plan.

The plan has five component parts. The first part we refer to is the push into southern Colombia. The world's greatest expansion of narcotics cultivation is occurring in the insurgent-dominated southern Colombia, which you can see on the chart of Colombia here. The southernmost green areas are the areas that I am referring to.

We propose to spend $570 million over the next 2 years to help train and equip two additional counternarcotics battalions that will move into this area to protect the CNP as they carry out their counterdrug mission. The program will include 63 helicopters to enable security forces to provide access to this remote region.

It will provide another $16 million in developmental assistance to the people in southern Colombia to try to move them from illicit to licit cultivation, and there will be an additional $15 million to help those displaced by the conflict who will need emergency assistance, humanitarian assistance in the initial period, and who will then be transported to other areas of the country where gainful employment will be available for them.

Second, in terms of interdiction, we are enhancing Colombia's interdiction ability and believe that this is essential to decreasing the price per coca leaf and decreasing the flow of drugs. This component provides $341 million for radar upgrades and narcotics intelligence for Colombian security forces. These funds will also provide assistance to enhance regional interdiction efforts to prevent narcotraffickers and growers from relocating to other countries. For example, Peru, Bolivia, Ecuador, but also other states surrounding Colombia.

Third, there is an assistance package here specifically for the Colombian National Police [CNP]. The administration proposes an additional $96 million to enhance the Colombian National Police's ability to eradicate coca and poppy fields. It will upgrade existing aircraft, purchase additional aircraft, and provide secure bases for operations in the growing areas. In conjunction with the counternarcotics battalions, these will also enable the CNP to reach into the growing areas previously beyond their reach.

This effort builds on a major program of the last several years and, in particular, the program of fiscal year 1999 which was provided by the Congress in the Western Hemisphere Drug Elimination Act.

Fourth, in the area of economic development, totaling $145 million, this includes more than $45 million to provide economic alter-

natives for small farmers in Colombia overall, and $30 million for regional programs outside of Colombia. Also included are programs to build schools, roads, and clinics.

Local governments will be strengthened through a $15-million institution-building program. There are funds to support efforts to protect fragile lands and watersheds. We anticipate that these seed moneys will encourage other donors to support this robust program for alternative development, environmental protection, education, and health, and we are actively encouraging their support at this time.

Finally, in terms of boosting government capacity, the final component provides $93 million. It includes a number of programs to increase protection of human rights by supporting NGO's, creating human rights units within the CNP and the prosecutor's office, and offering protection for human rights workers in the country.

It contains more than $20 million in programs to reform the legal system, train judges, prosecutors, and public defenders, and expand the capabilities of the Colombian National Police and other investigative agencies to undertake effective programs in port security, in anticorruption, in money laundering, and to extend the effort that resulted in the major operational activity known as Operation Millennium that occurred last fall.

In conclusion, Colombia faces a complex and daunting series of problems. Narcotics is only one, and is linked to the equally complex issues of the economy, society, and areas of ineffective government. Colombia is a partner who shares our counternarcotics concerns, and possesses the will to execute the needed reforms and operations. Our challenge as a neighbor is to identify the ways in which we can assist Colombia in resolving these problems. This is an opportunity that presents itself to the United States, to the Government of Colombia, and to the peoples of the Western Hemisphere. Sir, it is an opportunity we cannot miss.

I thank you, and I look forward to having the opportunity to answer your questions.

[The prepared statement of Mr. Beers follows:]

PREPARED STATEMENT OF HON. R. RAND BEERS

Mr. Chairman and Members of the Committee:

I want to thank you for this opportunity to speak to you today about the situation in Colombia and about the threat it poses to regional security.

The situation in Colombia is critical. Colombia is increasingly threatened by well-armed and ruthless narcotics traffickers, supported by guerrillas and paramilitaries. The Colombian Government is unable to exert effective control over thousands of square miles of its own territory. Not only do Colombian people in these areas suffer from the violence and extortion of the armed groups; they also suffer from the government's inability to deliver services and the rule of law. As long as the government cannot operate, children's educational and health needs will go unmet, Colombia's globally critical environment will be left unprotected, and farmers will be unable to support their families through legitimate, protected trade. People in the border areas of neighboring countries are put at risk by the instability and violence as well. Unlike in past decades, when Colombia's legitimate economy performed better than most of Latin America despite the drug violence, today the impact of the violence on Colombia's investment climate has plunged the economy into deep recession. The corrosive powers of narcotics and narcotics money are ever-present threats to the institutions and economies of the region. The environmental threat may be even greater as coca growers clear-cut thousands of hectares of rainforest each year and pour toxins like potassium permanganate, sulfuric acid and acetone into the Amazon and Orinoco river systems. The situation in Colombia poses a considerable

number of direct threats to U.S. national security interests as well, not the least of which are the thousands of Americans killed by drugs and drug-related violence each year, the losses to our economy from drug-related accidents and inefficiency in the workplace and the social and human costs of abuse and addiction.

After strained relations with the tainted Samper administration, President Pastrana's tenure offers the United States and the rest of the international community a golden opportunity to work with Colombia in confronting these threats. In Peru and Bolivia, we have partners with sustained success combating the drug industry that are eager to continue working with the United States. We should not squander this opportunity. What the United States does or does not do for Colombia over the next several months will have a great impact on the future of our two countries, the Andean region and our hemisphere.

THE CURRENT SITUATION

Dealing with our own domestic narcotics problem must include helping Colombia dismantle the drug networks operating on its soil. Colombia is the world's leading producer of cocaine (two thirds of Andean coca cultivation occurs in Colombia with even more cocaine being processed and being transported within its borders) and is an important supplier of heroin to the U.S. market. We have all seen how these drugs have poisoned entire American communities, shattering families and destroying lives.

Colombia has also paid a high price. Illicit narcotics have corrupted its institutions and provided funding for illegal armed groups: powerfully armed left-wing guerrillas and right-wing militias that are perpetuating a 40-year-old insurgency. Today, large swaths of Colombia remain beyond the control of the Colombian government, and are incubators of lawlessness, violence and narco-corruption. Efforts to restore order in these prime coca and opium poppy producing zones are violently opposed by the narcotics traffickers and the various guerrillas and paramilitary groups in league with them.

Colombia must re-establish its authority over narcotics-producing sanctuaries. The country's many social and economic problems cannot be successfully resolved while narco-financed armed groups flourish in these lawless zones. Estimates of guerrilla income from narcotics trafficking and other illicit activities are undependable, but the drug trade is definitely their largest single source of income. Paramilitary groups also have clear ties to important narcotics traffickers and obtain much of their funding from them. Like his FARC counterparts, paramilitary leader Carlos Castano has publicly admitted taxing the drug trade. As a result, these groups are well funded and well armed. The strength of Colombia's armed insurgent groups has limited the effectiveness of joint U.S.-Colombian counternarcotics efforts. In order for our counternarcotics programs ultimately to be successful, we cannot allow certain areas of the country, like Putumayo, to be off-limits for counternarcotics operations.

There is a need to re-establish government order in Colombia for human rights purposes. According to the Colombian NGO Pais Libre, guerrilla, paramilitary, and other criminal groups kidnapped 2,945 people last year, including 51 foreigners. This is a 33 percent increase from 1998, with the two busiest groups, the FARC and the ELN, combining for half of the abductions. Kidnapping is neither an insurgent nor a political statement. It is a crime. Colombia must disrupt the narco-financing of these groups, regardless of any political orientation they may claim, if any comprehensive solution to Colombia's problems is going to succeed.

PLAN COLOMBIA

The Government of Colombia has risen to this challenge and is confronting these threats. The "Plan Colombia" is a package of mutually reinforcing policies to revive Colombia's battered economy, to strengthen the democratic pillars of society, to promote the peace process and to combat the narcotics industry. The strategy combines existing Colombian policies with ambitious new initiatives in forging an integrated approach to that nation's most pressing challenges by strengthening government institutions, promoting economic recovery, carrying out social reform and boosting counternarcotic efforts. The United States did consult with the Colombian leadership throughout the plan's development. But the plan was formulated, drafted and approved by President Pastrana and his team in Colombia.

Plan Colombia cannot be understood simply in terms of the U.S. contribution. In all, Plan Colombia is a $7.5 billion program toward which President Pastrana has pledged some $4 billion of Colombia's own scarce resources. He called on the international community to provide the remaining $3.5 billion. In response to this request, the Administration is proposing a $1.6 billion assistance package to Colom-

bia. A significant share of our package will go to reduce the supply of drugs coming into the United States by assisting the government of Colombia in its efforts to confront the cocaine and heroin industries. This focus on enforcement-related assistance, the so-called "stick," will allow other sponsors to provide support for the "carrot," developmental and humanitarian assistance projects for which they have special interests and expertise.

Now, the Colombians have asked us to provide support in implementing the Plan. Just as we consulted with them on "Plan Colombia," they have consulted with us regarding this proposed assistance package. The result is a package of assistance that Colombia needs and can use. The composition of this proposal factors in Colombian contributions and the expected contributions of other supporters. International financial institutions are already engaged. Both the Colombians and we fully expect additional support to be forthcoming from bilateral and multilateral sources, primarily to assist economic development and social services.

Our assistance for Plan Colombia is intended to meet the needs that the other sources cannot. It is based on the shared hope of achieving peace and prosperity in Colombia through the overall reduction of illicit drug production and trafficking, thereby allowing the Colombian government to establish democratic control and provide services and infrastructure throughout its national territory.

Plan Colombia was designed with the benefit of knowing what has worked in Bolivia and Peru. With U.S. assistance, both countries have been able to reduce coca production dramatically. This was achieved through successful efforts to re-establish government control and bring government services to former drug producing safehavens. Both Bolivia and Peru combined vigorous eradication and interdiction efforts with alternative development incentives for small farmers to switch to legal crops and other licit ways to make a living. Colombia's aim is to achieve a similar record of success.

In doing this, we cannot, and will not, abandon our allies in Bolivia and Peru. Their successes are real and inspired. But they are also tenuous against the seductive dangers of the narcotics trade. This is why our Plan Colombia support package includes $46 million for regional interdiction efforts and another $30 million for development in Peru, Bolivia, and Ecuador. These countries deserve our continued support to solidify the gains they have striven so hard to attain. We have no intention of allowing cultivation and production of narcotics simply to relocate in an international game of cat-and-mouse.

COLOMBIAN EFFORTS

The Colombian National Police (CNP), under the direction of General Serrano, has upheld its standing as one of the premier counternarcotics forces in the world. Now, the Colombian armed forces have adopted a similar commitment to counternarcotics in support of the CNP's counternarcotics mandate.

At the same time, important cultural changes are also taking place within the armed services. Defense Minister Ramirez and General Tapias, Commander of the Armed Forces, have acted to remedy the tradition of human rights abuses and impunity that have tainted the military's international reputation and strained our bilateral relations. Respect for human rights remains an issue of high priority in Colombia, and the record shows that the current civilian and military leadership has the will to tackle this challenge. That said, all assistance to Colombian security forces will continue to depend on the vetting of all intended recipients as required by U.S. law.

The new leadership realizes that one of the best ways to attack the guerrillas is to attack their financing, in the form of narcotics profits. The Colombian Army has greatly expanded cooperation with and support to the Colombian National Police, and formed its first counternarcotics battalion. This battalion is a 950-person unit with a CNP platoon attached. We must continue working with the Colombian military to bring their capabilities up to a level where they can successfully operate alongside the CNP and contribute to the counternarcotics effort. The CNP alone is simply not large enough or properly trained to provide the security necessary for major operations against cultivation and trafficking in southern Colombia.

The need for counternarcotics assistance to Colombia is great and we will continue to provide it in the form of goods and services. However, we do not intend or desire to commit U.S. forces in Colombia. On the ground, our assistance will be limited. We will train approved units, we will provide technical assistance and we will help develop programs. Still, there is more we can do. The United States can continue to urge the international community to support Colombia in this struggle and we encourage other potential donors to follow the example of the Administration's proposed $1.6 billion assistance package.

COMPONENTS OF U.S. ASSISTANCE PACKAGE

The Administration is proposing a $1.6 billion assistance package to Colombia combining new monies with current funding. Building on current funding of over $330 million in FY 2000 and FY 2001, our request for new monies includes a $954 million FY 2000 emergency supplemental and $318 million in additional FY 2001 funding. This will result in assistance totaling just over $1.1 billion in FY 2000. Over the two-year funding life of the proposal, 88 percent of the monies, roughly $1.383 billion, will go for Colombia specific programs while the remaining 12 percent, approximately $190 million, will support projects in neighboring countries and the region. And, while discussions of the proposal center on the security assistance it provides, 21 percent of the monies funds projects to strengthen the economy, assist farmers, promote human rights and generally support other social programs. What's more, spending between enforcement and social programs becomes even more balanced when the $7.5 billion Plan Colombia is taken as a whole. This balanced and integrated approach is the strength of the plan.

The Administration's proposed assistance package has five components:

1. Push into Southern Colombia

The world's greatest expansion in narcotics cultivation is occurring in insurgent-dominated southern Colombia. With this package, the Administration proposes to fund $600 million over the next two years to help train and equip two additional special counternarcotics battalions which will move into southern Colombia to protect the Colombian National Police (CNP) as they carry out their counter-drug mission. The program includes 30 Blackhawk helicopters and 33 UH-1N helicopters to enable the counternarcotics battalions to access this remote and undeveloped region of Colombia. It will provide $16 million in developmental assistance, providing technical assistance and agricultural inputs to the farmers of southern Colombia as well as $15 million to help those displaced by conflict in the region.

2. Andean Interdiction

Enhancing Colombia's ability to interdict air, water-borne, and road trafficking is essential to decreasing the price paid to farmers for coca leaf and to decreasing the northward flow of drugs. The component includes funding $341 million for radar upgrades and to provide narcotics intelligence to Colombian security forces. It will support the forward operating location in Manta, Ecuador, which will be used for narcotics related missions. Additionally, these funds will provide assistance to enhance interdiction efforts in Peru, Bolivia, and Ecuador to prevent narcotics traffickers and growers from moving into neighboring countries.

3. Assistance for the Colombian National Police (CNP)

The Administration proposes additional funding of $96 million over the next two years to enhance the CNPs ability to eradicate coca and poppy fields. This will upgrade existing aircraft, purchase additional spray aircraft, and provide secure bases for increased operations in the coca-growing centers. The CNP's ability to eradicate cultivation deep in guerrilla territory and at high altitudes has been hindered by security concerns and equipment needs. This funding, in conjunction with the counternarcotics battalions, will enable the CNP to reach into narcotics-growing areas previously beyond their reach.

4. Economic Development

This element, totaling $145 million, includes more than $45 million of new funds to provide economic alternatives for small farmers in Colombia who now grow coca and poppy plus another $30 million for regional efforts. Also included are programs to build schools, roads and clinics. Local governments will be strengthened through a $15 million program. There are also funds to support efforts to protect fragile lands and watersheds. We anticipate that these seed monies will encourage other donors to support the Colombian government's robust agenda for alternative development, environmental protection, education and health. We will actively encourage such support.

5. Boosting Governing Capacity

The final component totals $93 million and includes a number of programs to increase the protection of human rights by supporting NGOs, creating human rights units in the CNP and the prosecutor's office, and offering protection to human rights workers. It contains more than $20 million in programs to reform the legal system and train judges, prosecutors, and public defenders. It also will enhance Colombian abilities to attack financial crimes and kidnapping.

CONCLUSION

Colombia faces complex and daunting problems. Collectively, we may find it convenient to think of Colombia in terms of the narcotics crisis. In truth, that is only one element and it is linked, in a fundamental way, to the equally complex issues of economics, society, and an ineffective government presence in large areas of the country. At this moment, Colombia is a partner who shares our counternarcotics concerns and possesses the will to execute needed reforms and operations. Our challenge, as a neighbor to the north and a partner, is to identify ways in which we can assist Colombia in resolving its narcotics-related and other problems. I look forward to working closely with Congress as we continue to address these critical issues.

Senator CHAFEE. Thank you, sir. I now call on Hon. Brian Sheridan. Welcome, sir.

STATEMENT OF HON. BRIAN E. SHERIDAN, ASSISTANT SECRETARY OF DEFENSE, SPECIAL OPERATIONS AND LOW-INTENSITY CONFLICT, DEPARTMENT OF DEFENSE

Mr. SHERIDAN. Thank you, Mr. Chairman, for this opportunity to come up today and discuss the supplemental.

I am pleased to be up here with Randy and Bill. We have done a lot of work together over the last few months on crafting this proposal. I think Randy gave you a very excellent overview of what the supplemental package looks like, so I will not plow that ground again. I would just make four quick points in addition to the written statement that I have provided for the record.

First, from a Department of Defense perspective, our purpose in Colombia and in the supplemental is counterdrugs, counternarcotics. As you stated, Mr. Chairman, earlier, thousands of Americans are killed every year because of the hazards of drug abuse. It affects tens of thousands of families, destroys communities, and tears at the fabric of our society. UNDCP believes that damages directly and indirectly to the economy total about $110 billion a year.

So that is the problem that we are seeking to address in Colombia, and that is the purpose of the Department of Defense efforts there, that and that alone.

My second point is that the program that we are focusing on in the Department is designed to destroy drug production in southern Colombia and the cartels behind it. We work with the Colombians in developing and executing integrated air, ground, and river programs in the south. This supplemental provides additional funding for that. It moves forward some funding we probably would have gotten in the outyears, but it does not fundamentally change the types of things that the Department has been doing in Colombia for quite sometime.

My third point is that some folks have been concerned, and I think rightfully so, given the very complicated nature of the situation on the ground in Colombia, that we do not get dragged into some kind of counterinsurgency campaign, and I am here to assure you, Mr. Chairman, and all others, that that will not be the case. The Secretary of Defense has been very clear that he supports counternarcotics programs, again of the kind we have been running for 10 years, but he has been equally clear that we are not interested in getting into a counterinsurgency campaign. We have been doing this for 10 years. We have highly skilled professionals down

there. We have very strict controls on where they go and what they do, and I would be happy during the questions and answers to go into that in greater detail.

My last point is on human rights. Again, many have been rightfully concerned about the track record of the Colombian military on human rights. I think it is useful to break the discussion into three distinct areas. One is how are the armed forces doing currently on human rights abuses, second, how are they doing on bringing to justice those accused of past abuses, and third, what are the extent of their links to paramilitary organizations in Colombia?

On the first round, current allegations of abuses by the military forces in human rights have plummeted to nearly nothing, I mean, in single digit numbers, and I think they have made great progress there, and I think it is important, while we talk to them about other areas of improvement, we also recognize the tremendous progress that they have made in that area. So concerning the conduct currently of the military forces in Colombia, they have cleaned up their act, and they have a very good track record.

In the second area of bringing to justice those accused in past abuses, there clearly more work needs to be done, but President Pastrana has done a lot. There have been somewhere around 15 generals over the last couple of years relieved of their responsibilities based on these past allegations of abuses. Is that sufficient in and of itself? No. Is there more work to be done? Yes. But clearly they are making progress in that area.

Last, on the issue of links to paramilitaries, this is the most difficult. It is the most difficult to prove, and it is also difficult for them to make progress on. Nevertheless, the President has made it very clear that this is not to be tolerated. Again, I think just within the last couple of days he has again condemned paramilitaries for their activities, and he has made it clear to the armed forces that they are not to have contact with or in any way collude with paramilitary groups.

That said, I think the Colombians would be the first to say that more needs to be done to get that institutionalized throughout the Colombia military, and on a case-by-case basis throughout the country I think most people would agree that some of that tacit collusion does go on, and that must be stopped, and I think the President and the defense minister have made it clear that they will continue working on that very difficult problem.

From our perspective, we think that the current safeguards we have both on our equipment and our training are sufficient. We think they strike the right balance between our very sincere interests in human rights in Colombia, but also with our very important interest in counternarcotics and the thousands of American lives that I discussed earlier, so we think the current conditionality, if you will, that we attach to our aid strikes the right balance and we are not interested in more so.

Let me just close by saying that the problems in Colombia took them about 40 years to get into, and they are not going to be fixed overnight. I think Randy, Bill, and myself have all worked very hard on this package. We think it is a good package, but we also do not want to leave anyone with the impression that sometime, a week after the supplemental gets passed, suddenly everything is

going to be fine in Colombia. It is a long road. This is a first step. I think it lays the groundwork for future success, but we should have no illusion that this is going to be fixed overnight.

With that, Mr. Chairman, I am finished and look forward to questions.

[The prepared statement of Mr. Sheridan follows:]

PREPARED STATEMENT OF HON. BRIAN E. SHERIDAN

I am pleased to have the opportunity to testify before this Subcommittee to discuss the Department of Defense's perspective on the growing Colombian drug threat as well as our integrated programs designed to assist the Government of Colombia in its efforts to address this scourge.

As you are aware, drug abuse is an undeniable threat to our national security that is measured in thousands of lives lost and costing our country billions of dollars annually. Reducing the supply of drugs on our streets is an integral component of our National Drug Control Strategy and the Department of Defense (DoD) plays a key supporting role in creating the opportunity for law enforcement agencies, both our own and those of foreign nations, to interdict the flow of drugs into our country. DoD is committed to this counterdrug mission. The programs I will outline today were developed in conjunction with U.S. Southern Command, our interagency partners and the Government of Colombia, and form the core of a sound, responsive, and timely assistance package that will significantly enhance Colombia's ability to conduct effective counterdrug operations.

Over the past two years Colombia, specifically the area east of the Andes, has become the center of the cocaine trade, largely as a result of successful interdiction and eradication efforts in Peru and Bolivia. The remoteness of eastern Colombia and the lack of government control in large areas of this region has precluded Colombian interdiction operations to the point that the expansion of coca growing areas, especially in the Putumayo Department, has progressed virtually unchecked. Most of the world's coca is now grown in Colombia and over eighty percent of the cocaine consumed in the U.S. is manufactured in Colombia. The United States, the nation with the greatest cocaine demand, currently consumes over 200 metric tons annually from the Andean region.

SOURCE ZONE PROGRAMS

To disrupt illegal cocaine cultivation and production throughout the source zone, DoD, working with host nations and our interagency partners, has developed and selectively implemented a threat based, intelligence driven, counterdrug interdiction strategy which has focused on air, riverine/coastal, and ground programs. DoD has worked closely with source zone nations to improve their organic air interdiction capability by funding upgrades to their aircraft that conduct counterdrug missions. To support the detection and monitoring (D&M) of airborne traffickers, the Department has fielded Relocatable Over-the-Horizon Radars (ROTHR), and deployed ground based radars along with airborne tracker aircraft equipped with air-to-air radars.

Our counterdrug riverine and littoral efforts have provided equipment and training support to source zone nations, thereby facilitating effective operations along the vast river networks of the Amazon basin, a major supply route for precursor production chemicals. Finally, DoD's ground interdiction assistance has concentrated on training selected military units, consisting of human rights-vetted personnel, in the light infantry tactics they require to support law enforcement interdiction and eradication operations. These source zone programs have been enhanced through the development of intelligence and command and control networks. These efforts, in conjunction with law enforcement and eradication programs, have proven to be successful in both Peru and Bolivia, however, the conditions necessary to implement a coordinated response throughout the Colombian cultivation and cocaine production regions have not been met—until now.

PLAN COLOMBIA

Colombian President Andres Pastrana has developed a comprehensive and integrated approach to address Colombia's current problems. This plan, known as "Plan Colombia," would strengthen the Colombian economy and democracy while fighting narcotics trafficking. Further, this plan demonstrates that Colombia is moving forward aggressively, exercising its political will to address, and ultimately solve, domestic problems that have persisted for decades. The U.S. has a vital material interest in the success of this plan. We must now step forward with the Government of

Colombia by enhancing our current strategy, based on proven source zone interdiction programs. This effort is responsive to Plan Colombia and consistent with current U.S. policy.

COLOMBIAN SUPPLEMENTAL SOURCE ZONE ENHANCEMENTS

The proposed fiscal year 2000 supplemental request will provide the resources necessary to promote essential facets of the Department's assistance to Colombian interdiction efforts. We feel that the supplemental is a balanced and executable plan—not without challenges which I will address later—that is necessary to attack the strategically vulnerable aerial cocaine transportation network while expanding ground interdiction and eradication operations into the densest coca cultivation areas of the Putumayo region. Let me outline for you how this supplemental funding would enhance each of our baseline counterdrug programs in Colombia in support of our overall source zone strategy.

Air Interdiction

Colombia requires aircraft that can track drug traffickers engaged in aerial smuggling. The supplemental will fund the installation of air-to-air radars in two Colombian aircraft. These radars will provide the Colombian Air Force the organic ability to conduct terminal aerial intercepts of drug smugglers. Aerial intercepts are intricate operations and require adequate ground based coordination. Therefore, the supplemental will also fund the upgrade of the Colombian Air Force radar command and control center as well as additional ground based radars to assist in detecting and sorting aircraft operating in eastern Colombia. Critical to this air interdiction effort are supplemental initiatives, under State Department authority, that will upgrade Colombian Air Force counterdrug aircraft for the air intercept mission. The supplemental also requests funding for U.S. Customs Service airborne early warning aircraft upgrades to ensure that these crucial platforms will continue to be available for the source zone interdiction mission.

Basing airborne D&M aircraft, as well as aerial intelligence collection platforms, close to the historical airborne smuggling routes is of the utmost importance to the successful implementation of the integrated strategy in Colombia. For this reason, funding for the forward operating location (FOL) at Manta, Ecuador, is included in the supplemental. General Wilhelm will expound on the operational requirements; however, I want to ensure that you understand that the Department views the completion of the site upgrades to the Manta FOL as a critical component of the overall source zone effort.

Ground Interdiction

The supplemental funding focuses extensive resources on improving Colombia's counterdrug ground interdiction programs. The Department has completed training of a counterdrug battalion that is now operational in the Putumayo region. The supplemental will support the training and equipping of two additional counterdrug battalions that will be operational by the end of this calendar year. Funding, if appropriated, will also be used to develop a suitable counterdrug brigade headquarters to oversee the operation of the three counterdrug battalions.

The Colombian National Police (CNP) will be conducting counterdrug interdiction and eradication missions in remote regions of the country where the coca growing fields are located. Therefore, the counterdrug battalions will require adequate airlift to move troops to support the CNP. The required helicopter lift is provided for under State Department authority, however, DoD will use proposed supplemental funding to establish the necessary Colombian Army aviation support infrastructure. Enhanced counterdrug intelligence collection efforts are also required to develop and plan counterdrug operations. Consequently, the supplemental will provide sufficient funding in this area to further enhance the intelligence programs that already serve as a foundation for our source zone strategy.

All these programs that I just outlined build on our current strategy—no change in DoD policy is required to execute the programs funded by this supplemental. There is nothing new here for DoD. However, there will be challenges to confront in the course of our efforts to attack the center of the cocaine industry in eastern Colombia. It will not be easy, but it is worth the effort. Let me share with you my concerns.

DEPARTMENT OF DEFENSE CONCERNS

Colombian Military Organization

First, the Colombian military, by their own admission, is not optimally structured and organized to execute sustained counterdrug operations. They are heavy on "tail"

and short on "tooth." They need to better coordinate operations between the services and with the CNP. The military has limitations based on resources, training practices, lack of joint planning and operations. The restructuring of the military is essential if Colombia is to have continuing operational success against the drug threat. The Colombian military needs help and we plan to use a small portion of supplemental funding towards this end.

Human Rights

I am also concerned, as are many others in Congress, about human rights. The practices and procedures that the U.S. government has put in place, often at the behest of concerned Members of Congress, and the example set by the small number of our troops training Colombian forces has had an impact, as have President Pastrana's reforms. This is a success story. While we must remain vigilant, and there is undoubtedly room for improvement, I am concerned that if extensive conditional clauses are included in the supplemental appropriations language, that we could inhibit or mitigate the overall effectiveness of U.S. assistance to Colombian. We need to work together, Congress and the Administration, to address this concern. I am also alarmed by the reported dramatic increase in human rights violations attributed to both the paramilitaries and insurgents—this is symptomatic of Colombia's crisis in general and, as I see it, a call for action. The Colombian government needs the resources and training to address this problem and the supplemental represents a significant contribution on the part of the U.S.

Counterdrug vs. Counter Insurgency

Lastly, let me address the "targets" of this supplemental package, and our source zone strategy as a whole. The targets are the narco-traffickers, those individuals and organizations that are involved in the cultivation of coca and the subsequent production and transportation of cocaine to the U.S. The Colombian military will use the equipment and training that is provided by this supplemental request, in conjunction with the assistance that has already been delivered, to secure perimeters around CNP objectives—coca fields and cocaine labs—so that the CNP can safely conduct interdiction and eradication operations. Only those armed elements that forcibly inhibit or confront these joint military and CNP operations will be engaged, be they narcotraffickers, insurgent organizations, or paramilitaries.

I know that many are concerned that this aid package represents a step "over the line," an encroachment into the realm of counterinsurgency in the name of counterdrug. It is not. The Department has not, and will not, cross that line. While I do not have the time to elaborate on all of the restrictions, constraints, and reviews that are involved in the approval of the deployment of U.S. military personnel on counterdrug missions, in Colombia and elsewhere, it suffices to say that it is comprehensive. I personally look not only at who is deploying and what they are doing, but at the specific locations to which they are going. Furthermore, each and every deployment order states, in no uncertain terms, that DoD personnel are not to accompany host nation personnel on operational missions. This will not change. As I have said, this supplemental does not require a change in U.S. policy. Is there risk to U.S. personnel providing counterdrug support? Yes there is. Is the risk increased as a result of the programs being enhanced by the supplemental? The answer is no.

The Department of Defense enthusiastically supports this supplemental. U.S. Southern Command and my office participated extensively in its formulation. It integrates fully our source zone strategy, affording the opportunity to enhance those counterdrug programs that have proven successful in Peru and Bolivia. President Pastrana has asked for international support to address an internal problem that has international dimensions—fueled in part by our country's demand for cocaine. It is time to move forward and, I hope, with congressional support, that we can do so soon.

Senator CHAFEE. Thank you. Mr. Ledwith.

STATEMENT OF MR. WILLIAM E. LEDWITH, CHIEF OF INTERNATIONAL OPERATIONS, DRUG ENFORCEMENT ADMINISTRATION, WASHINGTON, DC

Mr. LEDWITH. Chairman Chafee, it is a pleasure for me to appear today to testify on the narcotics crisis in Colombia. I will keep my remarks brief, and request that my written statement be submitted for the record.

We at DEA believe that the international trafficking organizations based in Colombia who smuggle their illegal drugs into our country pose a formidable challenge to the national security of the United States. DEA is proud to play a key role in the U.S. Government's strategy to assist Colombia in the counterdrug effort.

The witnesses here today, taken together, will give you a broad picture of the current situation in Colombia and the U.S. Government's plans to deal with it. I am here to comment on the law enforcement aspects of dealing with the international drug trafficking organizations currently operating in Colombia. DEA's mission in Colombia, as in other foreign postings, is to target the most powerful international drug syndicates that operate around the world, supplying drugs to American communities, and employing thousands of individuals to transport and distribute their drugs.

International drug syndicates headquartered in Colombia and operating through Mexico and the Caribbean control the sources and the flow of drugs into the United States. Virtually all of the heroin produced in Colombia is destined for the United States market. In fact, Colombia has over the past 5 years become the leading source of heroin in the United States. Recent DEA statistical data indicates that as much as 75 percent of the heroin seized and analyzed by Federal authorities in the United States is of Colombian origin.

Over half of the cocaine entering the United States comes from Colombia through Mexico alone and across U.S. border points of entry. Colombian drug trafficking groups are no longer the monolithic organizations they were over most of the past two decades. Experienced traffickers who have been active for years but worked in the shadow of the Cali drug lords have proven adept at seizing opportunities to increase their role in the drug trade.

In addition to trafficking their own cocaine, the organizations operating out of Colombia supply almost all of the cocaine to the Mexican crime syndicates. The Mexican organizations purchase cocaine from the Colombians, as well as accepting cocaine in payment for transportation services from Colombian groups.

This change in the manner in which business is conducted is also driven by the new trafficking groups in Colombia, who have chosen to return to the Caribbean in order to move their cocaine to the United States. The Colombians have franchised to criminals from other countries a portion of the mid-level wholesale cocaine and heroin trade on the east coast of the United States. Colombian groups remain, however, in control of the sources of supply. Their subordinates operating in the United States and not the Colombians are now the ones subject to arrest, while the top-level Colombians control the organization with increasingly encrypted communications.

Colombia has always been the world's No. 1 producer of finished cocaine hydrochloride. Colombia now has the distinction of also being the world's largest producer of cocaine base. Over the past several years, Colombian cultivation and cocaine production have been increasing dramatically. Colombian traffickers continue to become more self-sufficient by increasing cocaine base production within Colombia itself to offset the decline in base previously brought in from Peru and Bolivia.

There continues to be deep concern in DEA, as in the rest of the administration and in the Congress, about the connection between the FARC and other groups in Colombia and the drug trade. The presence of the insurgents in Colombia's eastern lowlands and southern rain forests, the country's primary coca cultivation and cocaine processing regions, hinders the Colombian Government's ability to conduct counterdrug operations.

The frequent ground fire sustained by Colombian National Police eradication aircraft operating in insurgent-operated areas shows the extent to which insurgent units will go to protect the economic interests of their local constituents. Some insurgent units raise funds through extortion or by protecting laboratory operations. In return for cash payments, or possibly in exchange for weapons, the insurgents protect cocaine laboratories in southern Colombia.

Recent DEA reporting indicates that some FARC units in southern Colombia are indeed directly involved in drug trafficking activities, such as controlling local cocaine base markets. Some insurgent groups have assisted drug trafficking organizations in transporting and storing cocaine and marijuana within Colombia. In particular, insurgent units protect clandestine air strips in southern Colombia.

The Colombian National Police continue to pursue significant drug investigations in cooperation with the DEA. On October 13, 1999, the Colombian National Police, the Colombian Prosecutor General's Office, DEA, and the U.S. Department of Justice, carried out Operation Millennium. Millennium was a long-term complex investigation targeting the inner workings of several of the most important international drug trafficking organizations operating in Colombia and Mexico.

This operation resulted in the indictment and arrest of one of the former leaders of the Medellin drug cartel, Fabio Ochoa-Vasquez, along with 30 other extremely significant defendants. Once extradition of these defendants to the United States is completed, that operation will be the most successful and significant drug enforcement event since the elimination of the Medellin cartel.

DEA will continue to direct assets and resources at the command and control structures of the major drug trafficking organizations operating throughout Colombia. All DEA programs in one form or another will focus on the identification and immobilization of major drug trafficking organizations operating throughout Colombia.

To further augment these objectives, programs such as the Andean Initiative, Sensitive Investigations Unit, and the intelligence collection programs will be the primary support for DEA's enforcement efforts. These units will be encouraged to work simultaneously with DEA domestic offices in coordinated transnational investigations targeting all aspects of these organizations so as to maximize both the effect and the return on our investment.

To conclude, we can and should continue identifying and building cases against the leaders of the new criminal groups from Colombia. A number of initiatives hold particular promise for success. The special program of vetted units funded by the U.S. Congress under the vetted unit initiative will make it possible to continue to conduct high-level drug investigations in Colombia and the regions without fear of compromise. These units are by far DEA's most important investigative tools.

We intend to carry out even more of the cutting edge sophisticated investigations like Millennium as part of a joint Department of Justice Criminal Division, DEA, and Colombian National Police bilateral case initiative. Such operations benefit from the closest possible cooperation between the DEA and the Colombia National Police. These operations will effectively demonstrate that even the highest level traffickers based in foreign countries cannot manage drug operations in the United States with impunity.

DEA intends to fully support Plan Colombia. This support will include intensified investigations at the highest level of the drug trafficking organizations. DEA will continue to work closely with specially trained and vetted Colombian law enforcement units, other Colombia law enforcement agencies, and Colombian prosecutors to initiate joint investigations at the highest level.

Colombia faces dramatic challenges to the rule of law, many of which are directly related to drug trafficking. Plan Colombia addresses many of these elements. The support to multilateral investigations, counterdrug units, and money laundering sections of the justice initiative portion of Plan Colombia can support DEA, Colombian National Police, DOS, and Colombian prosecutors' efforts to fight drug trafficking in Colombia. Other sections of the justice initiative of Plan Colombia can provide indirect support to DEA, Colombian National Police, DOS, and Colombian prosecutors' efforts to investigate major Colombian drug trafficking organizations. These sections include support to money laundering, asset forfeiture, training for police prosecutors and judges, security for victims and witnesses, prison assistance, and procedural and legislative reform to the Colombia legal system.

Thank you for the opportunity to testify before your committee today. I will be happy to respond to any questions that you may have, sir.

[The prepared statement of Mr. Ledwith follows:]

PREPARED STATEMENT OF WILLIAM E. LEDWITH

Chairman Chafee and members of the Subcommittee. It is a pleasure for me to appear here today to testify on the narcotics crisis in Colombia. We in DEA believe that the international trafficking organizations based in Colombia who smuggle their illegal drugs into our country pose a formidable challenge to the national security of the United States. DEA is proud to play a key role in the U.S. Government's long-range strategy to assist Colombia in the counterdrug effort.

DEA is well aware that Colombia not only faces a drug trafficking crisis, but also is torn by an economic crisis and a generations-long civil conflict. There are, to be sure, regional and hemispheric concerns for stability rising from the current situation in Colombia. There is a wide range of witnesses here today who can, taken together, give you a broad picture. I am here to comment on the law enforcement aspects of dealing with international drug trafficking organizations operating in Colombia.

We have the highest confidence in the observations and conclusions we will share with you today. When DEA operates in foreign posts, we work within the legal systems of our host nations, of course in accord with U.S. law, and in cooperation with our host nation police agency counterparts. During our investigations, in partnership with our host nation counterparts, we gather and collect a wide range of information, including drug intelligence, on the trafficking organizations, which we target.

1. DEA TARGETS INTERNATIONAL ORGANIZED CRIME

DEA's mission, in Colombia as in other foreign postings, is to target the most powerful international drug syndicates that operate around the world, supplying drugs to American communities, and employing thousands of individuals to trans-

port and distribute drugs. The most significant international drug syndicates operating today are far more powerful and violent than any organized criminal groups that we have experienced in American law enforcement. Today's major international organized crime drug syndicates are simply this new century's versions of traditional organized crime mobsters U.S. law enforcement officials have fought since the beginning of the Twentieth Century. Unlike traditional organized crime, however, these new criminals operate on a global scale.

Members of international groups headquartered in Colombia and Mexico today have at their disposal the most sophisticated communications technology as well as faxes, internet, and other communications equipment. Additionally, they have in their arsenal; aircraft, radar-equipped aircraft, weapons and an army of workers who oversee the drug business from its raw beginnings in South American jungles to the urban areas and core city locations within the United States. All of this modern technology and these vast resources enable the leaders of international criminal groups to build organizations which—together with their surrogates operating within the United States—reach into the heartland of America. The leaders in Colombia and Mexico, by creating organizations that carry out the work of transporting drugs into the United States and franchising others to distribute drugs, themselves try to remain beyond the reach of American justice. The traffickers also have the financial resources necessary to corrupt law enforcement, military, and political officials in order to create a relatively safe haven for themselves in the countries in which they make their headquarters.

As complex as these communications arrangements of organized crime groups are, U.S. law enforcement agencies have been able to exploit their communications by using court-approved telephone interceptions. With the top leadership of these organizations in hiding beyond the immediate reach of U.S. law enforcement, we have directed our resources at their organizational structure, and their transportation and distribution elements in the United States.

We have been able to identify, indict, and in many cases arrest, international drug traffickers because the very feature of their operations which makes them most formidable—the ability to exercise effective command and control over a far-flung criminal enterprise—is the feature that law enforcement can use against them, turning their strength into a weakness. However, it must be noted that the spread of encryption technology threatens to remove this essential investigative tool from our arsenal, and poses, in our view, a threat to the national security of the United States because it will hamper law enforcement efforts to protect our citizens from drug trafficking organizations operating abroad.

The international drug syndicates headquartered in Colombia, and operating through Mexico and the Caribbean, control both the sources and the flow of drugs into the United States. The vast majority of the cocaine entering the United States continues to come from the source countries of Colombia, Bolivia, and Peru. Virtually all of the heroin produced in Colombia is destined for the U.S. market. In fact, Colombia has over the past five years become the leading source of heroin in the United States. Recent statistical data indicate that as much as 75% of the heroin seized and analyzed by Federal authorities in the United States is of Colombian origin. For the past two decades—up to recent years—crime groups from Colombia ruled the drug trade with an iron fist, increasing their profit margin by controlling the entire continuum of the cocaine market. Their control ranged from the coca leaf and cocaine base production in Peru, Bolivia, and Colombia, to the cocaine hydrochloride (HCl) production and processing centers in Colombia, to the wholesale distribution of cocaine on the streets of the United States.

Colombian traffickers continue to import cocaine base from the jungles of Bolivia and Peru, but in ever decreasing amounts. Coca leaf production has increased dramatically within Colombia itself, however the traffickers move the cocaine to the large cocaine HCl conversion laboratories in southern Colombia. The vast majority of the cocaine base and cocaine HCl destined for the United States is produced in these laboratories. Many of these activities take place in the southern rain forests and eastern lowlands of Colombia. Most of the coca cultivation in Colombia occurs in the Departments of Guaviare, Caqueta, and Putumayo. This cultivation occurs in areas where there is limited, if any, government control or presence. Cocaine conversion laboratories range from smaller "family" operations to much larger facilities, employing dozens of workers. Once the cocaine HCl is manufactured, it is either shipped via maritime vessels or aircraft to traffickers in Mexico, or shipped through the Caribbean corridor, including the Bahamas Island chain, to U.S. entry points in Puerto Rico, Miami, and New York.

Over half of the cocaine entering the United States continues to come from Colombia through Mexico and across U.S. border points of entry. Most of this cocaine enters the United States in privately-owned vehicles and commercial trucks. There is

new evidence that indicates a few traffickers in Mexico have gone directly to sources of cocaine in Bolivia and Peru in order to circumvent Colombian middlemen.

Drug trafficking in the Caribbean is overwhelmingly influenced by Colombian organized criminal groups. The Caribbean had long been a favorite smuggling route used by the Cali and Medellin crime groups to smuggle cocaine to the United States. During the late 1970s and the 1980s, drug lords from Medellin and Cali, Colombia established a labyrinth of smuggling routes throughout the central Caribbean, including Haiti, the Dominican Republic and the Bahamian Island chain to South Florida, using a variety of smuggling techniques to transfer their cocaine to U.S. markets. Smuggling scenarios included airdrops of 500-700 kilograms in the Bahamian Island chain and off the coast of Puerto Rico, mid-ocean boat-to-boat transfers of 500 to 2,000 kilograms, and the commercial shipment of multi-tons of cocaine through the port of Miami.

2. CURRENT COLOMBIAN DRUG TRAFFICKING GROUPS

Colombian drug trafficking groups are no longer the monolithic organizations they were over most of the past two decades. After Miguel Rodriguez Orejuela and his confederates in the Cali Cartel were brought to justice by Colombian authorities in 1995, new groups from the North Valle del Cauca began vying for control of the lucrative markets on the United States East Coast, previously dominated by Rodriguez Orejuela. Experienced traffickers who have been active for years—but worked in the shadow of the Cali drug lords—have proven adept at seizing opportunities to increase their role in the drug trade. Many of these organizations began to reactivate traditional trafficking routes in the Caribbean to move their product to market.

DEA's focus on the Cali organization's command and control functions in the U.S. enabled us to build formidable cases against the Cali leaders, which allowed our Colombian counterparts to accomplish the almost unimaginable—the arrest and incarceration of the entire infrastructure of the most powerful crime group in history. Although the incarceration of Cali traffickers may continue to direct a portion of their operation from prison they are no longer able to maintain control over this once monolithic giant. Now, the independent groups of traffickers from the Northern Valle del Cauca have replaced the highly structured, centrally controlled business operations of the Cali Cartel. These new groups tend to be smaller and less monolithic, however, they continue to rely on fear and violence to expand and control their trafficking empires.

DEA has identified the major organizations based on the northern coast of Colombia that have deployed command and control cells in the Caribbean Basin to funnel tons of cocaine to the United States each year. Colombian managers, who have been dispatched to Puerto Rico and the Dominican Republic, operate these command and control centers and are responsible for overseeing drug trafficking in the region. These groups are also directing networks of transporters that oversee the importation, storage, exportation, and wholesale distribution of cocaine destined for the continental United States.

In addition to trafficking their own cocaine, organizations operating out of Colombia supply almost all of the cocaine to the Mexican crime syndicates. The Mexican organizations purchase cocaine, as well as accepting cocaine in payment for services, from Colombian groups. This change in the manner in which business is conducted is also driven by the new trafficking groups in Colombia, who have chosen to return to the Caribbean in order to move their cocaine to the United States.

Mexican organized crime syndicates now control the wholesale distribution of cocaine in the western half and the Midwest of the United States. Moreover, the Colombians have franchised to criminals from the Dominican Republic a portion of the mid-level wholesale cocaine and heroin trade on the East Coast of the U.S. The Colombian groups remain, however, in control of the sources of supply. The Dominican trafficking groups, already firmly entrenched as low-level cocaine and heroin wholesalers in the larger northeastern cities, were uniquely placed to assume a far more significant role in this multi-billion-dollar business.

The Dominican traffickers operating in the U.S., and not the Colombians, are now the ones subject to arrest, while the top level Colombians control the organization with sophisticated telecommunications. This change in operations reduces profits somewhat for the syndicate leaders. It succeeds, however, also in reducing their exposure to U.S. law enforcement. When arrested, the Dominicans will have little damaging information that can be used against their Colombian masters. Reducing their exposure, together with sophisticated communications, puts the Colombian bosses closer to their goal of operating from a political, legal, and electronic sanctuary. Colombian drug traffickers' efforts to reduce their exposure is clearly linked

to the 1997 change in Colombian constitutional law which, once again, exposes the Colombians to extradition to the United States for drug crimes.

Colombia has always been the world's number one producer of finished cocaine HCl. Colombia now also has the dubious honor of also being the world's largest producer of cocaine base. These changing dynamics highlight the fact that Colombian cocaine trafficking organizations continue to dominate the international cocaine trade. Over the past several years, Colombian coca cultivation and cocaine production have been increasing dramatically.

Net cultivation in 1998 was 101,800 hectares, yielding an estimated 437,500 MT of leaf—equal to 435 MT of cocaine base. New data obtained from DEA's Operation BREAKTHROUGH has since been used by the CIA Crime and Narcotics Center (CNC) to recalculate how much cocaine may have been produced in 1998 from Colombia's domestic coca crop. Much of the difference is because DEA has recently provided new data based on recalculation of alkaloid content, crop yield, and lab efficiency in Colombia.

For the above reasons, in official figures released earlier this month, the CNC now estimates Colombia's potential cocaine production in 1998 at 435 metric tons, compared to the previously announced 1998 estimate of 165 metric tons. As also announced, using the updated cocaine production formula based on the new Operation Breakthrough results, the CNC now estimates Colombia's potential 1999 cocaine production from Colombia's domestic coca crop to be 520 metric tons, based on cultivation of 122,900 hectares of coca.

In historical perspective, in 1989 Colombia had 42,400 hectares net cultivation in coca, after eradicating 640 hectares, and produced 33,900 MT of leaf. Although there was no official estimate for that year, a comparable amount of leaf would yield slightly over 65 MT of HCl. It may appear from these statistics that Colombian production of HCl has increased from 65 MT to over 435 MT in ten years. We must bear in mind, however, that the 1989 estimate and the 1998 or 1999 numbers are based on different calculations, methodology, and levels of confidence. We have, so far, worked the new formula backward in time only as far as 1995. The ten year increase might not, therefore, be quite as dramatic as it appears. Net Coca cultivation was about 50,000 hectares in 1995, and has doubled since then—at the same time as net cultivation decreased in Bolivia and Peru. Interdiction programs like Peru's operation AIRBRIDGE, which denied Peruvian airspace to traffickers flying cocaine base into Colombia, forced traffickers to utilize alternative routes and methods—such as using better communications security during their flights, flying from closer to the Peruvian border and through Brazilian airspace, and using riverine routes. The Colombian traffickers also sought to become more self-sufficient by increasing cocaine base production within Colombia itself, to offset the decline in base previously brought in from Peru and Bolivia.

3. COLOMBIAN CRIME GROUPS IN THE U.S.

Colombian cocaine trafficking groups in the U.S.—consisting of mid-level traffickers answering to the bosses in Colombia—continue to be organized around compartmented "cells" that operate within a given geographic area. Some cells specialize in a particular facet of the drug trade, such as cocaine transport, storage, wholesale distribution, or money laundering. Each cell, which may be comprised of 10 or more employees, operates with little or no knowledge about the membership in, or drug operations of, other cells.

The head of each cell reports to a higher manager who is responsible for the overall management of several cells. The regional director, in turn, reports directly to one of the drug lords of a particular organization or their designee based in Colombia. A rigid top-down command and control structure is characteristic of these groups. Trusted lieutenants of the organization in the U.S. have discretion in the day-to-day operations, but ultimate authority rests with the leadership in Colombia.

Upper echelon and management levels of these cells are normally comprised of family members or long-time close associates who can be trusted by the Colombian drug lords—because their family members remain in Colombia as hostages to the cell members' good behavior—to handle their day-to-day drug operations in the United States. The trusted personal nature of these organizations makes it that much harder to penetrate the organizations with confidential sources. That difficulty with penetration makes intercepting criminal telephone calls all the more vital. They report back to Colombia via cell phone, fax and other communications methods. Colombian drug traffickers continually employ a variety of counter-surveillance techniques and tactics, such as fake drug transactions, using telephones they suspect are monitored, limited-time use of cloned cell phones (frequently a week or less), limited use of pagers (from 2 to 4 weeks), and use of calling cards. The top

level managers of these Colombian organizations increasingly use sophisticated communications, posing a severe challenge, to law enforcement's ability to conduct effective investigations.

4. INSURGENTS' INVOLVEMENT IN THE DRUG TRADE

There continues to be deep concern in DEA, as in the rest of the Administration and in the Congress, about the connection between the FARC and other groups in Colombia and the drug trade. The Colombian government is now engaged in responding to this challenge. DEA will continue to closely monitor the situation.

An alliance of convenience between guerillas and traffickers is nothing new. Since the 1970s, drug traffickers based in Colombia have made temporary alliances of convenience with leftist guerillas, or with right wing groups. In each case, this has been done to secure protection for the drug interests. At other times, the drug traffickers have financed their own private armies to provide security services. Some insurgent and paramilitary groups have, in fact, become little more than bands of well-armed thugs selling their services to drug traffickers.

The presence of the insurgents in Colombia's eastern lowlands and southern rainforest—the country's primary coca cultivation and cocaine processing regions—hinders the Colombian Government's ability to conduct counterdrug operations. The frequent ground fire sustained by Colombian National Police eradication aircraft operating in insurgent occupied areas shows the extent to which some insurgent units will go to protect the economic interests of their "local constituents" (i.e., coca farmers and drug traffickers). Likewise, insurgent attacks continue to pose a threat to CNP personnel, supported by the DEA conducting operations, against clandestine labs. Some insurgent units raise funds through extortion or by protecting laboratory operations. In return for cash payments, or possibly in exchange for weapons, the insurgents protect cocaine laboratories in southern Colombia.

The most recent DEA reporting indicates that some FARC units in southern Colombia are indeed directly involved in drug trafficking activities, such as controlling local cocaine base markets. Some insurgent units have assisted drug trafficking groups in transporting and storing cocaine and marijuana within Colombia. In particular, some insurgent units protect clandestine airstrips in southern Colombia. There remains, however, no information that any FARC or ELN units have established international transportation, wholesale distribution, or drug money laundering networks in the United States or Europe. Northern and central Colombia continues to be the primary base of operations for paramilitary groups. Recent reporting, however, indicates that paramilitary groups have become more active in southern Colombia.

Most of these paramilitary groups do not appear to be directly involved in any significant coca, opium poppy, or marijuana cultivation. Paramilitary leader Carlos Castano has recently admitted, however, that his group receives payments—similar to the taxes levied by the FARC—from coca growers in southern Colombia to protect them from guerrillas, according to press reporting.

Several paramilitary groups also raise funds through extortion, or by protecting laboratory operations in northern and central Colombia. The Carlos Castano organization, and possibly other paramilitary groups, appear to be directly involved in processing cocaine. At least one of these paramilitary groups appears to be involved in exporting cocaine from Colombia.

5. LAW ENFORCEMENT ACCOMPLISHMENTS

The Colombian National Police is a major law enforcement organization with a long and honored tradition of integrity. Under the direct command of General Rosso Jose Serrano, the CNP has become recognized for its dedication, patriotism and commitment to integrity. The CNP has introduced fundamental changes in the force in order to make it a thoroughly modern and efficient institution within the context of Colombia and the international community.

General Serrano has been an effective advocate on behalf of the thousands of loyal and dedicated Colombian National Police officers within the ranks. He has encouraged their motivation, even in the face of the tragic losses of over 900 fellow police officers in the last three years alone. The fact that the CNP, and other members of Colombia's law enforcement community, were able and willing to pursue operations against the drug underworld is a testament to their professionalism and dedication.

All of the top Cali drug lords either have been captured by the CNP, have died, were killed, or have surrendered to Colombian authorities. These unprecedented drug law enforcement successes were the culmination of years of investigative efforts by the CNP, with active support from DEA. Unfortunately, Miguel Rodriguez-

Orejuela and his associates, who comprised the most powerful international organized crime group in history initially received shamefully short sentences for their crimes. In January 1997, Gilberto Rodriguez-Orejuela was sentenced to 10 years in prison on drug trafficking charges. As a result of Colombia's lenient sentencing laws, however, Gilberto may serve only five years. Miguel, originally sentenced to 9 years, was later sentenced to 21 years on Colombian charges based on evidence supplied by the United States Government in the Tampa, Florida, evidence-sharing case. Miguel is expected to serve less than 13 years in prison. The Colombian judicial system must be strengthened so that the traffickers, once convicted, are sentenced to terms commensurate with their crimes.

The CNP continues to pursue significant drug investigations in cooperation with the DEA. The CNP is also aggressively pursuing significant counterdrug operations against cocaine processing laboratories, transportation networks, and trafficker command and control elements. We expect these operations will result in prosecutions in both Colombia and the United States.

On October 13, 1999, the CNP, the Colombian Prosecutor General's Office, DEA, the U.S. Attorney's Office and Department of Justice Criminal Division carried out Operation Millennium. Millennium was a long-term, complex investigation targeting the inner workings of several of the most important international drug trafficking organizations operating in Colombia and Mexico, and smuggling their product into the United States. This operation resulted in the indictment and arrest of one of the former leaders of the Medellin drug cartel, Fabio Ochoa-Vasquez along with 30 other extremely significant defendants. Operation Millennium effectively targeted major cocaine suppliers who had been responsible for shipping vast quantities of cocaine from Colombia through Mexico into the United States. Millennium targeted drug kingpin Alejandro Bernal-Madrigal, who, by his own admission, had been smuggling 30 tons, or 500 million dosage units, of cocaine into the United States every month. U.S. law enforcement authorities seized more than 13,000 kilograms of cocaine during the last two weeks of August alone.

The U.S. Government has requested extradition of all 31 defendants. The criminal acts for which they were arrested all took place after December 17, 1997, the effective date of Colombian legislation allowing for renewed extradition of Colombian nationals. It has long been the case that the greatest fear of these major traffickers is that they could face extradition to the U.S., efficient trials, and conviction to terms commensurate with the enormity of their crimes.

Once the extraditions to the United States of the Millennium targets is completed, that operation will be the most successful and significant drug enforcement event since the elimination of the Medellin cartel. Operation Millennium would simply not have been possible without the dedicated cooperation of the CNP and the Colombian Prosecutor General's Office.

6. OVERVIEW OF PRIORITIES AND PROGRAMS

Due to the precarious and ever-changing dynamics of the cocaine trade in South America, the DEA Bogota Country Office (BCO), in conjunction with the United States Embassy in Colombia, developed strategies to identify, investigate and dismantle major drug trafficking organizations. The DEA South American Regional Plan (SARP) and the United States Mission Performance Plan (MPP) are the primary strategies developed by the BCO and U.S. Embassy in Colombia to direct and guide DEA and U.S. counter-drug efforts in Colombia. In essence, the SARP and the MPP prioritize targeting the significant drug trafficking organizations operating throughout Colombia. The SARP and MPP are the foundation of the BCO Work Plan. Essentially, the BCO Work Plan is based on the premise that the organizations controlling the manufacture and transportation of cocaine HCl are the most vulnerable elements of the drug trafficking organizations. As such, the BCO directs available resources at these factions in an effort to identify and ultimately immobilize them.

Based upon the BCO Work Plan, the BCO will enhance resources in the area known as the Colombian Source Zone. This is an area southeast of the Andes mountains characterized by few roads, no rail transportation, very little commercial air traffic, many clandestine airstrips and an extensive river system linking this area to Peru, Brazil and Venezuela. The BCO and United States Country Team believe that by augmenting resources in the Colombian Source Zone, the amount of cocaine HCl available for transportation to the United States will be significantly reduced.

As in the past, the BCO will continue to direct assets and resources at the command and control structures of major drug trafficking organizations operating throughout Colombia. These organizations operate primarily northwest of the Andes Mountains and throughout major Colombian cities. These organizations also control

transportation of cocaine HCl from the Colombian Transit Zone (that area adjacent to both Colombian coasts) to the United States, as well as other countries, for eventual distribution.

As alluded to earlier, the BCO has noted a significant increase in seizures of Colombian heroin, both in Colombia and the United States. The BCO will strengthen its resources dedicated to targeting the organizations controlling the manufacture and transportation of heroin from Colombia to the United States.

All BCO programs, in one form or another, will focus on the identification and immobilization of major drug trafficking organizations operating throughout Colombia. To further augment these objectives, programs such as the Andean Initiative, Sensitive Investigations Unit, and Intelligence Collection will be the primary support for the BCO's enforcement efforts. These programs will be further enhanced through the Information Analysis/Operations Center (IA/OC). All programs targeting major drug trafficking organizations will be in conjunction with the United States Embassy counterdrug strategy and the MPP.

Furthermore, the Sensitive Investigation Units, Heroin Task Force, Operation Selva Verde and other units such as the Commando Especial del Ejercito will be tasked to initiate significant investigations targeting the command and control structure of the major drug trafficking organizations. These units will target organizations operating in the Colombian Source Zone and other areas of Colombia. The units will be encouraged to work simultaneously with DEA domestic offices in coordinated transnational investigations targeting all aspects of these organizations so as to maximize both the effect and the return on the investment. In addition, the BCO will continue to enhance and promote host nation and regional counterdrug cooperation throughout the area.

To attain each of the goals set forth in the 2000 SARP, it is the BCO's conviction that joint investigations between Colombian and U.S. authorities will garner the most significant and damaging results against international drug trafficking organizations. As revealed in Operation Millennium, such endeavors require extensive coordination among a myriad of agencies, both in Colombia and the United States, respectively. Given this, the BCO is continuing to break new ground in this area and believes several significant investigations will result from this continued cooperation.

7. CONCLUSION: HOPE FOR THE FUTURE

By way of conclusion, we can and should continue to identify and build cases against the leaders of the new criminal groups from Colombia. These criminals have already moved to make our task more difficult by withdrawing from positions of vulnerability and maintaining a much lower profile than their predecessors. A number of initiatives hold particular promise for success:

- The U.S. Embassy's Information Analysis/Operations Center (IA/OC) will be increasingly utilized to coordinate and analyze tactical information regarding the activities of drug trafficking groups active in the Colombian territories south and east of the Andes Mountains. The IAOC is comprised of personnel from the DEA Bogota Country Office and the U.S. Military's Tactical Analysis Team. Support and staffing also are provided by the Defense Attaché Office and the State Department. Furthermore, the IA/OC will remain instrumental in the continuance of DEA's support for the host nation communications intercept program, which provides intelligence about the organizations controlling the manufacture and movement of cocaine. This organization should be the focal point for counterdrug intelligence and law enforcement cooperation in Colombia.
- The special program of vetted units, funded by the U.S. Congress under the Vetted Unit Initiative, will make it possible to convert existing partially vetted units of the CNP into fully vetted teams. These teams of investigators will work closely with DEA and will conduct high level drug investigations in Colombia and the region without fear of compromise. This program is, by far, our most important investigative tool.
- We intend to carry out even more of the cutting-edge, sophisticated investigations like Millennium, as part of a joint DoJ Criminal Division/DEA bilateral case initiative with our Colombian counterparts. Such operations benefit from the closest possible cooperation between the DEA and CNP. These investigations will continue to lead to the dismantling of major portions of the most significant drug trafficking organizations operating in Colombia today. Operation Millennium successfully targeted traffickers who had previously operated without fear of capture or prosecution in the United States, believing that only their low-level operatives were at risk. These operations effectively demonstrated that even the highest level traffickers based in foreign countries can not manage

drug operations inside the United States with impunity. Operation Millennium was made possible by direct support from the governments of Colombia and Mexico, in addition to collaborative efforts between the DEA and foreign law enforcement agencies. These operations underscore the importance of cooperation among international drug law enforcement agencies.

- DEA will continue to work closely with specially trained and vetted Colombian task force units to develop joint cases, such as Operation Millennium. Plan Colombia provides for specific support for these types of initiatives, including training and support for a counter narcotics task force and an anti-money laundering and asset forfeiture task force. We look forward to supporting these training programs and then working with our Colombian counterparts in the day-to-day investigative work, which leads to successful cases.
- DEA supports Plan Colombia. DEA will continue to work closely with specially trained and "vetted" Colombian law enforcement units, other Colombian law enforcement agencies and Colombian prosecutors to initiate joint investigations such as Operation Millennium.
- Colombia faces dramatic challenges to the rule of law, many of which are directly related to drug trafficking. Plan Colombia addresses many of these elements. The support to multilateral investigations, counter drug units and money laundering sections of the Justice Initiative portion of Plan Colombia can support DEA, Colombian National Police, DAS and Colombian Prosecutors efforts to fight drug trafficking in Colombia.

Other sections of the Justice Initiative of Plan Colombia can provide indirect support to DEA, Colombian National Police, DAS and Colombian Prosecutors efforts to investigate major Colombian Drug Trafficking Organizations. These sections include support to money laundering and asset forfeiture, training for police prosecutors and judges, security for victim and witnesses, prison assistance and procedural and legislative reforms to the Colombian legal system.

The DEA remains committed to our primary goal of targeting and arresting the most significant drug traffickers in the world today. In particular, we will continue to work with our partners in Colombia—and throughout the world—to improve our cooperative efforts against international drug smuggling. The ultimate test of success will come when we bring to justice the drug lords who control their vast empires of crime which bring misery to the nations in which they operate. They must be arrested, tried and convicted, and sentenced in their own countries to prison terms commensurate with their crimes, or, as appropriate, extradited to the United States to face justice in U.S. courts.

Thank you for the opportunity to testify before the Subcommittee today. I will be happy to respond to any questions you may have.

Senator CHAFEE. Well, thank you very much. I personally have not been to Colombia. I am just curious, you gentlemen—I know you have been working together on this Colombian aid package for the past number of months. Have any of you spent any amount of time in the country?

Mr. SHERIDAN. I think we have been there six times since September, and over the years I think probably a very significant amount of time.

Mr. LEDWITH. I travel there with great frequency, sir. I was stationed there for 3 years from 1992 to 1995. I had the distinct privilege of working with the Colombian National Police on the Pablo Escobar and Medellin cartel and Cali cartel investigation. I have the absolute highest regard for the police and military of Colombia.

Mr. BEERS. I have been there about 10 times in the last 2 years.

Senator CHAFEE. In Mr. Beers' submitted testimony—I did not necessarily pick on it here orally today—but you say that there is a need to reestablish government order in Colombia for human rights purposes. According to the Colombian NGO, guerrilla, paramilitary and other criminal groups kidnapped 2,945 people last year. This is a 33 percent increase from the previous year, 1998.

Also, you probably agree that about a third of the country is under control of the insurgents, leading to the perception that the

country is chaotic, and steeped in corruption. I know you spent a number of years there. Can you dissuade me of that perception, especially based on the commonality of kidnappings?

Mr. BEERS. Let me take a start, but I think we all may have answers to this, sir. With respect to the issue of kidnapping, it is absolutely correct the amount of kidnapping that goes on in Colombia is a very serious and significant problem. This is not a new problem, but it is an increasing problem, and it is one of the issues that we and the Colombians would like to deal with. There is, in fact, a small but I think very useful anti-kidnapping component of this particular proposal.

With respect to the issue of control and chaos, let me say two things about that. First, with respect to the issue of control, I would not go so far as to say that the FARC or the insurgents or the paramilitaries control 40 or 50 percent of the country, but I would say that it is true that the government does not control those areas of the country on a day-to-day basis.

If the government chooses to assert its force in an area, it almost always is able to move into an area and control that area for the time that it is willing to spend there, but when it is not there, it is not true that the FARC or the insurgents or the paramilitaries are in complete control, or it is more true that they have the freedom to move around without having to fear government activity.

With respect to the issue of chaos, this lack of control in this area of the country, which is essentially the area of the country east of the Andes, is the area of principal coca cultivation, and that is why it is the area, because it is not an area of government control and the insurgents and the traffickers are able to operate with relative freedom in that particular area, but it is not leading to chaos in Bogota. It is not leading to the imminent collapse of the Colombian Government, or the FARC or the ELN marching into Bogota and taking over the country.

It is a serious issue, but it is not a terminal issue at this point in time in any of our views, but it is certainly an issue which deserves our attention and our support for the Government of Colombia.

Mr. SHERIDAN. I would agree with that.

Mr. LEDWITH. If I may, sir, regarding kidnapping there is absolutely no question that Colombia suffers from the abomination of kidnapping. I think there are components of this package that would assist the Colombian National Police in dealing with that issue.

Speaking to corruption for a moment, sir, I had the opportunity to work with countries throughout the world. That is how I have spent the last 7 years in Bolivia, Colombia, a variety of places. The Colombian National Police and their ability to conduct investigations is almost unsurpassed anywhere else in the world. The integrity that they bring to their investigations, the vetted unit concept particularly, the fact that for well over a year they were able to conduct an operation such as Millennium aimed at the most significant members of the trafficking organizations completely legally, utilizing vetted prosecutors, vetted judges, it was an amazingly complex piece of work, and they managed to do it for well over a year.

The fact that the Colombian Government is willing to extradite these people to the United States, which is the thing that major drug traffickers around the world fear the most, is quite an accomplishment also for the government.

I feel that this is a government that we can work with very, very effectively. The people have bled and suffered for 40 to 50 years. I have lost a lot of close personal colleagues and friends during my tenure there. I just had lunch recently with friends from Colombia who are talking about the destruction of their country, the threat to the very economy and fragile nature of their country from this. It is a really, really significant threat to Colombia, sir.

Senator CHAFEE. Anything to add, Mr. Sheridan?

Mr. SHERIDAN. No, only that 85 percent of the cocaine that enters the United States comes from Colombia, so our national interest is in taking out that drug production, and the other problems are significant, but our focus is on the drug side.

Senator CHAFEE. My next question involves the Colombian Government's Plan Colombia, a $7.5 billion plan of which the American component is $1.3 billion. For a poor country such as Colombia, how is it going to come up with its share of that $7.5 billion? Is that realistic at all?

Mr. BEERS. Sir, we have worked with the Colombian Government and worked to understand their inputs into this process. They have a serious economic problem there. They have, as a result of that serious economic problem, gone to the IMF and asked for $2.7 billion lending facility which will allow them to deal with balance of payments offsets that are necessary in order to sustain that economy in the world environment.

As part of that, they have been asked to undertake a number of austerity measures by the IMF. They involve two aspects that I think are critically important. The first is that they have been asked to look seriously at their overall budget, not just the budget that is related to Plan Colombia, but their overall budget, and they have been asked to make some reductions in that budget, and they have taken those cuts in a variety of ways, including some cuts in the area of security, but they have put together a budget that the IMF believes is a credible budget.

The IMF has, in conjunction with that, asked them to make sure that when they have set that budget they have a revenue path that will allow them to get there, and that is the basis on which the IMF has made this lending facility available. We have confidence that the IMF has done its job appropriately. There may be some slips on this issue, but we believe that that represents a serious commitment to actually go forward not only with Plan Colombia but in fact, with the larger effort to in fact run a government in Colombia in very difficult times.

Mr. SHERIDAN. Mr. Chairman, if I could just add one point to Randy's. Besides the financial contribution they are making, I think it is important to note that every day it is the Colombian police and military that are out there undertaking the counternarcotics operations that we ultimately benefit from, so over the last 10 or 15 years probably hundreds of Colombian policemen and military personnel have died in the line of duty performing counterdrug work.

So there is a financial contribution to this effort, but there is also the human resource, and who is on the front line performing these very dangerous operations every single day, and that is what they do, and I think it is important not to lose sight of that, because that commitment is very substantial.

Senator CHAFEE. Thank you very much. If the IMF lends them $2.5 billion—is that accurate?

Mr. BEERS. $2.7 billion.

Senator CHAFEE. So they are still a ways away.

Mr. BEERS. No, sir. That is not money that goes to pay for Plan Colombia. That is when they have a balance of payments deficit the IMF covers that balance of payments deficit in international currency transactions. This is not money that pays for programs in Colombia. The Colombian Government is required to present the IMF with a budget package and a revenue stream from Colombian national resources, or from international financial institutions, that show that they can, in fact, pay for the budget that they are saying they will agree to with the IMF if they will cover the balance of payments deficit.

Senator CHAFEE. I think that the cost is one of the staggering elements of this proposal. I mean, even for a wealthy country such as the United States, $7.5 billion is an enormous amount of money, and our contribution, $1.3 billion, is enormous, relative to our allocations of foreign aid elsewhere. I believe in your testimony earlier, Mr. Beers, you said that $75 million, only $75 million, is being allocated to our anti-drug efforts in Peru and Bolivia.

Mr. BEERS. Seventy-five million each, yes, sir.

Senator CHAFEE. And that is a fraction of the $1.3 billion the Americans are putting toward this effort. Perhaps this is an opportunity for any one of you to describe the success of our efforts in Peru and Bolivia.

Mr. BEERS. Let me take a start, sir, but I know Bill and Brian can make major contributions.

The overall effort, if you want to measure it simply in the amount of coca cultivation in each of these two countries, has basically been reduced by 66 percent in Peru since 1995, and by 55 percent in Bolivia since the latter part of 1997, during the Banzer administration. These represent reductions that I think many of us who have worked in this area would never have thought were possible, particularly in the Bolivian case, in the timeframe in which it occurred there, the result of programs that were implemented by these governments, some in conjunction with us, over the last decade that came to fruition fortunately in this particular timeframe.

In the case of Peru, we profited significantly from a major air interdiction campaign that the Government of Peru undertook to prevent narcotrafficking flights from Colombia to Peru to pick up loads of cocaine, raw coca product, to return to Colombia for final processing. Those flights were disrupted significantly so that the price of coca leaf collapsed in Peru and farmers no longer found it profitable to continue to cultivate coca in the same gold mine mentality that existed before.

As a result of that, farmers abandoned fields. This was not a case of having to go and eradicate the fields. The farmer simply abandoned the fields and began to look for other economic activity, and

that is when alternative development programs began to flow in. That is one example. That is an example that we are profiting from, one that we are applying, that the Colombians are applying to this effort in Colombia.

Second, in Bolivia, the program had a longstanding 12-year base of alternative development activity that has been occurring there. That alternative development activity sought to get coca farmers to cut down the coca and replace it with legitimate agricultural activity.

For about the last 10 years the farmers cooperated in cutting down that crop and planting another one, but there was no incentive not to move some place else and begin that same coca crop in another nearby area, so that they were complying with the government but still maintaining their coca income. What has happened there that is different is the government has said, we are no longer going to accept any coca being grown in this country, so we are going to go in, and we are going to cut it down. We are not going to make this a voluntary program. We are going to make this an involuntary program.

So built on the base of knowing how to have a legitimate agricultural economy in the coca-growing areas, the involuntary eradication has made these major inroads in the brief 2½ years that it has been underway. Again, the lesson of the combination of alternative development and enforcement activities is a lesson learned from Bolivia. It is being transported into the Colombian programs.

Senator CHAFEE. What is the United States' involvement in both of these cases?

Mr. BEERS. In the first case, we provided intelligence support to the air interdiction program that was conducted by the Peruvians, and we have provided some of the alternative development funds in Peru.

In the case of Bolivia, we provided the alternative development funds over the years, but we have also supported their enforcement effort, and in particular have supported the enforcement effort that is going on right now with equipment and per diem kinds of rations and shelter for the cutters who are a mobile work force operating in the coca-growing areas.

Those were modest amounts of money. You are correct in pointing that out. They had an enormous pay-off. Now, part of the reason they had an enormous pay-off was to some extent traffickers accepted this effort and did not contest it to the degree that they might, because they fell back to Colombia.

Now we have gotten to the bottom line. We have no illusions that the effort in Colombia is going to be as easy as the effort in Peru and Bolivia appeared to have been, because we are getting now to the last bastion of coca production in the Andean region.

And while it is possible that they could try to expand out of this to other countries, the cost, the time, the effort to do that will be much more significant than the fall-back to Colombia and to an existing coca cultivation, and more importantly the heart of the processing effort that the Colombian traffickers have always enjoyed with respect to the production of final product cocaine, HCl, for the world market.

Senator CHAFEE. Do you think it would be inaccurate to say that the strong internal governmental action in Peru and Bolivia drove the growers to Colombia, where there is a more sympathetic government?

Mr. BEERS. I would say that the traffickers fell back to Colombia because the areas of the country that we are talking about are beyond government control.

Yes, to some extent during the previous administration, when this process began, it was a government which we had serious concerns about their corruption and their narcotics trafficking sympathies, but this process has continued with the Pastrana administration, and we have to be frank about that, but it has continued because we and the Pastrana administration would both say that the area of the country that it occurs in is an area in which the government does not assert effective control at this point in time.

Senator CHAFEE. The cost is still troubling to me, as well as the potential for success as we move into the southern region of the country. I think it would be common sense that if a government had an insurgency against it, there would be temptation to use the military hardware and the aid to redirect the mission from drug interdiction to counterinsurgency. That temptation would just be overwhelming. Can you comment on that?

Mr. BEERS. We are not saying that this effort may not encompass activities that involve conflict with the guerrillas. The guerrillas in the coca-growing areas are part and parcel of the drug trade. They are assisting in the cultivation and transportation and processing. We have clear evidence of that, and they are profiting directly from that, and we have no illusion that they are simply going to walk away from this and accept the reassertion of government control in an area of major economic enterprise for them.

Insofar as they choose to stay and resist the government effort, this program is designed to deal with them just as it is designed to deal with the traffickers. This is not, however, a program to remove the insurgency from the country at large. This is a program to focus on the counternarcotics effort. If the guerrillas, if the paramilitaries choose to be involved as traffickers, they will be treated as traffickers.

Mr. SHERIDAN. I would just say that there is a whole regimen of end use monitoring that is associated with the equipment that is provided. All of the individuals that we train are vetted. The counterdrug battalions we are training have a very specific focus, as Randy said. They are dedicated to counterdrug operations in southern Colombia, and the Putumayo and Caqueta, where we have this explosion in cultivation, so we are comfortable that this equipment will not be misused and these forces will not be misused.

Senator CHAFEE. My last question is you said, Mr. Sheridan, in you opening statement that this is not—I believe it was in your opening testimony. This is not going to be solved overnight, and of course that is the quagmire question. What are our benchmarks? What do you see as benchmarks for success and progress in this massive aid program?

Mr. SHERIDAN. Well, I think the Colombians and Plan Colombia have articulated, as far as I am concerned, the only benchmark

that matters within the next year or so. They want to curb the explosion in cultivation and then start that on a downward trend, and I believe out to the year 2007 they hope to reduce cultivation by——

Mr. BEERS. Sixteen years, 50 percent. That is the objective in Plan Colombia. If we can do it faster, we will try everything we can, but we do not think that is an unrealistic projection, either. It is a little longer than the Peruvian program took. This is a tougher problem. This is certainly longer than the Bolivian program has taken but this is a far tougher problem.

Mr. SHERIDAN. But we do, Mr. Chairman, we have timetables for the sequencing of equipment coming online, units being trained and so forth, and we have that in considerable detail, but at the end of the day those benchmarks have to do with programmatic implementation. What matters, and the only thing that matters, is drug production, and as we have seen in Peru, as we have seen in Colombia and other areas in the past, and in Bolivia, when these programs are working you will know it. There is no shortage of information.

Remember in Peru, when the air bridge denial program started, we had it in 100 different ways that they were having real problems, so I do not think it is going to be very difficult a couple of years down the road to figure out if this thing is on the right track or not.

Senator CHAFEE. Conversely, if the American advisors have some casualties, or the Hueys or the Blackhawks fall into the wrong hands, are we in it for the long haul?

Mr. SHERIDAN. I can only speak for the Department of Defense. We have been working with the Colombian military since 1989, and we are confident with our role. We know exactly what our role is down there. We expect it will remain as it is today, and we intend to stay with it.

We do not intend to escalate our role. We do not intend to change the types of activities that we do perform down there. We provide training support. We provide intelligence support. We provide minor engineering support, usually contracted out, by the way, to local construction companies. It is all indirect support. At the end of the day, as I described earlier, it is the Colombian police and military who go out and conduct counterdrug operations. The U.S. military is not with them, and I do not see any change in that in the future.

Mr. BEERS. Sir, the administration has presented you with a 2-year funding proposal. That is the remainder of this administration, and that is the reason that it is only a 2-year proposal at this point in time. The Pastrana administration looks at Plan Colombia as a program for the remainder of the Pastrana administration, and that is 3 years, but DEA and INL, we have been doing this for years, and we are going to continue doing this. This is not a short-term program. This is a first step proposal.

Senator CHAFEE. It is a daunting task. Anything else to add?

Mr. LEDWITH. Well, sir, speaking of benchmarks, certainly any reduction, a reduction in drug production is a benchmark the DEA would be looking for, and also a reduction in the strength of the drug-trafficking organizations headquartered in Colombia. There is

a clear recognition that as long as there is a demand in the United States, there will be groups that will take advantage of this demand to make money. This is a greed-based crime.

What we wish to do is ensure that none of the organizations grow to the strength, the financial resources, the corruptive potential to own a government, to own a Congress, to influence the judiciary, to be able to change the constitution, to preclude extradition. This is really our interest.

We recognize clearly we will be up against traffickers for as long as there is demand in the United States. We wish to ensure that the drug-trafficking organizations that we are up against are the weakest and most diluted that are humanly possible. The analogy I would make is, we have to take the field against these people. We do not want to take the field against the New York Yankees. We want to take the field against the Toledo Mud Hens every time we take the field, and this is possible.

We cannot allow them to accumulate this tremendous wealth, this tremendous corruptive potential and this tremendous influence, and that is the argument for continuously attacking them on an organizational level.

Senator CHAFEE. Well, thank you, gentlemen, very much. Anything else?

Mr. BEERS. No, thank you, sir.

Senator CHAFEE. Thank you very much. A noble and daunting task, as I said. We will take a break while we change panels, and the record will remain open for further testimony or questions of the witnesses.

[Responses to additional questions for the record follow:]

RESPONSES OF ASSISTANT SECRETARY RAND BEERS TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR BIDEN

Question 1. What is the anticipated timeline of the following that will be funded under the supplemental request:

- Production of the Blackhawk helicopters;
- Training of Colombian pilots for the Blackhawk helicopters.

Answer. By conservative estimate, the first UH–60 Blackhawk would be off the assembly line approximately fourteen-to-eighteen months after the contract with Sikorsky has been finalized. We expect that two-to-three aircraft will be delivered each month after that until the order is complete. Actual delivery times could be faster, but will depend greatly on the state of the production line when funding becomes available. By the same token, the delivery schedule could be further extended if funding is not available until after the current contract expires.

Colombian pilots will need six-to-eight weeks of transition training to make the move from other helicopters to the UH–60. Transition training will begin before delivery of the first aircraft so that crews are available as the aircraft are constructed.

DoD has put together a site survey team that is, among other activities, helping Colombia determine the precise schedule for aircraft deliveries and pilot training.

Question 2. Will the United States retain title to the aircraft provided under the supplemental?

Answer. Yes, our standard practice is to retain title to aircraft provided for counternarcotics support.

Question 3. In October 1999, the Secretary of State determined, pursuant to Section 2(b)(6) of the Export-Import Bank Act of 1945, that the sale of five UH–60 (Blackhawks) under the Act would be in the national interest of the United States. The determination further stated that the helicopters would be used "primarily for anti-narcotics purposes," as required by the Act.

- Have the UN–60s been delivered to Colombia? If not, when will they be delivered?

- What types of counter-narcotics operations will the Air Force use these helicopters to engage in?

Answer. Yes, those aircraft have been delivered and are in operation with the Colombian Air Force (FAC). The FAC participates in counternarcotics missions by providing support to personnel on the ground and plays a major role in aerial interdiction efforts. These aircraft are intended to provide security support in the event that the spray planes are fired on. However, because the FAC has not yet finished securing the armament for these helicopters, I understand that they are currently providing airlift. Please note that that transaction is between the GOC, EXIM Bank and Sikorsky helicopter. They are not part of an assistance package and INL, while aware of the transaction, is not a party to it.

Question 4. Please describe how the end-use monitoring of U.S.-provided equipment is conducted by Embassy Bogota.

- How many personnel in Embassy Bogota are engaged in such monitoring activities? Will the number of personnel in Embassy Bogota increase in order to assist in implementation of the supplemental proposal?
- How do they conduct such monitoring?
- How often do they make site visits to conduct such monitoring?

Answer. There are two personnel in Embassy Bogota officially assigned to end-use monitoring (EUM) duties: one with the Narcotics Affairs Section (NAS) and the other in the Military Group (MilGp). Unofficially, however, all NAS personnel and advisors who spend time in the field participate in the EUM process. In addition, the Embassy has been given approval to hire an EUM Assistant and an auditor to work in the NAS. The need for these two positions was identified prior to the development of the proposed assistance package and is not a response to it. We are confident that no new positions, beyond these two, will be needed as a result of the package.

Currently, much of the monitoring is effectively performed by NAS advisors in the field who work daily with their Colombian counterparts and oversee the use of USG donated equipment. There is also a system in place through which the CNP provides inventories to the NAS, who then compares them against its own inventories and sends personnel on site visits to perform spot checks. Whenever irregularities surface, the official NAS EUM advisor informs the appropriate Colombian authority in writing requesting an explanation and coordinates the development of a solution to avoid similar discrepancies in the future. Specific EUM site visits generally occur once or twice per year. This number is expected to increase now that the EUM officer has been relieved of some collateral duties and with the addition of an EUM assistant.

Question 5. Please describe the implementation of the Leahy Amendment in Colombia.

- How is the vetting of units conducted?
- Is there on-going monitoring of units assisted by U.S. funding?
- Are there records maintained on the number of individuals rejected during such vetting?
- What constitutes a "unit" under the Leahy Amendment?
- What happens if a member of the counter narcotics battalion commits a human rights abuse? Would funding for the entire battalion be cut off?

Answer. Embassy Bogota regularly receives information on human rights violations from a variety of government agencies, NGOs, press reports, and international organizations and maintains records of this information. When a unit is being considered for training, the Embassy checks its own records and also refers the names to the Colombian government to determine if the unit has any record of gross human rights violations. Once the Embassy has concluded this process, the State Department in Washington searches its own records for information on such violations. If any alleged violations are uncovered, the Department, in consultation with the Embassy, asks the following questions:

(a) Are the contents of the allegations credible?
(b) If so, do such allegations constitute a gross human rights violation?
(c) If so, was the unit in question involved in the alleged incident(s)?

If all of the questions are answered in the affirmative, the Department then reviews the actions taken by the Government of Colombia to bring the perpetrators to justice, and determines whether they constitute effective measures. This monitoring does continue after the initial approval of a unit.

Because human rights vetting is conducted by unit, records of units that do not meet the Leahy standard are maintained at the U.S. Embassy in Bogota.

Section 564 of the Foreign Operations, Export Financing and Related Programs Appropriations Act for FY00, often referred to as the Leahy Amendment, does not define what constitutes a unit. For the purposes of implementing the amendment in Colombia, the Department generally considers the unit proposed for training to be the unit to be vetted. This could be a brigade, a battalion, or an individual in the case of individual training.

Like all other units receiving USG assistance, the counternarcotics battalion (CNBN) is subject to section 564's provisions. If the Department of State finds that there is credible evidence that a member of the CNBN has committed a gross human rights violation, assistance to the unit would be suspended until such time as the Secretary of State determines that the Government of Colombia has taken effective measures to address the violation.

Question 6. How many U.S. personnel in Embassy Bogota are engaged in assisting in the implementation of the Leahy Amendment?

- Do you anticipate increasing the number of personnel in Embassy Bogota to assist in implementation of the supplemental funding?

Answer. In reality, implementation of the Leahy Amendment entails effort by personnel throughout the Embassy. While the responsibility for Leahy-associated human rights vetting resides within the Political/Economic section, employees in other offices are encouraged to report any accounts of human rights violations that they come across in the media or elsewhere. In addition to the officer designated to coordinate this monitoring activity, two additional human rights positions have been authorized for post.

A staffing increase for the Embassy is expected. Mindful of security and budget concerns, Embassy Bogota and the parent U.S. government agencies here are coordinating to determine the minimum number of new positions needed. Currently the United States has in Colombia:

- approximately 280 U.S. citizens assigned to the regular Embassy staff;
- generally not more than 80 U.S. citizen temporary duty civilian employees at any one time;
- a uniformed military temporary duty component that fluctuates between 80-220 individuals depending on the training work load.

We estimate that the latter numbers will be adequate to carry out our support for Plan Colombia as proposed to the Congress in the emergency supplemental. We intend no major increases in military or civilian personnel in Colombia, although some agencies, such as USAID, might see small increases in staff.

Question 7. The supplemental request proposes that Section 482(b) of the Foreign Assistance Act would be waived.

- Why is this waiver necessary?

Answer. As written, Section 482(b) provides for defensive armament of counternarcotics aircraft, USG personnel and USG contractors only. The waiver is necessary so that we and the Department of Defense can provide Colombian security forces with the protection they require.

[Pause.]

Senator CHAFEE. Welcome to the second half of our panel. I would like to especially welcome and open the testimony with Hon. Michael Skol. Welcome.

STATEMENT OF HON. MICHAEL SKOL, SKOL & ASSOCIATES, WASHINGTON, DC

Mr. SKOL. Thank you, sir. Mr. Chairman, thank you very much for inviting me to testify here today on this very significant issue. I will make some brief remarks and ask that my written testimony be entered into the record.

Mr. Chairman, I know both Colombia and Vietnam very well, I have lived in both countries. I have not visited Vietnam in a great many years, but I go to Colombia all the time, and I mention this at the outset because I know the comparison is on the minds of many people, and rightfully so, because they think they see in this situation that "one quagmire seems like another quagmire." I men-

tion this because I thought I would today talk about why I think the situation in Colombia is nothing like what the situation was in Vietnam, when the United States did find itself entering into a long-term quagmire and losing proposition.

I have been involved in Colombian affairs one way or another for a great number of years. First, in my career in the Foreign Service I was stationed in Colombia for 2 years from 1985 to 1987, and since then, in my Foreign Service career I had one job after another which touched very closely on Colombia and on drug affairs.

Since I retired from the Foreign Service 4 years ago I had been until very recently the chairman of the U.S.-Colombia Business Partnership, which is an association of some of the largest U.S. companies with interests in—investment or trade—in Colombia. I will be speaking today on behalf of the U.S.-Colombia Business Partnership, but also from my own perspective.

My first point is that I believe very strongly that the package that the Clinton administration has submitted is a good package. It is a balanced package, and it is a package that will do the job for U.S. interests in Colombia. Overwhelmingly these interests are antidrug interests, stopping the flow of drugs from the country from which most of the drugs come in the first place, and are increasingly coming.

I believe that the job, the task is achievable. This is very important. The Congress authorizes a great deal of money on programs, some of which do not meet the goals for which they are authorized. I believe that this will not happen in Colombia. As you yourself, Mr. Chairman, pointed out, the successes in Peru and Bolivia have been extraordinary, much faster than the predictions even of the people who sat before this committee a few years ago asking for money for Bolivia and Peru. Both countries have seriously undermined the power of the narcotics cartels to move drugs northwards to the United States.

It is achievable also because of the nature of the Colombian National Police, Colombian Army, the two principal recipients of the helicopters and other military style equipment that are being provided by this package. I know of no police force anywhere in Latin America, and quite possibly anywhere in the world, as continuously effective and noncorrupt as the Colombian National Police. I believe that our involvement through this package with the Colombian Army is likely to do the same thing for the improvement of the efficiency and respect for human rights of the Colombian Army as our involvement helped to do the same thing with the Colombian National Police. The statistics, the record is extraordinarily clear.

It is also important to look at the nature of the Colombian people, what they want, what they desire. They want very much to be rid of both drugs and the terrorism represented by the two large guerrilla groups, but they also very much want to do this in a respectable, legal, and human-rights-respecting way. This is not the United States that is imposing a tradition of respect for law and human rights on Colombia.

Now, there have been violations. There continue to be violations of human rights, but the point is that it is the Colombian national political character, and the character of the Colombian people

themselves, which are self-imposing respect for human rights and the desire to do things in the right way.

But I also fear that if U.S. support, as, for example, envisioned by the package, is not forthcoming there will be Colombians who will lead themselves toward a lesser of two evils. There are many Colombians who will prefer to see the paramilitaries do away with the guerrillas, rather than to see the guerrillas continue to gain in strength.

This would be a terrible decision. This would be a Faustian bargain which the United States should have no part in, and which the Colombian Government does have no part in, and does not want. But one could see down the road, if the right kind of assistance is not forthcoming, and the guerrilla movements become stronger and stronger in that country, I can see a time when wrong decisions could be made by the Colombian people because they are desperate to do away with both drugs and guerrilla movements.

Let me comment just very briefly on the very sensitive question that you, Mr. Chairman, asked of the previous panel. Isn't it a fact that some of this equipment, some of the helicopters will be used inevitably against the guerrilla groups, the FARC and the ELN, and the answer, bluntly, is absolutely yes. That is the intention. I no longer work for the U.S. Government. I can be just a bit more frank in what I say. That is the intention of this assistance package, the military and the helicopter component of it. Why? Because the only way, the only logical way to get at the drug growing areas in Colombia today in the south and the east is by the Colombians fighting their way through the guerrillas to the drug-growing areas. These areas are being protected by guerrilla armies, and using the allusion of someone in the panel before about the New York Yankees and the Toledo Mud Hens, I believe, the fact is that you need a major league team to go after the guerrilla movements right now if you are to sweep them away in order to get at drug trafficking.

The answer to your question is that yes, as long as the guerrillas continue to protect the drug cartels in these vast areas that are not currently under the control of the government, those guerrilla movements should be undermined, should be attacked, and should be, because they are allies of the drug traffickers.

Now, I think it is also important that a side effect of all of this is a very, in my opinion very positive effect on the peace negotiations. For the last year to 18 months the peace negotiations frankly have not gone very far, basically, according to most analysts, because the guerrillas see their strength, their options as improving over the next months and years. Why then should they negotiate now?

I believe that the provision of the military and police assistance in this package will go a long way toward persuading the FARC and the ELN that right now is the time to negotiate, not when the Colombian Army and the Colombian National Police are substantially stronger, and could fight better on the battlefield. This I see as a side effect of the provisions of this assistance package, and I mention it because I have seen too many people say that the United States would be endangering the peace process by injecting

more military might into the hands of the Colombian Army and police.

Well, it has never worked that way before. If you look at the situation, no progress up to now, the guerrillas believe their situation is getting better. The net effect of this package will be to persuade the guerrillas in fact to negotiate. Hopefully they will decide to do that, rather than take on an increasingly effective Colombian Army and National Police.

I believe another factor here, Mr. Chairman, that is extraordinarily important, is President Pastrana and his team. We all had to live through the previous administration of President Samper. We were all relieved when President Pastrana was elected, and we have not been deceived in what he is doing, what his intentions are, and the risks that this man and his administration have taken.

The dismissal of senior military officers, generals accused of human rights violations. The embrace of human rights conditionality written into U.S. legislation—not resistance to it, but actually going through the process of vetting units and improving the human rights performance of the army. The extradition of senior drug traffickers to the United States. This is something that many previous Colombian leaders were frightened into not doing, and now Pastrana is doing it.

The creation of the safe haven zones for the guerrilla groups. Some people, including many in this room, do not agree with that, but it was a risk taken in the name of peace and in doing something eventually about drug trafficking.

What he has done for open markets and foreign investment. I could go on in praise of President Pastrana. My point is that we will rarely find a leader so willing to do what we want a leader to do in a country with problems that directly affect U.S. interests.

Let me just go very quickly—I am taking too much time here—about Vietnam. I was in Vietnam a long time ago, 1968–1970, and everything about that experience is in deep contrast to what I see today in Colombia. First and most importantly the Colombians do not support the guerrillas. They do not support the FARC. They do not support the ELN. Their support is less than 3 percent, according to reliable and consistent polling. This was, believe me, not the case in Vietnam, where a great many people in South Vietnam saw the inevitability of and seemed to accept the North and the Viet Cong winning.

The difference in the competence of the National Police, the army, in contrast to Vietnam. The home-grown human rights and democracy nature of Colombia. Perhaps most important, this is a country that if you were very careful, you had good binoculars, you might even see from south Florida. It is very close to the United States. Very much closer than Vietnam.

Colombia is one of the largest countries, and one of our best trading partners. It is right there in front of us, and it is not on the other side of the world. Its significance is not because it is a domino, or any other game. It directly affects the interest of the United States in terms of peace, in terms of democracy, in terms of human rights, in terms of trade, in terms of the protection of American investments that are there and, most importantly, in terms of drugs.

Mr. Chairman, I believe that this package deserves the support of the Congress. Thank you.

[The prepared statement of Mr. Skol follows:]

PREPARED STATEMENT OF AMBASSADOR MICHAEL SKOL

Mr. Chairman, thank you for inviting me to testify here today. My name is Michael Skol. I was a Foreign Service Officer for thirty years, which included several positions where I came to know well both Colombia and our national struggle to end the flow of drugs into the United States. From 1985 to 1996 I was, in order, Deputy Chief of Mission in Bogota, the State Department's Director of Andean Affairs, Deputy Assistant Secretary for South America, Ambassador to Venezuela, and Principal Deputy Assistant Secretary for Latin American Affairs. Shortly after I left the Service in 1996 to enter the field of "anti-corruption services" in the private sector, I was elected Chairman of the then new U.S.-Colombia Business Partnership, an association of many of the largest U.S. companies with interests in Colombia. I will be speaking today both in representation of the Partnership and on my own behalf. I should also point out that I am registered under the Foreign Agents Registration Act for work I am now doing for the Bolivian Government, although I do not believe there is any conflict of interest in my testifying about Colombia today.

My continuing years of experience leads me to one overriding conclusion: that the Clinton Administration emergency anti-drug assistance package for Colombia is urgently needed in the defense of a number of overlapping significant U.S. interests, beginning with the one concern uppermost in all our minds: stopping the movement of narcotics into our country. I believe the aid contemplated will indeed lead to that goal, by providing Colombia's own police and armed forces the muscle required to eradicate or interdict drugs in areas now controlled by guerrilla movements too locally powerful to be dealt with by ordinary means. The task is achievable: look at what has happened in Peru and Bolivia. And note how effective Colombia's National Police, as well as the army, have been when given the tools they need to fight a well-armed enemy.

But it's also true that the unique circumstances of Colombia today form a context in which an integrated U.S. assistance program would serve a number of other interests, including the defense of democracy and human rights and the successful negotiation of a peace agreement with the guerrillas. The package would also significantly advance the kind of vital economic development fostered by the presence of U.S. and other foreign investments which must have security to survive and prosper.

The Colombian people have made repeatedly clear—in elections, in polls and through remarkable public demonstrations—that they want to be rid of drugs and terrorism alike. They have shown that they want very much to accomplish that objective by respectable means and not by physically or conceptually dismembering their democratic state. They easily prefer—as we should—assistance and other support from friends like the United States over a devil's bargain with para-military groups or a flirtation with the militarization of their own government or the abandonment of basic human rights precepts in the conduct of an often brutal war. We have the means, and the Congress has the legislative power, to help assure that things are done "the right way" in Colombia.

And that means in the peace arena as well. Just as will the flow of drugs, the cause of peace can be directly influenced by a well-balanced package of assistance, including for the military and police. The United States has the strongest possible interest in helping the situation to move toward negotiated resolution. And that will most probably only happen when the FARC (Revolutionary Armed Forces of Colombia) and the ELN (Army of National Liberation) come to understand that now is the time they can get the most at the bargaining table, not at some point in the future when additional U.S.-provided helicopters and training have helped make the army and the National Police far more capable in the field. Look to the last 18 months for evidence of willingness to bargain absent such a leveling action. A continuation of the present circumstances where drug-connected guerrillas perceive their strategic situation as improving is in nobody's interest but theirs. And peace in Colombia would obviously be the most dramatic blow possible to the violation of human rights there.

The companies of the U.S.-Colombia Business Partnership see an additional, important set of interests positively affected by a comprehensive assistance package such as the one being proposed. They, too, are taking risks in their trade and investment, but the belief that dealing in and with Colombia makes good economic sense for both Colombians and Americans has led both U.S. businesses and the Colombian

Government to act as vigorously as possible to defend, promote and bolster that trade and investment. It is, however, a fact of Colombian life that government forces simply do not now have the overall strength adequately to fight drugs and assure full territorial integrity in all the places that have to be secured. Military and police aid will help open the security umbrella more widely.

The nature of the Administration of President Andres Pastrana, and our relationship with it, make this the ideal time to have a very positive impact on how all these interest play out in Colombia. President Pastrana has repeatedly demonstrated his essential commitment to the protection of human rights, to peace and to cooperation with the U.S. on drugs and other issues. Look at the risks he has taken: the dismissal of senior military officers accused of rights violations, the effective embrace of human rights conditionally on previous aid, the extradition of drug traffickers to the U.S., the creation of safe haven zones for guerrilla groups during negotiations, policy decisions favorable to open markets and foreign investment despite internal opposition. Some may disagree with one or the other specific tactic, but the whole represents an unprecedented synthesis of what we have always told ourselves we want to see in a friend and a leader. If nearby Colombia and like-minded President Pastrana do not merit the strongest possible support from the United States, what more distant and less congenial country and chief of state do?

But many wonder, even if Pastrana and his nation are worth supporting, where will this kind of cooperation eventually lead our country? Will a program of aid to Colombia in fact thrust the United States into "an Andean Vietnam"? That fear must be confronted, the mythology punctured.

I knew Vietnam, and Colombia is no Vietnam.

I was a junior Foreign Service Officer at Embassy Saigon during 1968-70. Traveled the mid-part of the country, reporting on attitudes and political developments. I came in time to believe that the U.S. effort was doomed to failure—so did the majority of my colleagues in the Political Section at the time. (By the Spring of 1970 an informal, regular internal poll clearly predicted the fall of the South "in five years." Remarkably prescient, especially when compared to what Washington was saying publicly).

We found that most South Vietnamese only weakly supported the government and (perversely for us) regarded a Viet Cong/North Vietnamese victory not only as inevitable but, somehow, as "just." U.S. assistance and direct involvement was all that stood in the way of a Communist triumph. When that support ended, so did the hollow government we left behind.

Years later, I came to know Colombia. I have often in my own mind compared the two experiences and have regularly concluded that American aid, such as in the present package, is decidedly unlikely to get us into a quagmire of the Vietnamese or any variety.

Let me cite a few of the significant differences: First, very much unlike the Viet Cong, neither of the guerrilla groups in Colombia have any support among the Colombians (3 percent, according to consistent polling). The FARC and the ELN hold territorial power only because of armed might and terrorist threats, both made possible by dollars "earned" from drug trafficking and what is (frighteningly) called "commercial" kidnapping. There is nothing even remotely considered "just" about the country's guerrillas or drug cartels. On the other hand, Colombians overwhelmingly support democratic government; thousands of them have died defending it.

Secondly, the Pastrana administration and any likely successors in Colombia are fully committed to the preservation of their own democracy in the face of the drug and guerrilla challenges. They are not surrogates for anybody else's war, cold or otherwise. They are fighting and will continue to fight independently of U.S. aid. They do not want and would not accept American troops fighting their battles for them. If our additional assistance is not forthcoming, or even if all U.S. aid were to stop altogether, Bogota would not fall as Saigon did, because the Colombians are consciously rallying around their national goals. But it is, of course, in the American interest that Colombia do a lot better than just not collapse.

Thirdly, the Colombian Army and National Police are competent, proven forces, limited basically by lack of the materiel needed to deal with extraordinarily well-financed enemies. In recent years, the Police, with U.S. hardware and intelligence help, have become what is widely acknowledged as the best police force, certainly the most successful anti-drug force, south of Texas. The National Police are fighting proof that Colombia needs helicopters and the like, not American soldiers, to win the battles ahead—or to convince the guerrillas that now is the time to negotiate.

Fourthly, the drive to improve the country's human rights record, and to develop governmental presence and alternative development in outlaw territories comes from Colombia itself, from President Pastrana, his team and the citizenry as a whole. There has been prodding from Washington, and there rightly will be condi-

tions attached to any new assistance. But the record of initiative and improvement is clear. Democracy, human rights, and market-centered economic development are integral elements of Colombian political culture, not an imposition from the outside, easily discarded when the benefactors are not looking.

Fifthly, this is not a nation on the other side of the earth, whose strategic importance for the United States is defined as being a player in a game of dominoes. Colombia is just across the Caribbean, the fourth largest country in Latin America, one of our best trading partners. It's where our cocaine—and increasingly the heroine—come from. Where many of its 40 million people can become desperate enough about their country's situation to seek refuge northward. What happens there has a direct impact on us here. Not theory. Uncomfortable fact.

Finally, this is a situation in a stage where what we can legitimately offer is commensurate with what it will take to make a difference in the outcome. $1.3 billion in helicopters and the like can tip the Andean scales, while another 100,000 Americans soldiers, and another, could not do the job in South East Asia.

Mr. Chairman, Colombia is Colombia. It is an ally reaching out to us that is more than willing to employ its own resources toward our common objectives. It is lead by a courageous president who wants to work with the United States, a leader who understands the meaning of drug corruption—whose very election was in large measure a repudiation of his predecessor's narco-corrupt behavior. It encompasses a nucleus of U.S. interests which we would be wise to defend now rather than later at greater cost. Colombia and President Pastrana clearly merit the backing of the Congress in the form of support for the President's aid package.

Senator CHAFEE. Thank you, sir. I regret President Pastrana is not here to hear your kind words of praise.

Mr. Vivanco, welcome.

STATEMENT OF MR. JOSÉ MIGUEL VIVANCO, EXECUTIVE DIRECTOR, AMERICAS DIVISION, HUMAN RIGHTS WATCH, WASHINGTON, DC

Mr. VIVANCO. Thank you, Mr. Chairman. Thank you very much for this invitation to participate in this hearing. I would like to offer my statement as well for the record to this committee, as well as the most recent report[1] that our organization, Human Rights Watch, has on elaborating on human rights in Colombia. I would like to use this opportunity, Mr. Chairman, to make some just very brief remarks regarding how we assess the current human rights conditions in Colombia.

First, we believe that the United States has a unique opportunity here to reach out to Colombia and support a democracy in danger. Many Colombians have risked their lives to defend their nation from many threats. Some who have chosen public service have even lost their lives to political and criminal violence. Certainly the United States has an interest in helping Colombia's elected leaders regain control of the regions now contested by armed groups on the right and the left.

Illegal drug trafficking fills the pockets of all sides in this war and contributes significantly to the level and the scope of violence, but Colombia's predicament is too complicated for simple solutions. Any aid proposed for Colombia should reflect not only its intricate history but also the many levels of violence at work there, among them paramilitary groups, guerrillas, and drug traffickers. Human Rights Watch has fully documented the abusive behavior of Colombian guerrillas responsible for massacres, executions, torture, kidnapping, extortion, and death threats.

[1] See: http://www.hrw.org/hrw/reports/2000/Colombia/

In addition, the FARC has executed soldiers and police agents who have surrendered or been captured. Currently, the FARC has over 400 police and military prisoners, and we have called for their humane treatment, and we have protested these kinds of actions.

Unfortunately, there is another major source of violence in Colombia, one that should deeply concern this committee. That is the state itself through its security forces. Human Rights Watch, the State Department, even in the report, the human rights report that has been issued today, the United Nations, the Human Rights Commission of the OAS, and other independent groups have long reported on the abusive behaviors of the Colombian military and police. Colombia's security forces have been linked to serious violations, among them massacres, executions, torture, disappearances, and death threats.

I would like to first discuss the human rights situation of the Colombian National Police. The police continue to be implicated in human rights violations. There have been cases where officers captured and execute suspected guerrillas. In areas where paramilitaries are present, police have been implicated in joint army-paramilitary actions and have sometimes supplied information to them to assemble death lists. For instance, government investigators concluded in 1998 that police organized and deployed paramilitaries responsible for at least 30 killings in 1996 and 1997.

It is important to note, however, that these activities do not for the most part go unnoticed, or unpunished. According to our research, General Rosso Jose Serrano and the National Police have taken human rights concerns seriously and do not tolerate abusive officers in their ranks.

Today, 11,400 agents of the police implicated in human rights abuses, criminal activity, corruption and other crimes have been discharged from the force and put at the disposition of Colombian courts for trial and punishment. Using Decree 573, passed in 1995, General Serrano can summarily fire officers accused of abuses if there is convincing evidence against them.

Unfortunately, the same cannot be said for Colombia's military. Military leaders have yet to take the firm, committed action necessary to clean up their forces and to ensure that human rights abusers do not act with tacit or open state approval. Human Rights Watch has detailed a recent and compelling evidence of continuing close ties between the Colombian Army and paramilitary groups responsible for gross violations of human rights, which have been submitted to this committee.

Far from moving decisively to break ties to paramilitaries, Human Rights Watch evidence strongly suggests that the Colombian military high command has yet to take the necessary step to accomplish this goal. Human Rights WAtch information implicates Colombian Army brigades operating in the country's three largest cities, including the capital, Bogota.

If Colombia's leaders cannot or will not help these units support for paramilitary groups, the governments' resolve to end human rights abuses in units that receive U.S. security assistance must be seriously questioned.

That is why it is crucial for this Congress to place strict conditions on all security assistance to Colombia, including intelligence-

sharing, and adding new language to strengthen the current Leahy amendment. These conditions should require explicit actions by the Colombian Government at all levels between the Colombian military and paramilitary groups. Other groups that have contributed to members of the Colombian military have been decreasing in recent years, but over the same period the number and the scale of abuses attributed to paramilitary groups operating with the military's acquiescence or open support have skyrocketed.

Thank you, Mr. Chairman. I would welcome your questions.

[The prepared statement of Mr. Vivanco follows:]

PREPARED STATEMENT OF JOSÉ MIGUEL VIVANCO

Chairman Helms, Senator Biden, Members of the Committee:

It is a pleasure to be with you today. Thank you for inviting me to convey to the Committee our concerns about the human rights implications of U.S. security assistance to Colombia. I know the Committee is most interested in having time for an exchange, so my opening remarks will be brief. I also have submitted, for your record, a copy of our most recent report[1] on Colombia, entitled "The Ties That Bind: Colombia and Military-Paramilitary Links."

I would like to thank the Committee, on both sides of the aisle, for taking the time to examine in detail the proposed aid package to Colombia. Today, the United States has a unique opportunity to reach out to Colombia and support a democracy in peril. Many Colombians have risked their lives to defend their nation from many threats. Some who have chosen public service have even lost their lives to political and criminal violence.

Certainly, the United States has an interest in helping Colombia's elected leaders regain control of the regions now contested by armed groups on the right and the left. Illegal drug trafficking fills the pockets of all sides in this war, and contributes significantly to the level and scope of violence.

But Colombia's predicament is too complicated for simple solutions. Any aid proposed for Colombia should reflect not only its intricate history, but also the many agents of violence at work there, among them paramilitaries, guerrillas, and drug traffickers.

Unfortunately, there is another major source of violence in Colombia, one that should deeply concern this Committee. That is the State itself, through its security forces. Human Rights Watch, the State Department, the United Nations, and other independent groups have long reported on the abusive behavior of Colombia's military and police. Colombia's security forces have been linked to serious violations, among them massacres, extrajudicial execution, torture, forced disappearance, and death threats.

I would like to first discuss the human rights situation of Colombia's National Police. The police continue to be implicated in violations. There have been cases where officers capture and execute suspected guerrillas. In areas where paramilitaries are present, police have been implicated in joint army-paramilitary actions and have sometimes supplied information to them to assemble death lists. For instance, government investigators concluded in 1998 that police in La Ceja, Antioquia, organized and deployed paramilitaries considered responsible for at least thirty killings in 1996 and 1997.

Police have also stood by while paramilitaries select and kill their victims. Over a four-day period in October 1997, for instance, the Anti-Narcotics Police based in Miraflores, Guaviare failed to apprehend or even question the paramilitaries who killed at least four people. Police frequently and publicly describe whole populations as guerrillas or sympathetic to them and withdraw police protection, in part as punishment for their perceived allegiance. This is especially apparent after guerrilla attacks on towns.

It is important to note, however, that these activities do not, for the most part, go unnoticed or unpunished. According to our research, Gen. Rosso José Serrano and the National Police have taken human rights concerns seriously and do not tolerate abusive officers in the ranks. To date, 11,400 officers implicated in human rights abuses, criminal activity, and other crimes have been discharged from the force and put at the disposition of Colombian courts for trial and punishment. Using

[1] The report can be accessed on the Internet: http://www.hrw.org/hrw/reports/2000/Colombia/

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Far from moving decisively to sever ties to paramilitaries, Human Rights Watch's evidence strongly suggests that Colombia's military high command has yet to take the necessary steps to accomplish this goal. Human Rights Watch's information implicates Colombian Army brigades operating in the country's three largest cities, including the capital, Bogotá.

If Colombia's leaders cannot or will not halt these units' support for paramilitary groups, the government's resolve to end human rights abuse in units that receive U.S. security assistance must be seriously questioned.

Together, evidence collected so far by Human Rights Watch links half of Colombia's eighteen brigade-level army units to paramilitary activity. These units operate in all of Colombia's five divisions. In other words, military support for paramilitary activity remains national in scope and includes areas where units receiving or scheduled to receive U.S. military aid operate.

That is why it is crucial for this Congress to place tough conditions on all security assistance to Colombia. These conditions should require explicit actions by the Colombian Government to sever links, at all levels, between the Colombian military and paramilitary groups. Abuses directly attributed to members of the Colombian military have decreased in recent years, but over the same period the number and scale of abuses attributed to paramilitary groups operating with the military's acquiescence or open support have skyrocketed.

The following are the actions that Human Rights Watch believes the U.S. should require the Colombian government to take before receiving aid:

- devising and implementing a comprehensive and public plan to investigate, pursue, capture, and bring to justice paramilitary leaders, one that provides sufficient resources and guarantees the necessary political support to accomplish these goals;
- providing a significant increase of funding for the Attorney General's Human Rights Unit, including increased support for the Witness Protection program, travel, communications equipment, increased security, and improved evidence-gathering capability;
- establishing the ability at the regional and local level to respond to threats of massacres and targeted violence, including the creation of a rapid reaction force to investigate threats and killings, and to take steps to pursue and apprehend alleged perpetrators in order to bring them to justice;

Research done by Human Rights Watch shows clearly that intelligence-sharing remains the most pervasive and common method of collaboration between the Colombian military and paramilitary groups, with grave consequences for human rights. Intelligence is by definition a central function of any army, and is clearly so in the case of the Colombian military. Addressing the problems such information-sharing poses defies a unit-by-unit approach. Therefore:

- observing the aim of the Leahy Amendment, the United States should apply human rights conditions to all intelligence-sharing, to ensure that information is neither shared with human rights abusers nor with those who will pass it to paramilitary groups that violate human rights;
- for the purposes of compliance with the Leahy Amendment, the United States should make it clear that aiding and abetting any paramilitary group would result in a unit being disqualified for receipt of further U.S. aid or training until effective measures are taken to investigate and punish violations;
- any increase in security assistance should mean a proportionate increase in civilian staff assigned to the U.S. Embassy and State Department to oversee compliance with human rights conditions. Staff should be required to meet frequently with not only military and government sources of information, but also independent human rights groups, the church, and aid organizations. The goal must be to gather as much information as possible about reported human rights violations;
- a report on monitoring activities in countries where the Leahy Amendment applies should be a regular part of the State Department's annual report on human rights and should be available for independent review.

- The "effective measures" set out in the Leahy Amendment should be interpreted to include, among other measures, the rigorous application of the August 1997 ruling of Colombia's Constitutional Court, which requires that crimes against humanity allegedly committed by military personnel be investigated and tried in civilian courts. Neither the military nor the Superior Judicial Council charged with resolving jurisdictional disputes have abided by this ruling to date.
- as a condition of U.S. security assistance, the Government of Colombia should first require the military to respect civilian jurisdiction in cases involving credible allegations of human rights abuse by military personnel, including cases where officers are accused of conspiring to commit or facilitate murders and massacres by paramilitary groups. In this way, President Pastrana can ensure that such cases are sent to civilian courts, best equipped to investigate them impartially and guarantee due process.

We have additional recommendations that we include in the report submitted to the Committee today.

I would like to conclude by noting that I believe that the United States has a positive message to send Colombia. By supporting President Pastrana in his efforts to fortify democracy while at the same time combatting the illegal groups that cause so much terror and suffering, the United States sends a powerful message that the rule of law applies to all whether they wear a uniform or dress in civilian clothes.

Thank you and I would be pleased to try to answer any questions.

HUMAN RIGHTS WATCH,
1630 CONNECTICUT AVE., NW, SUITE #500,
Washington, DC, February 24, 2000.

Senator TRENT LOTT,
U.S. Senate Majority Leader,
U.S. Senate, Washington, DC.

DEAR SENATOR LOTT: I wish to draw your attention to information obtained by Human Rights Watch that provides detailed, abundant, and compelling evidence of continuing close ties between the Colombian Army and paramilitary groups responsible for gross human rights violations. We strongly urge you to support strict conditions aimed at upholding respect for human rights on all U.S. security assistance provided to the Colombian military.

This information was compiled by Colombian government investigators and Human Rights Watch. Several of our sources, including eyewitnesses, have requested anonymity because their lives are under threat as a result of their testimony.

Far from moving decisively to sever ties to paramilitaries, our evidence strongly suggests that Colombia's military high command has yet to take the necessary steps to accomplish this goal. Our information implicates Colombian Army brigades operating in the country's three largest cities, including the capital, Bogotá. If Colombia's leaders cannot or will not halt these units' support for paramilitary groups, the government's resolve to end human rights abuse in units that receive U.S. security assistance must be seriously questioned.

In previous Human Rights Watch reports and documents, we have detailed credible and compelling evidence contained in government and other investigations of continuing ties between the military and paramilitary groups in the Fifth, Seventh, Ninth, Fourteenth, and Seventeenth Brigades.

Together, evidence collected so far by Human Rights Watch links half of Colombia's eighteen brigade-level army units (excluding military schools) to paramilitary activity. These units operate in all of Colombia's five divisions. In other words, military support for paramilitary activity remains national in scope and includes areas where units receiving or scheduled to receive U.S. military aid operate.

We have drawn this information to the attention of the appropriate Colombian government ministers and officials, and have urged them to take immediate action to address these continuing problems in accordance with existing Colombian law.

Based on the enclosed evidence, Human Rights Watch found that:

- As recently as 1999, Colombian government investigators gathered compelling evidence that army officers set up a "paramilitary" group using active duty, retired, and reserve duty military officers along with hired paramilitaries who effectively operated alongside army soldiers and in collaboration with them;

- In 1997, 1998, and 1999, a thorough Colombian government investigation collected compelling evidence that army officers worked intimately with paramilitaries under the command of Carlos Castaño. They shared intelligence, planned and carried out joint operations, provided weapons and munitions, supported with helicopters and medical aid, and coordinated on a day to day basis. Some of the officers involved remain on active duty and in command of troops;
- There is credible evidence, obtained through Colombian government investigations and Human Rights Watch interviews, that in 1998 and 1999, army intelligence agents gathered information on Colombians associated with human rights protection, government investigative agencies, and peace talks, who were then subjected to threats, harassment, and attacks by the army, at times with the assistance of paramilitary groups and hired killers;
- There is credible evidence that this alliance between military intelligence, paramilitary groups, and hired killers is national in scope and is able to threaten key investigators in the Attorney General's office and the Procuraduría;
- The brigades discussed here—the Third, Fourth, and Thirteenth—operate in Colombia's largest cities, including the capital. Their commanders are considered among the most capable and intelligent, and are leading candidates for promotion to positions of overall command of divisions, the army, and Colombia's joint forces. If Colombia's leaders cannot or will not halt support for paramilitary groups in these units, it is highly questionable to assume that they will be more successful in units that are less scrutinized or operate in rural areas, including units that receive U.S. security assistance in southern Colombia;
- As these cases underline, Colombia's civilian investigative agencies, in particular the Attorney General's office, are capable of sophisticated and hard-hitting investigations. However, many investigators assigned to cases that implicate the army and paramilitaries have been forced to resign or to flee Colombia;
- At least seven officers mentioned in the attached report are School of the Americas graduates. Training alone, even when it includes human rights instruction, does not prevent human rights abuses. It must be accompanied by clear and determined action on the part of the Colombian government to bring to justice those in the military who have committed human rights abuses, to force the military to break longstanding ties to paramilitary groups, and to ensure that the Colombian Armed Forces are subject to the rule of law, including the August 1997 Constitutional Court decision that mandates that security force personnel accused of committing crimes against humanity are tried in civilian courts.

Given the poor record of the Colombian military, it is particularly important that human rights safeguards form a centerpiece of U.S. policy and that concerns about the control and the direction of security assistance be directly and thoroughly addressed.

The Leahy Amendment established a vital precedent for requiring adherence to human rights standards. Below, we set out measurable benchmarks that the United States should require of Colombia before any further U.S. security assistance is made available. These benchmarks should be used as a basis for monitoring compliance and for immediately suspending aid in case of any breach.

1. All U.S. security assistance should be conditioned on explicit actions by the Colombian Government to sever links at all levels, between the Colombian military and paramilitary groups. Abuses directly attributed to members of the Colombian military have decreased in recent years, but over the same period the number and scale of abuses attributed to paramilitary groups operating with the military's acquiesence or open support have skyrocketed. U.S. assistance should not be provided either to those who directly commit human rights abuses or to those who effectively contract others to carry out abuses on their behalf.

The actions that the Colombian government should be required to take include:

- devising and implementing a comprehensive and public plan to investigate, pursue, capture, and bring to justice paramilitary leaders, one that provides sufficient resources and guarantees the necessary political support to accomplish these goals. The U.S. Secretary of State should report to the U.S. Congress at three-month intervals to certify that measurable progress, including the capture and prosecution of paramilitary leaders according to Colombian law and with full guarantees of due process, is taking place;
- providing a significant increase of funding for the Attorney General's Human Rights Unit, including increased support for the Witness Protection program, travel, communications equipment, increased security, and improved evidence-gathering capability. The work of Colombia's Attorney General's office has contributed significantly to the protection of human rights and accountability for

serious crimes, including crimes committed by Colombia's guerrillas. Yet prosecutors and investigators continue to run deadly risks. Many have been forced to leave the country because of threats against their lives, leaving the fate of crucial cases in jeopardy;

- establishing the ability at the regional and local level to respond to threats of massacres and targeted violence including the creation of a rapid reaction force to investigate threats and killings, and to take steps to pursue and apprehend alleged perpetrators in order to bring them to justice;

With regard to U.S. training of Colombian military and police, we urge you to ensure that:

- all U.S. advice and training includes detailed instruction regarding the obligation of all members of the military and security forces to uphold Common Article 3 of the Geneva Conventions and Protocol II. Training should include hypothetical situations that reflect Colombian reality, and students should be closely evaluated on their understanding and application of international humanitarian law. Specialists from the International Committee of the Red Cross should be invited to contribute to such training;
- all existing training materials are reviewed in coordination with representatives of the International Committee of the Red Cross, the Defensoria del Pueblo, the office of the U.N. High Commissioner for Human Rights, the Colombian Attorney General, and a representative of independent human rights groups, to ensure that they reflect the highest standards of protection for human rights and international humanitarian law;
- all trainees, whether of officer rank or below, receive appropriate instruction in human rights and international humanitarian law.

2. The information submitted by Human Rights Watch shows clearly that intelligence-sharing remains the most pervasive and common method of collaboration between the Colombian military and paramilitary groups, with grave consequences for human rights. Intelligence is by definition a central function of any army, and is clearly so in the case of the Colombian military. Addressing the problems such information-sharing poses defies a unit-by-unit approach. Therefore:

- observing the aim of the Leahy Amendment, the United States should apply human rights conditions to all intelligence-sharing, to ensure that information is neither shared with human rights abusers nor with those who will pass it to paramilitary groups that violate human rights;
- for the purposes of compliance with the Leahy Amendment, the United States should make it clear that aiding and abetting any paramilitary group would result in a unit being disqualified for receipt of further U.S. aid or training. For example, should a particular battalion of the new anti-narcotics brigade be found to be directly abusing, or collaborating in the abuse of human rights, immediate steps would be taken by the U.S. to halt assistance to the entire brigade.
- any increase in security assistance should mean a proportionate increase in civilian staff assigned to the U.S. Embassy and State Department to oversee compliance with human rights conditions. Staff should be required to meet frequently with not only military and government sources of information, but also independent human rights groups, the church, and aid organizations. The goal must be to gather as much information as possible about reported human rights violations;
- a report on monitoring activities in countries where the Leahy Amendment applies should be a regular part of the State Department's annual report on human rights and should be available for independent review.

3. The "effective measures" set out in the Leahy Amendment should be interpreted to include, among other measures the rigorous application of the August 1997 ruling of Colombia's Constitutional Court, which requires that crimes against humanity allegedly committed by military personnel be investigated and tried in civilian courts. Neither the military nor the Superior Judicial Council charged with resolving jurisdictional disputes have abided by this ruling to date.

- as a condition of U.S. security assistance, the Government of Colombia should first require the military to respect civilian jurisdiction in cases involving credible allegations of human rights abuse by military personnel, including cases where officers are accused of conspiring to commit or facilitate murders and massacres by paramilitary groups. In this way, President Pastrana can ensure that such cases are sent to civilian courts, best equipped to investigate them impartially and guarantee due process;

- the United States should require that the Colombian military set up an independent review committee, composed of high level representatives from the Attorney General's office and the office of the Procuraduría to assess whether there is credible evidence of human rights abuse against individual officers and soldiers. If such credible evidence is found, the individual should be immediately suspended and the case sent to the civilian courts for prosecution. If found guilty, the individual should be permanently dismissed from the security forces;
- to reinforce sanctions on abusive security force members, the United States should conduct a review of all visas granted to military personnel and ensure that individuals against whom there is credible evidence of human rights abuse or support for paramilitary groups have their visas revoked or are denied visas to enter the United States;
- to strengthen accountability, the United States must urge Colombia to reform the rules governing investigations and disciplinary proceedings carried out by the Procuraduría. The Procuraduría is the government agency that oversees the conduct of government employees, including members of the military and police, and can order them sanctioned or dismissed. Currently, however, delays in investigation mean that many investigations into serious human rights crimes must be shelved due to excessively short statutes of limitations. Also, the crime of murder is not included as a reason for dismissal. Even when the Procuraduría finds that a member of the security forces has committed murder, it can recommend no more stringent punishment than a "severe reprimand," simply a letter in the individual's employment file;
- the United States must require that Colombia void the statute of limitations for investigations into crimes against humanity and other, related human rights violations.

4. Further, the United States should urge Colombia to pass and rigorously enforce laws that protect human rights including laws penalizing forced disappearance, unlawful detention, and torture. Legislation that officially recognizes and supports the work of the Attorney General's Human Rights Unit should also be supported by the U.S. Embassy in Bogotá.

5. Human rights defenders are among the most at-risk groups in Colombia. The United States should support their work by increasing funding for non-governmental groups that apply for assistance from the Agency for International Development. Funds should help strengthen their ability to investigate and report on human rights violations.

6. The United States should provide increased funding for Colombia's forcibly displaced, not only those who may be forced to abandon their homes because of future coca eradication efforts. Currently Colombia ranks third in the world in terms of the number of forcibly displaced people. Aid should be channeled through the church and independent aid and human rights groups rather than the government, in view of the latter's previous failure to follow through with promised assistance.

Please feel free to contact me if you require further information.

Sincerely,

JOSÉ MIGUEL VIVANCO,
Executive Director.

Senator CHAFEE. Mr. Vivanco, could you explain how your organization documents these instances of human rights abuses, assassinations and tortures? It seems like a dangerous environment to be in. What is the credibility of this documentation?

Mr. VIVANCO. The gathering of information on human rights abuses, as well as violations of international law committed by guerrilla groups in Colombia, is very dangerous. To collect this information not only for international organizations, but also and especially for local human rights groups in Colombia, is dangerous activity.

Now, the methodology of the investigation that we use includes, obviously, examination of the human rights conditions in the field, which means that we are constantly traveling to Colombia, interviewing witnesses, victims, relatives of victims, judges, prosecutors, detectives, policemen, former members of the police, or the intel-

ligence apparatus of Colombia, and even former members of paramilitary groups. We even had the chance at some point to interview the leader of paramilitary groups of Colombia, Mr. Carlos Castana, and have confronted him with the evidence that we have managed to collect.

In addition, we use to corroborate information ongoing investigation that is available in the office of the chief prosecutor of Colombia, specifically the human rights unit that is conducting investigations on many, many cases of human rights abuses.

Senator CHAFEE. Thank you. You are the executive director of Human Rights Watch, Americas Division, and I assume you have risen up through the ranks. Have you personally had experience documenting these types of abuses? Could you share some of those experiences?

Mr. VIVANCO. Mr. Chairman, it is also part of my job to participate in the whole process of the evaluation of the evidence, the analysis of the information. I have personally been in Colombia many, many times. I had the opportunity to meet with Presidents of Colombia on several occasions, and to discuss our findings.

Normally, our findings—I mean, the facts, or the merits, if you want, of our reports are never contested in Colombia. Normally, the response of the Colombian civilian authorities is to assure that they will do whatever they can to reduce this level of violence, but so far we have been careful enough to include information that fortunately has not been questioned in Colombia.

Senator CHAFEE. Well, thank you very much. In your opening statement you talked about armed groups on the right and the left. Maybe either of you could address that, armed guerrillas both right wing and left wing. What is the status, and where do they operate?

Mr. SKOL. Well, the two big guerrilla groups are the FARC, the larger of the two groups—the ELN is the Army of National Liberation, a smaller group. They operate east and south of the Andes, in a vast area of the country. The paramilitaries——

Senator CHAFEE. Do you consider both of them, leftist?

Mr. SKOL. Well, I have my doubts as to how left they really are any longer. They both started out as leftist groups. They have had in the past support from Fidel Castro. I would consider them today more feudal, primitive gangs, parallel to the paramilitaries in many ways. When they kidnap, they do not kidnap to make a political point. They kidnap, and it has become—it is a terrible phrase, but it is very popular in Colombia—"commercial terrorism." They kidnap people to hold them ransom, to get the money and to use the money to kidnap more people and to buildup power.

They are feudal gangs more than anything else. They claim to have a 1960's Latin American revolutionary platform, and they do to a certain extent, and they have made certain demands along these lines when they have seen fit to approach the negotiating table, but I would characterize them more as criminal terrorists, drug-protecting gangs, in fact, than true revolutionaries.

The paramilitaries were created originally as self-defense forces against the guerrilla groups. Farmers, ranchers and others who had the money hired private armies, but these have turned into a lot more than self-defense. They have become aggressive, criminal gangs. Gangs is perhaps the wrong word. Armies, feudal armies in

Colombia. They also are involved, many of them, in the protection of drugs.

There is nothing much good to say about either side, either extreme, but it is a little dangerous and too simplistic to call them right wing and left wing. They flap around and do terrible things on all sides to anyone who gets in their way, or anyone who has money, or anyone who is trying to stop drug-trafficking.

Senator CHAFEE. I suppose the natural followup question, this involves the first panel's testimony about negotiating with these groups. Listening to you, that would sound almost impossible.

Mr. SKOL. It is extraordinarily difficult. The FARC and the ELN are not disorganized. They are highly organized. They have pay scales, they have pensions, they have e-mail, they have rest and recreation. They are in many ways, or most ways, better paid and better taken care of than the soldiers who face them in the Colombian Army. They are very well-off, but they have claimed they want to sit down and negotiate. They just have to be persuaded that it is in their interest to do so.

President Pastrana has staked his political career, his Presidency on the notion that there can be negotiation. There is no such intention on the part of the government to negotiate with the paramilitaries. They are seen as beyond the pale of negotiation. That is the policy of the Government of Colombia.

But most Colombians, certainly the Colombian Government, President Pastrana, the U.S. administration, believe that in the long run drug-trafficking will diminish and human rights violations will disappear only when the guerrilla warfare also goes away. The best way, the least bloody way for that to happen is for both sides to believe it is in their interests to negotiate, and that has not happened yet on the side of the guerrillas. They say so. We are waiting to see. I believe, again, that one of the side effects of this package may be to convince them that now is the time, before the army is stronger.

Some of the same impossible things have been said about previous negotiations with gangs and others who did not originally want to negotiate. We have said it about the Middle East. We have said it about Ireland. We used to say it about Central America. Negotiations are possible. The first rule is that both sides have got to see something in it for themselves to go to the negotiating table.

Mr. VIVANCO. Mr. Chairman, if I may, I would like to add a couple of comments. Certainly, I do not agree with all the views of my good friend, Ambassador Skol, on Colombia. I do believe that the guerrillas have very strong, extremist ideological views, leftist in the traditional way, and the paramilitary groups are also very much motivated not only by criminal interests but also by this ideological interest as well.

We also believe that the best option for Colombia's future is a negotiated agreement, a peaceful solution, a negotiated settlement with these groups. It is a very difficult option. It is not going to happen overnight, but certainly we are concerned that if you see Colombia only as a country where you have just violence and narcotics, and that is just the picture of Colombia, without understanding that as a part of the equation you have tremendous and very serious problems of justice, social justice as well as access to

justice—which means impunity in Colombia. Impunity feeds all of this violence and corruption.

Colombia is perhaps in the region of the country that enjoys the highest level of impunity for all sorts of crimes, according to the official figures, the number of cases that are not successfully investigated and punished by the judiciary in Colombia are close to 97, 96 percent per year, so this is something that needs to be addressed, and it is also, I think, part of a picture, the big picture when you refer to Colombia.

Senator CHAFEE. Well, thank you. That is, I guess, the crux of our dilemma. A country that is crying out for judicial norms is, at the same time, a country that does not have them. It is also a country into which we are going to be allocating a huge amount of United States aid.

I do not have any further questions. Thank you very much for your time. I appreciate it.

There being no further business to come before the subcommittee, we stand adjourned.

[Whereupon, at 11:40 a.m., the subcommittee adjourned.]

[Additional questions for the record follow:]

ADDITIONAL QUESTIONS FOR THE RECORD

RESPONSES OF HON. R. RAND BEERS TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

COLOMBIA SUPPORT

Question 1. Despite spending a half a billion dollars in recent years, cocaine and heroin production has actually increased in that period. If Congress decides to fund your strategy, where will Colombian cocaine and heroin production be at the end of 2000 and 2001?

Answer. While total production in Colombia has increased at an explosive rate (with a 20 percent increase last year alone), those increases have, as a general rule, occurred outside of the areas of our focused efforts. That is why this supplemental package is so important. It will allow for the expansion of counternarcotics operations into areas that are beyond the reach of current efforts without sacrificing performance in current areas of operations. In addition to expanding current eradication efforts to new areas, the supplemental will improve Colombia's interdiction capabilities and give new impetus to alternative development and other social programs.

Expectations are positive for the programs supported by the package, in part because they are based on the lessons learned in our counternarcotics cooperation with the governments of Peru and Bolivia. Since 1995, despite the explosive growth in Colombian coca cultivation, regional cultivation has declined because of the successes in those two countries. Over that time period, Peru has reduced its coca crop by 66 percent and Bolivia by 55 percent. Colombia hopes to match that performance, with the first meaningful reductions as early as 2001.

Question 2. Please describe the level of corruption within Colombian institutions, society and business. How has that corruption complicated U.S. anti-drug efforts? What steps will you take to ensure that U.S. funds and efforts are not squandered due to corruption in Colombia?

Answer. While corruption is a problem in Colombia, it does not present a significant obstacle to U.S. counternarcotics operations there. We are continuing to work with Colombian officials to resolve allegations, of corruption within a USG-funded program with the Colombian National Police.

Colombia has an elaborate system of controls that should keep resources from being improperly diverted. The system includes a Comptroller General empowered to conduct audits, an Attorney General (Procurador) who serves as a government-wide inspector general who can remove government officials from office, and a powerful and independent prosecutor (Fiscal). These institutions have offices at both the national and local levels. In addition, for police and military assistance items, USG

agencies maintain extensive "end use monitoring" to prevent improper diversion of transferred resources.

Question 3. Please provide a detailed description of the process for testing and using mycoherbicides to combat illicit crops in Colombia. What is the current status of these efforts? When will the Colombian government and the UNDCP sign an agreement for implementing this program? Should the U.S. make the testing of mycoherbicides a condition for receiving U.S. aid?

Answer. The UNDCP is currently negotiating with the Government of Colombia to establish a test program in Colombia to be overseen by an international panel of experts. The project proposal also calls for the selection of an international consultant who is familiar with "global developments and application" of mycoherbicide research and it calls for the Government of Colombia to identify a suitable scientific organization to undertake the research. Some of the project's specific objectives are: to determine whether the fungus is present in southern Colombia; and if so, to test it on small plots to ensure that it poses no risks to crops or important native plant species in the Andean region. Colombia has not yet signed the agreement to allow testing. However, the U.S. Department of Agriculture has conducted its own testing of mycoherbicides and we respectfully defer to them for an explanation of the testing process.

The Department of State is pleased that UNDCP and the Government of Colombia are negotiating this project, and we are encouraging both sides to reach an agreement as soon as possible. However, we should not make this new technology a condition of the assistance package.

Question 4. The Administration justifies the increased anti-drug support to the Colombian military because the guerrillas are increasingly involved in drug trafficking. What specific, substantial evidence can you present that the guerrillas are involved in the drug trade? How has their involvement in this illicit activity changed in the last year? Why did President Andres Pastrana tell CNN network, in an interview broadcast on February 27, that his government does not have specific evidence implicating the guerrillas in the drug trade?

Answer. Guerrilla and paramilitary leaders have publicly admitted to taxing the narcotics trade. Additionally, there is evidence that they are more actively involved: providing protection for crops, and encouraging cultivation. We would be happy to arrange a classified briefing to discuss details of this.

Any questions about statements by President Pastrana should be directed to the Government of Colombia.

Question 5. Some observers have raised the concern that this increased anti-drug aid—particularly to the military—involves our government in the middle of an internal conflict. How would you respond to these concerns?

Answer. U.S. policy is not shifting from cooperating with the Colombians on the regional counter-drug fight to assisting their counter-insurgency efforts. As President Clinton stated clearly, our policy in Colombia is to support President Pastrana's efforts to find a peaceful resolution to the country's longstanding civil conflict and to work with the Colombians—along with other regional partners—on fighting illicit drugs. Furthermore, Colombians designed Plan Colombia and the counternarcotics components will be implemented by the Colombian police and military. There are no plans to commit U.S. forces to implement militarily any aspect of this Plan.

Clearly, drugs and the insurgency are linked financially. Narcotics money funds the guerrillas, funds the paramilitaries, and fuels the violence that is tearing at the fiber of Colombian society. One added benefit to the increased counternarcotics efforts could be the breaking of these financial links.

The objective of Plan Colombia's counternarcotics component is to confront and disrupt the narcotics trade. As long as the paramilitaries and guerrillas maintain connections to the narcotics trade, they are valid targets for counternarcotics units, regardless of the political orientation they may claim. As these groups divest themselves of narcotics ties, they should be able to avoid engagements with Colombia's counternarcotics forces.

Question 6. What rules will apply on how the Colombian government can use U.S.-donated helicopters or ammunition? Please explain the real-world scenarios in which these weapons might be called upon in counterinsurgency operations. What controls, if any, will the U.S. government retain over U.S.-donated materiel?

Answer. All counternarcotics assistance provided by the United States Government is subject to the human rights requirements of Section 564, Foreign Operations, Export Financing and Related Programs Appropriation Act for FY2000. In keeping to the letter and the spirit of that legislation, all units to receive assistance

are vetted for human rights violations. No assistance is provided to individuals or units against whom there is credible evidence of gross human rights abuses.

Colombia has an elaborate system of controls, which should keep resources from being improperly diverted. The system includes a Comptroller General empowered to conduct audits, an Attorney General (Procurador) who serves as a government wide inspector general who can remove government officials from office, and a powerful and independent prosecutor (Fiscal). These institutions have offices at both the national and local levels. In addition, for police and military assistance items, USG agencies maintain extensive "end use monitoring" to prevent improper diversion of transferred resources.

All counternarcotics assistance provided by the USG is meant exclusively for counternarcotics purposes. Because of their ties to the drug trade, guerrillas and paramilitaries may be engaged in the course of operations, but the operations would be counternarcotic in nature. In addition, U.S.-provided aircraft are generally permitted to conduct mercy flights and search-and-rescue missions with embassy concurrence.

Question 7. The Colombian government has withdrawn its security forces from the so-called "demilitarized zone." Is there any evidence of new cultivation or production of drugs in that DMZ in the last year? How many anti-drug missions, if any, have been conducted in the DMZ in the last year?

Answer. There is evidence of 10,000 to 12,000 hectares of coca under cultivation in the demilitarized area. Although two counternarcotics missions were conducted shortly after the creation of the zone, there have been no further counternarcotics operations there.

Question 8. As Colombia becomes more effective in containing coca and heroin, isn't it predictable that the cultivation will shift to neighboring countries? Shouldn't more aid be directed to neighboring countries, as well?

Answer. Concerns over narcotic industry relocation are the reason that the supplemental package includes additional funds to support Colombia's neighbors. There is also a cultural factor that mitigates the threat of large-scale migration of drug crops to those specific countries. Like Bolivia and Peru, Colombia already had a history of coca cultivation when the industry shifted there. The shift of cultivation represented the expansion of an existing practice; not the introduction of a new one as it would in Brazil, Venezuela, and Ecuador.

- The shift to Colombia from Peru and Bolivia was narcos falling back on their base—where most of the processing already took place—falling back not only to a remote area but one where the FARC has kept the government out.
- It is not easy to move to an area without narco infrastructure and transportation networks; it is not easy to move given lag time to grow coca, which requires 18-36 months.
- We will use intel to watch. We will begin work with governments to respond. We do not need a lot of dollars for this readiness posture.

Question 9. Isn't the anti-drug mission a law enforcement function? Do the National Police agree that the army should now be involved? What is the track record of cooperation between the Police and army? How will we ensure coordination using U.S. aid?

Answer. The Colombian National Police (CNP), under the direction of General Serrano, continues to be one of the premier counternarcotics forces in the world. Now, the Colombian armed forces have adopted a similar commitment to counternarcotics in support of the CNP's counternarcotics mandate. The proposed assistance to the Colombian military is designed specifically to help it support the CNP's counternarcotics mandate by providing the protection from illegal armed groups necessary for the CNP to complete its mission. While the counternarcotic mission is clearly within the CNP's purview, the security problem is more military than law enforcement in nature. The CNP, even with a counterdrug force of some 2,500 and support from its air wing, is not trained, structured, or staffed for the task. Furthermore, the militarization of the police force runs counter to the democratic traditions of both our countries.

The Colombian military, meanwhile, is not now sufficiently equipped to carry out this important mission in support of the CNP, especially in the area of air mobility. We must continue working with Colombian military elements to bring their capabilities up to a level where they can successfully operate alongside the CNP and contribute to the counternarcotics effort.

The Colombian Army has greatly expanded cooperation with and support of the Colombian National Police. A key example is the formation of its first counternarcotics battalion in 1999. This battalion is a 950-person unit with a CNP platoon

attached. Such cooperation between the military and police is still a fairly new phenomenon in Colombia, but the commanders, Generals Serrano and Tapias, are committed to its success. This is a Colombian effort, not solely a police or military effort, and we believe this package is well tailored to make the entire Colombian government effort more effective and more secure for both police and military personnel. That said, cooperation and coordination will be an issue between the two institutions that will need to be nurtured, just as is true in other countries including our own.

Question 10. Is there any other detailed plan that lays out "benchmarks" or "targets" on eradication or interdiction so that we can measure the effectiveness of our strategy and aid? Please provide a copy of the written plan that describes a timetable for the delivery of assistance and the targets that will be met over the same period.

Answer. A key strategic planning document is the Government of Colombia's National Strategy to Strengthen the Fight against Narcotrafficking. The composition of the package has also been influenced by the USG's Interdiction Planning Guidance, produced by the United States Interdiction Coordinator. Benchmarks specifically for Plan Colombia are currently being developed.

RESPONSES OF AMBASSADOR MICHAEL SKOL TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS

Question 1. Please describe the level of corruption within Colombian institutions, society and business. How has that corruption complicated U.S. anti-drug efforts? What steps should we take to ensure that U.S. funds and efforts are not squandered due to corruption in Colombia?

Answer. The level of corruption within Colombian public institutions has been high, primarily due to the enormous corruptive influence of drug traffickers and guerrilla groups. Through bribes, threats and demonstrative violence these outlaws have subverted large parts of the Colombian system, particularly the judiciary, many public office holders from the national congress to the local level, and parts of the armed forces. The name of the infamous Senator Santofimio, for example, has entered the vocabulary as a synonym for extraordinary corrupt behavior, and the Constitution of 1991 was clearly modified to eliminate extradition of Colombians as a result of direct payments by the traffickers to Constituent Assembly members. Anti-drug operations in the past have been regularly compromised. The process reached its peak during the Presidency of Ernesto Samper, during which many Colombians were shocked out of their relative complacency by the obvious fact that drug corruption had reached all the way to the Presidency and had had a direct impact on a presidential election. At the same time, much non-drug or guerrilla-related activity was also caught up in the general decay of the judicial and governmental system, so that corruption (as well as other crimes) usually went undetected and unpunished. On the other hand, a solid segment of the system did remain resistant to corruption. The National Police, and any number of individuals in the executive, the office of the Fiscal (permanent special prosecutor), many judges are examples. And the private sector has all along earned a reputation of considerable responsibility and rectitude.

The overall situation in government began to change with the election of President Pastrana in 1998, partly as a reaction to the Samper disgrace. The appointment of clearly honest and courageous individuals to key posts (including in the Defense Ministry and army), the creation of a Presidential Anti-Corruption Office which has developed innovative methods of anti-corruption control, continued judicial reform, and the President's willingness to take action against even ranking people accused of wrongdoing are signs of potential improvement. Change is happening, but until the power of the traffickers and guerrillas is seriously reduced, the corrupting pressure will continue.

In order to prevent corruption from squandering U.S. funds and efforts, we must insist—and President Pastrana has agreed—that the same kind of internal vetting, constant monitoring and ruthless willingness to act against offenders that has characterized the National Police be insisted upon with regard to the army. Certain kinds of civilian controls—as for example the use of the Internet by the Presidency's Anti-Corruption Office to monitor and make transparent all activity connected with major purchases—can usefully be engaged vis-a-vis the use of funds connected with U.S. assistance. And the Congress could accelerate the trend begun regarding Central American post-hurricane assistance, in the mandated use of relevant private

sector (meaning U.S. private sector) anti-corruption tools and services (as, for example, the "Independent Private Sector Inspector General" concept).

Question 2. Opponents of U.S. security aid to Colombia argue that we are militarizing anti-drug programs. But what alternative is there if the other side—the narcotraffickers—relies on and funds the well-armed guerrilla groups? How would you characterize or quantify the level of complicity of the guerrillas in the drug trade?

Answer. There is no alternative. It is the drug traffickers who have militarized the drug trade. It would be tactically and logically foolish to act as if the drug trade had remained a straightforward "cops-and-robbers," albeit in the jungle. The drug-guerrilla combine is an army, and only an army can deal with it. The precise involvement of the guerrillas in the drug trade has been the subject of considerable, mostly sterile, debate. The guerrillas offer direct continuous and very profitable protection for the production, manufacture and traffic of drugs. They are an integral part of the operation. They are no less drug traffickers themselves because they carry guns rather than coca paste.

Question 3. Some observers have raised the concern that this increased anti-drug aid—particularly to the military—involves our government in the middle of an internal conflict. How would you respond to these concerns?

Answer. Our government is already rightly involved in the conflict against drugs, and we had better stay right there if we expect to do anything about the problem. That conflict now and for some time has involved the guerrillas—by their choice, not ours or the Colombian Government's. It is a fact that anti-drug interdiction or eradication cannot take place in areas where the guerrillas have so much relative power that current levels of government (police) forces are incapable of doing their job. The shortest route against the narcotics trade in Colombia is by helping the Colombian military and police level the playing field against the guerrillas—or become obviously ready to do so—so that these guerrillas (as a result of negotiations or defeat) are no longer standing in the way.

It is also important to note that the concept of "internal conflict" is invoked by many in the U.S. and elsewhere to project an image of civil conflict, with the "opposition" to the government in the form of guerrillas who have some kind of legitimacy in representing groups or citizens in armed struggle. This is a myth. Overwhelmingly (consistently 97% in the polls) of Colombians reject the guerrillas; these outlaw groups represent next to nobody. They impose their will by force alone. They are less party to a classical "internal conflict" than they are, in effect, unloved aliens in their own land.

Question 4. Regarding the peace talks, what evidence is there that the guerrillas are genuinely committed to a peaceful, definitive end to the conflict?.

Answer. Little or none. Ever since the "peace process" began even before President Pastrana's inauguration, the guerrillas, especially the FARC, have evidently preferred the status quo to any movement in the direction of peace. They see their fortunes (in monetary and philosophical terms both) only as improving into the future. Why negotiate seriously? Make impossible demands, continue to fight in places of their choosing, and build their strength ever greater. The most important element of the "Plan Colombia" and of U.S. assistance is to help break this cycle, convince the guerrillas that the army and police will become stronger and more capable of displacing them. Convince them that it is in their interest to negotiate. Until that happens, no amount of wishful thinking toward peace, or alternative development, will make any difference at all.

Question 5. Has the Pastrana government taken steps to purge the military of suspected human rights abusers or those complicit with the illegal paramilitary groups? Do you think he is sincere about reforming the security forces, and does he have the power to ferret out problems wherever they exist?

Answer. Pastrana has indeed taken steps. He has appointed the best kinds of people to the military high command. He has fired top generals involved in human rights abuses. He has ordered the active pursuit of paramilitary forces. The statistics showing the reductions of human rights abuses alleged to the armed forces have been striking. Pastrana is most definitely sincere; he has taken political and personal risks in this endeavor. He and his colleagues, however, do not have the full power to ferret out all problems, especially given the fact that most Colombians do not see the paramilitary forces in any way near the negative light with which they are viewed from Washington. But change is happening, and at a significant rate. And the U.S. could not possibly find a leader as committed simultaneously to democracy, human rights and the war against drugs as Andres Pastrana.

RESPONSES OF HON. BRIAN E. SHERIDAN TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

Question 1. In your prepared testimony today, you stated that there was not time during the hearing to "elaborate on all the restrictions, constraints, and reviews involved in the approval of the deployment of U.S. military on counterdrug missions in Colombia and elsewhere." Please elaborate on these restrictions, constraints, and reviews.

Answer. Military support for counterdrug activities has historically raised issues of sensitivity for the executive branch. As a result, this issue has received close scrutiny from the Department and the Secretary of Defense has promulgated additional guidance to formalize the review and approval of military support to counterdrug activities. This comprehensive direction was most recently revised in an October 6, 1998 memorandum and amplified with focused guidance particular to Colombia in a March 9, 2000 memorandum to the Chairman of the Joint Chiefs of Staff. Copies of both memorandums are enclosed.

Additionally, as a consequence of section 8098 of the DoD Appropriations Act, 2000 (Public Law 106–79, Oct. 25, 1999), if the military support to counterdrug activities includes training then the recipients of the training are screened to ensure that they are not violators of human rights. After the screening, a non-DoD member of the country team must verify in writing that the DOS does not possess "credible evidence" of human rights violations by any member(s) of the unit receiving U.S. training.

THE SECRETARY OF DEFENSE

Washington, DC, October 6, 1998

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE FOR POLICY
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTOR OF ADMINISTRATION AND MANAGEMENT
DIRECTOR, DEFENSE INTELLIGENCE AGENCY
DIRECTOR, NATIONAL SECURITY AGENCY

SUBJECT: Military Support to Counternarcotics Activities

This memorandum supersedes the Secretary of Defense (SecDef) policy memorandum dated September 18, 1989, subject: "Military Support to International Counternarcotics Activities." The Department of Defense (DoD) executes its statutory civilian law enforcement counterdrug support responsibilities pursuant to the National Security Strategy, the National Military Strategy, and the National Drug Control Strategy. As a consequence of the evolving tactics of drug traffickers, DoD is responding to requests by drug law enforcement agencies for increased training in riverine, coastal maritime, and small unit tactics; for extension of our training, enhanced intelligence collection, analysis and dissemination support; and for expansion of our helicopter and maritime transportation support. Due to this changing operational environment the application of new technologies and increased levels of DoD support it is necessary to update and clarify DoD policy regarding military support to counternarcotics activities both domestically and internationally. Accordingly the following policies apply to all Military departments Commander-in-Chief (CINC) assigned forces and DoD agencies.

- DoD personnel shall not deploy or otherwise travel into a foreign country in connection vith a non-DoD agency request for counterdrug support or a counterdrug operation unless the Secretary of Defense or Deputy Secretary of Defense has approved the deployment or travel, or has specifically delegated that approval authority to the respective theater CINC, a Service, or the DoD Coordinator for Drug Enforcement Policy and Support.
- DoD personnel shall not directly participate in law enforcement activities such as a search, seizure, arrest, or similar activity. Consistent with this proscription, DoD counterdrug support to drug law enforcement agencies will be distinguishable and separate from law enforcement activities undertaken by the drug law enforcement agents.
- DoD personnel are prohibited from accompanying U.S. drug law enforcement agents or host nation law enforcement forces and military forces with counterdrug authority, on actual counterdrug field operations or participating in any activity in which counterdrug-related hostilities are imminent. DoD per-

sonnel will make every effort to minimize the possibility of confrontation (armed or otherwise) with civilians.

- DoD personnel will not accompany U.S. drug law enforcement agents, host nation law enforcement forces or host nation military forces with counterdrug authority to/or provide counterdrug support from, a location outside a secure base or area. If included as part of an approved SecDef deployment order, DoD personnel may proceed to a forward operating base or area in accordance with the deployment order when directed by the commander or other official designated by the responsible CINC.
- Counterdrug training or support provided by DoD personnel must be requested by a U.S. law enforcement agency. If overseas, counterdrug support must be requested by an appropriate official of a department or agency of the Federal Government that has counterdrug responsibilities in that foreign country. The request must be made by the appropriate representative of said department or agency on behalf of the host nation and be approved by the U.S. Chief of Mission.
- All counterdrug training or support provided by DoD personnel must be authorized by statute. It may be provided only to Federal, state and local law enforcement agencies, or host nation police, security forces, and military forces that have counterdrug responsibilities.
- The authority delegated in Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 3710.01, dated May 28, 1993, to approve counterdrug ground reconnaissance training missions in support of law enforcement agencies by the U.S. Armed Forces in federal status in the 54 States/Territories of the United States, is withdrawn. This withdrawal does not affect DoD funded National Guard counterdrug ground reconnaissance support missions, approved in the Governors' State Plans, pursuant to 32 USC § 112.

The approval procedures for military support to counternarcotics are as follows:

1. The Military Departments and the CINCs of the Unified Commands will process all requests received directly from non-DoD agencies for operational military support to counternarcotics activities in accordance with CJCSI 3710.01. Requests for equipment loans and transfers should be handled in accordance with applicable domestic laws and DoD policies and directives.

2. The Chairman of the Joint Chiefs of Staff shall forward requests for support, with his recommendation, to the Secretary or Deputy Secretary of Defense through the Under Secretary of Defense for Policy and the DoD Coordinator for Drug Enforcement Policy and Support. The DoD Coordinator for Drug Enforcement Policy and Support will forward the request for support to the General Counsel for review. When the support will occur outside the United States and its territories, the DoD Coordinator for Drug Enforcement Policy and Support shall be responsible for coordinating the request with the Department of State before its submission to the Secretary or Deputy Secretary of Defense for approval. DoD personnel shall not deploy or otherwise travel into a foreign country in connection with such a request unless the Secretary or Deputy Secretary of Defense has approved the movement, or has specifically delegated that approval authority to the respective theater CINC, a Service, or DoD Coordinator for Drug Enforcement Policy and Support.

3. Messages to the Chairman of the Joint Chiefs of Staff (Attention: J-3, Joint Staff) concerning requests described in paragraph (1) should include the following:

a) The identity (name or specific position title) of the official who requested the support.

b) Mission of the DoD personnel involved and the source of the DoD supporting personnel (in theater assigned or other than theater assigned).

c) Numbers of personnel involved.

d) Proposed dates of the operation. Additionally, for international missions, the arrival in and departure from the host nation.

e) Status of approval by host country (name and specific position of host nation official granting approval), U.S. Ambassador, and appropriate CINC.

f) Explanation of counterdrug nexus of the DoD support provided.

g) Source of funding.

h) Citation of statutory and other legal authority for providing the support.

i) Command relationships.

j) Brief review of the risk involved to U.S. personnel.

k) Whether or not personnel will be armed and nature of the armament.

l) Applicable rules of engagement as well as limitations on participation.

m) Legal status of U.S. personnel deployed in a foreign nation.

I do not want to deter initiatives to improve and enhance the Department's support. However, I want to minimize and consciously address any new risks. All ad-

dressees are to ensure that requests for Department support, that go beyond the basis tenets in this policy, are forwarded through the Chairman of the Joint Chiefs of Staff to the Office of the Secretary of Defense for review and the Secretary of Defense for approval.

BILL COHEN

THE SECRETARY OF DEFENSE

Washington, DC, March 9,2000

MEMORANDUM FOR CHAIRMAN OF THE JOINT CHIEFS OF STAFF

SUBJECT: Defense Funded Training in Colombia

For more than ten years, the United States Government has actively supported the Republic of Colombia's struggle to reduce the quantity of illicit drugs produced in and transshipped through Colombia's sovereign territory. In providing counterdrug support to Colombia, DoD has refrained from becoming involved in Colombia's internal conflict. In order to preclude confusion or the possibility of any misunderstanding regarding this noninvolvement policy, I am directing that no DoD personnel, funds, equipment, or other resources may be used to support any training program involving a Colombian unit that engages solely in counterinsurgency operations. This prohibition applies to all training funded by Defense appropriations including, counterdrug training, humanitarian demining training, Joint Combined Exchange Training (JCET) deployments, as well as any training activities conducted under the Commander in Chief's Initiative Fund. DoD will continue to provide authorized training and support to multi-mission Colombian units.

Currently, DoD is supporting several new counterdrug initiatives proposed by President Pastrana's administration, including:

- Training, equipping and fielding the inaugural Counterdrug Battalion and its supporting Joint Intelligence Center;
- Enhancing counterdrug riverine capabilities of the newly organized Colombian Riverine Brigade; and
- Upgrading and training the Colombian Air Force for its counterdrug aerial interdiction role.

The nature and scope of these counterdrug initiatives have increased public awareness of U.S. military trainers, who are deployed to dispersed and marginally accessible sites throughout Colombia. This in turn has raised the risk that DoD personnel inadvertently may come into contact with insurgents or paramilitary elements.

To reduce such risk, I provided clear direction in my October 6, 1998, memorandum, "Military Support to Counternarcotics Activities," in which I specified that "DoD personnel are prohibited from accompanying U.S. drug law enforcement agents or host nation law enforcement forces and military forces with counterdrug authority, on actual counterdrug field operations or participating in any activity in which counterdrug-related hostilities are imminent. DoD personnel will make every effort to minimize the possibility of confrontation (armed or otherwise) with civilians." That memorandum remains in effect and provides direction for all military support to counternarcotics activities, in Colombia and elsewhere.

In light of the expanded scope of DoD support for counterdrug training in Colombia and the associated risk that it raises for all DoD activities, please reemphasize to all commanders that DoD personnel must not accompany U.S. or host nation personnel to, or provide counterdrug support from, a location outside of a secure base or area. This restriction applies to all support including counterdrug training. DoD personnel may conduct their counterdrug support activities only from bases or within areas that have been determined by a USCINCSO-designated authority to present a minimal risk of contact with hostile elements.

Regarding deploying forces not assigned to USCINCSO, DoD personnel may proceed to a forward base or area only if included as part of a SecDef-approved deployment order and only after a USCINCSO-designated authority has determined that the forward base is secure and adequately protected. To this end, USCINCSO will designate risk determination authorities in writing for deployments of DoD forces to Colombia. Risk determination authorities for deployments of non-USCINCSO forces will be specifically designated in the Request for Deployment Order. All counterdrug support of Colombia, including military support to drug law-enforcement agencies, delegated in Chairman of the Joint Chiefs of Staff Instruction 3710.01, dated May 28, 1993, must be executed consistent with this direction and my October 6, 1998, memorandum. Nothing in this direction limits a commander's inherent authority and obligation to use all necessary means available and to take

all appropriate action in self-defense of the commander's unit and other U.S. forces in the vicinity.

WILLAM A. COHEN

Question 2. What is the anticipated timeline of the following that will be funded under the supplemental request:

- Training of the remaining two counter-narcotics battalions;

Answer. The second battalion will commence training in Larandia, Colombia on or about April 1, 2000 and complete its course of US led instruction in August 2000. The third battalion will begin its training in August 2000 and complete its course of U.S. led instruction on December 2000.

- Establishment of the infrastructure for basing and maintenance of Blackhawks and Huey helicopters provided under the proposal?

Answer. For both Hueys and Blackhawks, the Colombian Armed Forces states that they will be able to support depot level aviation maintenance from Tolemaida, Colombia and intermediate level aviation maintenance from Larandia, Colombia by December 2000.

Question 3. Please describe the anticipated basing plan for the Blackhawk helicopters provided under the proposal.

- Where will the helicopters be based?

Answer. The Blackhawk helicopters will be based at Tolemaida, Larandia, and Tres Esquinas, Colombia.

- Will all the helicopters be based at the same location?

Answer. No. See above.

- Will the helicopters be assigned to individual battalions, or will they simply be assigned to the entire counter-narcotics brigade?

Answer. The aviation unit headquarters will be located at Tolemaida. The aviation unit and its helicopters will be assigned to and in general support of each counter-narcotics battalion.

Question 4. Please describe the command arrangements of the counter-narcotics battalion already established, and the command arrangements of the counter-narcotics brigade that will be established pursuant to the supplemental request and Plan Colombia.

Answer. Currently, the 1st Counternarcotics Battalion is under the operational control of Colombia's Joint Task Force-South. Joint Task Force-South responds directly to the Chief of the Colombian Armed Forces, General Fernando Tapias. When the Counterdrug Brigade Headquarters is established at Tres Esquinas in December 2000, it will assume command of all the counterdrug battalions. The counterdrug brigade will remain under the operational control of Joint Task Force South.

- Is there a Colombian National Police official in the command structure? If so, at what level?

Answer. No. However, the Colombian National Police (CNP) assigns liaisons at all levels of the counterdrug command structure in southern Colombia. The 1st Counternarcotics Battalion has a CNP liaison, as does Joint Task Force South. Additionally, the Colombian Joint Intelligence Center at Tres Esquinas combines intelligence personnel from the CNP and the Colombian Army in its organizational structure.

Question 5. Is the counter-narcotics brigade part of a larger Colombian Army unit-i.e., a division? If so, how is it anticipated that it will interact with the other brigades in that particular division?

Answer. No. At present, there are no larger Colombian Army units dedicated solely to counter-narcotics operations. However, there are other general purpose Colombian Army units that conduct counter-narcotics operations. The counter-narcotics brigade will be under the operational control of JTF-South at Tres Esquinas along with Colombian Navy, Marines, Air Force, and CNP.

Question 6. What force protection measures are (a) currently in place and (b) anticipated in the next year for the counter-narcotics battalions at their forward operating bases? Are they considered adequate today?

Answer. Colombia has implemented numerous force protection measures at the counterdrug battalion's forward operating base in Tres Esquinas and Larandia, Colombia, and more are planned. The measures include fighting position improvements, increased lighting, more aggressive patrolling, and the use of protective berms. Colombian forces are more active and their force protection posture improves daily. The force protection measures in place are adequate for the deployment of U.S. personnel to train Colombian forces who conduct counterdrug operations. The 7th Special Forces Group and Special Operations Command, South, conducted the

last base defense assessment of Tres Esquinas January 18-22, 2000. U.S. Southern Command Director of Operations reviews the status of force protection upgrades weekly.

Question 7. Does existing counter-narcotics battalion have secure communications radios?

Answer. Yes.

- If so, are such radios interoperable with radios of the Colombian National Police and with other Colombian Army units?

Answer. These radios are compatible with other Colombian Army units. However, the radios are not compatible with the Colombian National Police.

- If not, are there funds in the supplemental request for such communications equipment?

Answer. There are funds in the supplemental to address this incompatibility.

Question 8. In your prepared testimony, you stated that the Colombian military needs to "better coordinate operations between the services and with the CNP."

- What are the key areas where coordination must be improved?

Answer. Previously, the Colombian military and the CNP had separate missions and operated on their own. Realizing that drug traffickers work together more effectively than the Colombian military and the CNP, President Pastrana, General Serrano and General Tapias, have declared their intent to build a united Colombian team to conduct counterdrug operations. They have achieved some results at the tactical level where junior officers, enlisted, and police officers have had the opportunity to work with each other. Specifically, the CNP have already conducted two successful joint CD operations with the 1st CD Battalion in the vicinity of Tres Esquinas. The next higher echelon, the operational level, requires improvement.

- What steps are being taken, or will be taken, to improve such coordination?

Answer. As stated above, the senior Colombian military and police leadership understand the efficiencies gained through joint operations. The next step is to get the operational planners to adopt the joint Colombian military and the CNP approach to counter-drug operations by breaking down barriers to communication and teamwork. To do this, portions of the training of the Counterdrug Brigade Headquarters and Joint Task Force South will take place in the United States at selected Combined Training Center locations. This will expose the operational level leaders to U.S. joint operation procedures so that they may apply the process to their counterdrug problem.

Question 9. Colombian law prohibits high school graduates from entering into combat.

- Are we working to encourage Colombia to repeal this law?

Answer. Yes.

- What specific steps, if any, are they taking to change this practice?

Answer. DOD has repeatedly urged to the Colombian Armed Forces to seek a change to Colombian law to modernize Colombian Armed Forces personnel policies. Also, a DoD sponsored organizational assessment of the Colombian military has highlighted this issue as a problem. The Colombian military leadership has promised to take action on this issue, but no specific steps have been taken to date.

Question 10. The Administration plan calls for 30 Blackhawk helicopters and 15 UH–1N helicopters, in addition to the 18 UH–1N helicopters delivered to Colombia in November 1999.

- Please justify why this number of helicopters are needed.

Answer. The ground interdiction element of Plan Colombia is supposed to be a rapid, responsive counter-drug brigade of about 3000 soldiers. It will have three 800 man counterdrug battalions. Joint Task Force South plans on training, refitting, and resting one battalion at Larandia, Colombia, while operating one battalion from Tres Esquinas and the other battalion from smaller forward operating bases throughout the Putumayo and Caqueta region. Given the lift needs, maintenance requirements, pilot training requirements, and anticipated available flight hours, and a target of 2.5 counterdrug missions per month per company, Colombian aviation staff planners have determined that the given lift will meet the anticipated operational requirements.

- Will the push into southern Colombia be fully operational before all the helicopters arrive?

Answer. The push into southern Colombia will not be fully operational until all the helicopters arrive.

Question 11. The supplemental request contains a proposed proviso, which states as follows:

> "Provided further, That any limitations on amounts that an agency may use for a particular purpose or activity shall not apply to funds made available under this supplemental Act to support Plan Colombia."

• What is the purpose of which proposed proviso?

Answer. DoD did not draft the supplemental request. This question should be directed to the Office of Management and Budget.

• What limitation is it designed to waive?

Answer. See the above answer.

THE FUTURE OF THE INTERNATIONAL MONETARY FUND AND INTERNATIONAL FINANCIAL INSTITUTIONS

TUESDAY, FEBRUARY 29, 2000

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:35 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Lugar, Hagel, Biden, and Wellstone.

The CHAIRMAN. The committee will come to order. While we are awaiting the arrival of the distinguished ranking Democrat on the committee, who has been unavoidably detained, I want to utilize a moment for a minor personal privilege.

In the audience today we have a distinguished North Carolinian who back last October received the highest honor that the United States Navy and Marine Corps can bestow in peacetime. His name is Daniel Johnson. At the time this episode occurred he was an ensign in the Navy, a graduate of the University of North Carolina, and I will make it short, but he saw that one of his enlisted men was about to perhaps lose his life, so he stepped in and in the process the enlisted man lost a leg and he lost both of his.

Now, you know he is not coming in, Mr. Secretary, with a crutch. Here's a young man who lost both legs, keeps a smile on his face, and he does not need a crutch. He walks. I want him to stand up and say hello to these folks. Ensign Daniel Johnson of Hickory, North Carolina.

[Applause.]

The CHAIRMAN. The subject of today's hearing is how to reform the multilateral development banks, and in particular the International Monetary Fund. There's unanimity about the absolute necessity of reforming these banks, and we could not have two better witnesses to discuss this subject. We are especially honored to have Secretary of the Treasury Lawrence Summers with us this morning, and we welcome you, sir.

The second is a long-time friend of all of us. He traveled all the way from California to be with us. Hon. George P. Shultz, former Secretary of State and former Secretary of the Treasury, and Mrs. Shultz are with us this morning, and we welcome you.

Secretary Shultz, by the way, has raised many excellent questions about the multilateral financial institutions, and we look forward to hearing your thoughts, sir. Since the Asian financial crisis

and the subsequent generous quota increase Congress approved for the IMF in 1998, there has been a growing debate about the proper role of these institutions.

I believe I should make it clear at the outset that I believe that the IMF as it now functions is a destructive institution which usually does more harm than good to countries it is purporting to help. The IMF imposes unwise austerity measures on struggling nations, forcing them to adopt antigrowth economic policies which virtually ensure that they can never grow out of their debt. Further, the IMF encourages shady and irresponsible investments by Western speculators, with the promise of generous taxpayer-funded bail-outs if things go awry.

For these and many other reasons I believe there is a growing sentiment that perhaps the time has come simply to abolish the IMF. We will see. I believe Secretary Shultz shares many of these concerns about the IMF, and he himself has raised the possibility of dissolving the IMF, so if the IMF wants to avoid that fate, it will have to make some changes in the way that it conducts its business.

The International Financial Institutions Advisory Committee established by Congress is expected to release some important reform recommendations any day now, and as a minimum I believe we must demand that the decisionmaking process of the international financial institutions like the IMF and the World Bank be made significantly more transparent, and that we find ways to ensure that these institutions are held accountable to the nations who fund them. We must insist that the IMF's interest rates should be equivalent to private banks, and we must set standards to prevent IMF loans from subsidizing behavior that the civilized world ought not to have to countenance.

The IMF must not subsidize corruption; the IMF must not subsidize nations which violate civil liberties and basic human rights; and the IMF must not subsidize nations using indiscriminate military force, resulting in the deaths of thousands of innocent citizens.

Now, the IMF has done all of this in the case of Russia. It must not continue.

In an effort to promote serious reform, the Foreign Relations Committee has attempted to address many of these concerns in legislation the committee will consider shortly. The Technical Assistance, Trade Promotion, and Anti-Corruption Act is the bill I have in mind. It is our objective to help make the policies of the multilateral development banks and the IMF, as well as the governments they lend to, more sound and more accountable.

[The opening statement of Senator Helms follows:]

OPENING STATEMENT OF SENATOR JESSE HELMS

The subject of today's hearing is how to reform multilateral development banks—and in particular the International Monetary Fund. There is unanimity about the absolute necessity of reform of these banks.

We could not have two better witnesses to discuss this subject, and we are especially honored to have the distinguished Secretary of the Treasury, Lawrence Summers, with us here today. Secretary Summers, welcome to the Foreign Relations Committee.

After Secretary Summers testifies, we will hear from another distinguished American, the Honorable George Shultz, who served President Reagan as both Secretary

of the Treasury and Secretary of State. Secretary Shultz has flown here from northern California, where he is a Distinguished Fellow at the Hoover Institution.

Secretary Shultz has raised many excellent questions about the multilateral financial institutions and we look forward to hearing his thoughts on these questions today.

Since the Asian financial crisis and the subsequent generous quota increase Congress approved for the IMF in 1998, there was been a growing debate about the proper role of these institutions.

I believe I should make it clear at the outset that I believe that the IMF, as it now functions, is a destructive institution which usually does more harm than good to countries it is purporting to help. The IMF imposes unwise austerity measures on struggling nations, forcing them to adopt anti-growth economic policies which virtually ensure they can never grow out of their debt. Further, the IMF encourages shady and irresponsible investments by Western speculators with the promise of generous taxpayer bailouts if things go sour.

For these, and many other reasons, I believe there is growing sentiment that perhaps the time has come to simply abolish the IMF. I believe Secretary Shultz and I share many concerns about the IMF, he himself has raised the possibility of absolving the IMF.

If the IMF wants to avoid that fate, there are going to have to be some changes in the way in which the IMF conducts its business.

The International Financial Institution Advisory Commission established by Congress is expected to release some important reform recommendations any day now.

At a minimum, I believe we must demand that the decisionmaking process of the international financial institutions like the IMF and World Bank be made significantly more transparent, and that we find ways to ensure those institutions are held accountable to the nations which fund them.

We must insist that the IMF's interest rates should be the equivalent of private banks.

And we must set standards to prevent IMF loans from subsidizing behavior the civilized world ought not countenance.

The IMF must not subsidize corruption; the IMF must not subsidize nations which violate civil liberties and basic human rights; and the IMF must not subsidize nations using indiscriminate military force resulting in the deaths of thousands of innocent civilians.

The IMF has done all this in the case of Russia. It must not continue.

In an effort to promote serious reform, the Foreign Relations Committee has attempted to address many of these concerns in legislation the Committee will consider shortly: "The Technical Assistance, Trade Promotion, and Anti-Corruption Act." It is our objective to help make the policies of the multilateral development banks and IMF—as well as the governments they lend to—more sound and accountable.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman. Congratulations to the young ensign. You are sitting next to a guy who knows a little bit about war and battle, too. Maybe he can share some notes there.

I want to thank you Mr. Chairman and congratulate you for holding this hearing. Events of the last few years have proven that there is no foreign policy issue more important than international financial stability, and everything from the fate of our nuclear arms control and Russia, the regional stability in the Far East, to democratization in Latin America, seems to me depends on a steady sustainable economic growth.

To promote and maintain that kind of economic environment, it seems to me we need the right policies and the right institutions to carry them out. In the international arena as well as our domestic economy there is, of course, private markets. It is of course the private markets that dominate. But in the international arena, as well as our domestic economy, the right kinds of institutions and policies can make all the difference.

There are three good reasons in my opinion for us to be here today to hear from Secretary Summers and former Secretary Shultz on these issues, and the first is there is a debate that you have raised in part today. There is a debate that still lingers from the financial crisis that began in 1997, and while that crisis is still fresh in our memories and while its effects are still felt in the affected countries, it seems to me it is right for us to review the response to our international financial institutions to what has been called the first economic crisis of the 21st century.

And while that crisis was much briefer and more contained than at least I thought possible, I think most people thought possible, it is tempting to just put it behind us and to move on, but it is a lot more than a memory for the people of the affected Asian and other countries who have to live through the painful adjustments that the legacy of this crisis has left, and the basic reforms that will be needed to minimize the risk of further financial crisis are far from complete, or in some places even begun.

But speaking for myself, Mr. Chairman, I am glad that we had in place the institutions and the resources to respond the way we did. It may be an interesting academic exercise to imagine what would have happened without those international financial institutions, but I would not want to run a real-life experiment, and I do not think the American workers, manufacturers, or all of us with retirement savings in investment funds would want to do it, either. We do not operate our domestic economy without an elaborate institutional and regulatory safety net, and I do not think an even more complicated and more fragile international economy can do without such a system, either.

Of course, I am sure that we have the talented energy of the Committee to Save the World that we saw in Time magazine to answer the phone when these calls came in, but our recent history has been the focus of our attention, Mr. Chairman. We ought to remember that fundamental trends in the international financial system make a review of the IMF and the World Bank and the regional development banks a priority for us in this committee.

If anything is clear from the Asian crisis, it is that investment funds now move easily around the world, more easily than we ever, at least I ever thought they did, and maybe too freely, maybe without sufficient information and with too much risk, but those markets are much bigger and better developed than they were when the Bretton Woods institutions were created a half-century ago.

Now, I know this is a point that you and I have made. This is a point that you have made, Secretary Summers, but it is only appropriate, it seems to me, for us to stop and reflect on these new realities, with or without the incentive of the recent crisis.

And finally, with the departure of the head of the IMF after 13 years in that spot, it is also time for summing up our recent experience in considering the future course for the IMF. As are all human works, these are not perfect institutions. I do not think anybody thinks they are. They suffer from a lot of common diseases—mission creep, group think, and the historical accumulation of bureaucratic rigidities.

In a world of limited resources, it is our responsibility to operate as efficiently and effectively as possible, but in a world of risk in

my view where I come, at least initially, from a very different point of view, Mr. Chairman, I do not think we can do without them.

We cannot ask for better witnesses that we have, as you said, than the ones we have today. Secretary Summers' speech in London last December laid out an agenda for what seemed to me to be fairly responsible reform for the IMF, and his central personal role in the management of the recent crisis makes his views indispensable to this discussion.

And finally, former Secretary of State and of Treasury George Shultz is here. He brings not only his personal experience working with the IMF and other international institutions, but his more recent reflects as a distinguished fellow of the Hoover Institute.

I want to thank them both for joining us today, and I look forward to hearing from them both.

The CHAIRMAN. Thank you. Well, Mr. Secretary, you may proceed.

STATEMENT OF HON. LAWRENCE H. SUMMERS, SECRETARY OF THE TREASURY, WASHINGTON, DC

Secretary SUMMERS. Mr. Chairman, Ranking Member Biden, members of the committee, Mr. Johnson, Secretary Shultz, I am very pleased to have this opportunity to testify on what I regard as a vital set of issues facing our country. I have submitted a rather lengthy statement for the record which, with your permission, I will just summarize here, Mr. Chairman.

The CHAIRMAN. It will be made a part of the record, yes, sir.

Secretary SUMMERS. I will focus on five issues. First, the current outlook for the global economy. Second, the continuing United States support for international financial institutions. Third, the steps that have been taken following the IMF quota legislation to strengthen the international financial architecture. Fourth, our new agenda for reform at the IMF as embodied in my remarks in London. And fifth, the new framework that has been put in place for debt relief for the highly indebted poor countries.

Let me turn first to global economic developments. Looking around, I think nearly everyone would agree that the global economic outlook has improved significantly relative to even a year ago, and very substantially relative to the situation in the fall of 1998, when Congress focused on issues of IMF funding and reform in the midst of the Asian financial crisis.

Financial experts are now expecting the economies of Asia, outside Japan, to grow by more than 6 percent this year. This turnaround has important implications for growth and for financial stability in the United States and the remainder of the global economy. To take just one example, Korean imports are expected to grow by close to 25 percent this year. Export growth is expected to be well into double digits in both Thailand and Indonesia.

Despite these signs of progress in emerging markets and, I might add, parallel progress in a number of crucial Latin American countries, it would be a mistake to consider this improving global trend to be inexorable. In a number of emerging market countries, notably Ecuador, financial stability remains elusive, and it will be very important, going forward, to see stronger growth in Europe and Japan if we are to reduce the present imbalances in growth among

the G–7 economies. Of course, in the United States we need to guard against complacency and to preserve our hard-won fiscal discipline.

But I would also suggest to members of the committee that it would be a mistake to suppose that this recovery was in any way preordained. The crisis in Thailand and elsewhere from mid-1997 onward caused immense instability and economic pain for the countries affected. There is little doubt in my judgment, however, that these crises would have been deeper and longer-lasting, and that the implications for American workers, businesses, and farmers, and the global financial system as a whole, would have been more severe had it not been for the international financial institutions, the confidence they provided, and the policy reforms they supported, especially the IMF.

To be sure, the battlefield is never perfect, and reasonable people can debate whether all aspects of the programs were correct in every instance. Yet there can be little dispute at this point that where the broad approach to which countries committed with the IMF was implemented decisively by international authorities, where there was large-scale conditioned official support, stability and confidence by and large returned; governments were able to relax macroeconomic policies relatively quickly; and economic growth rapidly resumed.

Where countries were not able to or chose not to meet their policy commitments, as in Russia, or in the initial stages in Indonesia, outcomes were much less favorable.

Let me turn to the general case for American support for these institutions. To be sure—and I will discuss this in just a moment in much more detail—to say that these institutions are indispensable is in no way to say that we can be satisfied with them as they now are. Reforms and change have to be a continuing priority for the United States, but I feel that these institutions represent crucial devices for the forward defense of American interests.

Every dollar that we contribute to the multilateral development banks leverages more than $45 in official lending to countries where more than three-quarters of the world's population lives. With respect to the IMF, appropriations for the U.S. quota do not result in any net budgetary outlay, yet they can catalyze significant international financial resources when financial crises threaten the global economy.

Through their programs and lending, the IFI's promote many of our deepest values: open and liberalized markets, transparency and reduced corruption, strengthened property rights, and a stable environment for private investment.

The United States has only 4½ percent of the world population, and 22 percent of its income. In a very real sense, the future growth in our standard of living will depend upon growth in the global economy, and that, in turn, will depend a great deal on whether the kinds of development strategies that the international financial institutions support are successful. But once again, to believe that these institutions are indispensable is not to say that they do not need to be changed.

There has been a great deal of effort over a number of years with respect to reform of these institutions. In significant part, this re-

form effort has been initiated by the executive branch, but crucial areas of reform were also prescribed by Congress in the IMF legislation. Perhaps the most direct and important reform is a sea change in transparency and accountability.

This change is perhaps most visible in the IMF's new policies on the public release of documents. For example, since last June, there is now a presumption that the full set of program documents considered by the IMF board—including letters of intent which detail the policy commitments that countries have undertaken—will be released to the public. Similar steps have been taken at the World Bank, with country assistance strategies—the bank's pre-planning documents for future lending—now being made public as a matter of routine.

We have also had an impact on program content. Substantial changes in the scope and nature of conditionality have taken place placing greater emphasis on the importance of market opening and liberalization of trade, focusing more on the development of institutions and policies that will allow markets to operate, and taking better account of the impact on the poor of economic adjustments.

We have worked to make good governance a large component of international financial institution's decisions by strengthening the link between new lending and borrower performance, ensuring that resources go to those who will use them most effectively.

We have at the Treasury web site a more detailed report on progress in the specific areas that are embodied in the IMF legislation, but I would highlight in particular our continuing progress with respect to trade liberalization as included in the most recent Indonesia program and with respect to labor and social safety nets, as suggested by our experience in Bolivia.

But there is a great deal of work left to do. Our plans for the reforms that we support in the IMF start from a single new framing reality in the global financial system: that the private sector is the overwhelming source of capital for growth. As we see in so many areas—ranging from mortgage finance in industrial countries to building bridges and roads in the developing world—as private capital markets develop, the role of the public sector increasingly shifts from providing finance to providing a framework for strong and sustainable private sector capital flows. We believe such evolution is appropriate in the work of the IMF and the international financial institutions.

Toward that end, we have urged progress in five key areas. First, a greater focus on promoting the flow of information to markets and investments. If one looks at the history of capital markets in the United States, I would suggest that the single most important innovation was generally accepted accounting principles, and the resulting accountability and transparency.

Second, greater attention to financial vulnerability, as well as macroeconomic fundamentals in the work of the IMF. This in part goes to questions of exchange rate regimes. It goes in part to questions of mismatches between the duration of assets and liabilities, such as we saw in many of the Asian countries with Thailand's banking facility, with Korea's capital controls that ironically discriminated in favor of short-term capital and against longer-term capital.

Third, a more strategic financing role for the IMF that is focused on emergency situations. Going forward, we believe that the IMF needs to be more tightly focused in its financial involvement with countries, lending selectively and on short maturities. We believe the IMF must be on the front line of the international response to financial crises. It should not be a source of low-cost financing for countries with ready access to private capital, or long-term welfare for countries that cannot break the habit of bad policies.

Toward this end, we have called for a review of IMF facilities, and this is underway. One step occurred last month, when the IMF executive board agreed to eliminate the buffer stock financing facility, and the contingency element of the compensatory and contingency financing mechanism.

But this process of review of terms of facilities, pricing of facilities, must in our judgment go further. The IMF's executive board will be undertaking an initial discussion of the broad issues involved with the IMF's lending tools in March.

Fourth, greater emphasis on catalyzing market-based solutions. In a world of global integration and rising private capital flows, the IMF's goal and the goal of the international community must be that a rising number of countries reach the point where it would be unthinkable that they would encounter a crisis where they would require financial support from the IMF. Just as it is now unthinkable that the U.K. or Spain or Italy, which turned to the IMF a quarter-century ago, would need to do so today, it should be our aspiration that the IMF make progress to the point where more and more other countries have graduated from the possibility of support.

With respect to the private sector, it will be important that we continue to develop approaches that make it possible that the official sector, through its conditionality, should support approaches such as in Korea, and more recently in Brazil, that enable creditors to recognize their collective interest in maintaining positions despite individual interests of particular financial institutions or bondholders in withdrawing funds.

As we have seen, for example, in Ukraine and Pakistan, it will be necessary in some cases for countries to seek to change the profile and structure of their debts to the private sector. Such agreement should have the maximum degree of volunteerism, but they should not fill short-term financing gaps in a way that promises renewed problems down the road.

In accepting that basis, the IMF should be prepared to provide finance to countries that are in arrears to their private creditors, but only where a country has agreed to a credible adjustment program, is making a good-faith effort to reach a collateral agreement with its creditors, and is focused on a realistic plan for addressing its external financing problems.

The IMF is currently preparing a report for the International Monetary and Financial Committee on ways in which the broad principles that the G–7 has advocated for private sector involvement can be implemented.

I also believe that it is important that the IMF be modernized as an institution. In particular, it is important that the IMF's operational budget be published, and published in a transparent way,

and I am pleased to report that just last Friday we won IMF board agreement on this important principle.

My focus, Mr. Chairman, has been on the uncertainties brought out by the Asian financial crisis involving international financial institution support for emerging market countries. If confusion arises at the other end of the spectrum with respect to countries that cannot attract significant private capital, the confusion involves the official sector only in relation to concessional terms. In the past year, the concern about debt problems in these countries has not been only to provide debt relief, but also to transform the way in which the World Bank and IMF operate in these countries more broadly.

Under the new approach for the poorest countries, the World Bank will take the lead, and the IMF will have a more tightly focused role concentrating on the financial stability aspects in the poorest countries. The new strategy will place greater emphasis on enduring growth and poverty reduction, on conditionality that is linked to core priorities such as basic health and education, and on efforts to enhance government accountability and transparency.

We are seeing increased evidence that debt relief is translating directly into increased spending on crucial human development priorities such as in Uganda, where debt service savings have financed even larger increases in health and education and have helped the enrollment in private education. Similar changes have taken place in Bolivia.

Mr. Chairman, United States leadership was decisive in last year's enhancement of the HIPC program, and the broader World Bank and IMF reforms that it inspired. In last year's budget agreement, Congress made it possible for that effort to proceed. Congressional leadership is needed again this year if we are to meet our commitments. The steps agreed to last year will help us cover roughly one-third of the direct costs to the United States of implementing the enhanced program, but much more needs to be done, notably funding the multilateral trust fund, to which we have yet to make a contribution. Overall, every dollar of our total request will leverage $20 in international debt relief.

The Latin American countries will be particularly hard affected if we do not play our part, and debt relief for Bolivia, Guyana, Honduras, and Nicaragua will not take place. That is why the President is making a supplemental request for the fiscal year 2000 budget, which we hope will be acted on as soon as possible. We are requesting congressional authorizations for the IMF to make full use of the earnings on its off—I emphasize that word, "off"—market gold sales, authorization for the HIPC trust fund and appropriations of $210 million for fiscal year 2000 and appropriations for fiscal year 2001 comprised of $225 million, $150 million for the trust fund, and $75 million to meet the cost of reducing our bilateral loans.

Mr. Chairman, this is a broad and ambitious agenda. It is something that we have been discussing in conjunction with our partners in these institutions. It is not an agenda of reform that will be accomplished in a month or in a year, but it is one where I think we are making success in bringing about real change.

If I could conclude with one final thought, Mr. Chairman, it would be this. I have emphasized, in line with the subject of these hearings, the importance of international financial institutions and the importance of international finance, but for our ultimate objective of a more prosperous and more integrated world, the choices we make in other policy areas such as trade policy, will very much complement choices that we make in these areas. So it is our hope that, as we work to support strong international financial institutions, we will also be working to support strong, inclusive trade policies that are in the interests of all the citizens of the global economy.

Thank you very much.

[The prepared statement of Secretary Summers follows:]

PREPARED STATEMENT OF HON. LAWRENCE H. SUMMERS

INTRODUCTION

Mr. Chairman, Ranking Member Biden, members of this Committee, I am pleased to have this opportunity to discuss the ongoing reform of the international financial institutions, especially the International Monetary Fund—which I know is of considerable interest to this committee and other Members of Congress.

Let me focus my remarks on five issues, with particular emphasis on the last two:

- First, the current outlook for the global economy, including the crisis economies in which the International Financial Institutions (IFIs) have recently been actively involved.
- Second, the case for continued United States support of the IFIs.
- Third, the important steps that the Administration has taken in recent years to strengthen the international financial architecture and the IFIs.
- Fourth, our new agenda for reform at the IMF.
- Fifth, the new framework that we have helped to put in place for concessional support of the poorest countries as part of the enhanced debt relief initiative for the Heavily Indebted Poor Countries—and the urgent need for the United States to play its part in ensuring that this initiative can move forward.

GLOBAL ECONOMIC DEVELOPMENTS

Looking around, I think that nearly everyone would agree that the global economic outlook has improved significantly relative to even a year ago, and certainly to the fall of 1998 when Congress was grappling with the issues of IMF funding and reform in the midst of the Asian financial crisis.

- The Korean economy, which two years ago was in the depths of financial crisis, last year grew by ten percent—and output is now 4 percent higher than it was before the crisis.
- Thailand's economy, which shrank by more than 10 percent in 1998, grew by 5 percent in 1999 and similar growth is expected this year.
- And in Brazil, which just one year ago faced the risk of severe financial instability following a large, unplanned devaluation, output is slightly above its pre-crisis level, and inflation this year is expected to remain in single digits.

Private sector analysts are expecting the economies of Asia, excluding Japan, to grow by more than 6 percent this year. This remarkable turnaround has important implications for the growth and financial stability of the United States and the rest of the world economy. To take just one example, Korean imports are expected to grow by close to 25 percent this year, and import growth is expected to be well into double digits in both Thailand and Indonesia.

In fact, recent private sector forecasts have predicted that every large economy will achieve positive growth next year. The U.S. economy continues to show strong, non-inflationary growth. There are signs of stronger growth in Europe and some moderate improvement in Japan.

Despite these forecasts, it would be a mistake to consider this improving global trend to be inexorable. In a number of emerging market economies, notably Ecuador, financial stability remains elusive. And economic conditions in a number of countries and regions are still fragile. It will be very important to see stronger growth in Europe and Japan going forward to reduce the present imbalance in

growth among the G7 economies. And of course, we in the United States must guard against complacency and preserve our hard-won fiscal discipline.

It would be an equally grave error to consider this recovery to have been in any way preordained. The crises in Thailand and elsewhere from mid-1997 onward caused immense instability and economic pain for the countries worst affected. But there is no question that these crises would have been deeper and longer lasting, and the implications for American workers, businesses and farmers and the global financial system as a whole that much more severe, had it not been for the International Financial Institutions—especially the IMF.

The programs that the IMF and the international community as a whole supported in Asia and elsewhere were defined by pragmatism about the nature of the challenge each country faced and were centered on strong macro-economic and structural measures to restore confidence. Certainly, reasonable people can debate whether all of the aspects were correct in every instance.

At the same time, there can now be little dispute that where this broad approach was implemented decisively by national authorities, and where there was large-scale conditioned official support for such an approach, stability and confidence by and large returned, governments were able to relax macro-economic policies relatively quickly and economic growth quite rapidly resumed. Where there was not such a response, as in Russia or initially in Indonesia, outcomes were much less favorable.

THE CASE FOR STRONG UNITED STATES SUPPORT FOR THE INTERNATIONAL FINANCIAL INSTITUTIONS

Since the Mexico crisis in 1994 President Clinton has been committed to the project that has come to be called the reform of the international financial architecture—and he has been committed to change at the IFIs as a crucial part of that effort. As we have said many times, the global economy has changed immeasurably since these institutions were founded more than fifty years ago at Bretton Woods, and it is both right and urgent that the IMF and other IFIs change along with it.

As I will discuss in a few moments, we have made some important progress in this area—and we are committed to a deeper set of reforms going forward, particularly at the IMF. But as we work to reform these institutions it is important to recognize the crucial respects in which they defend, protect and enhance America's interests.

Americans and the international community as a whole always—and appropriately—tend to respond to and focus on the problems that one can locate on a map, in places such as Kosovo or East Timor. What we may focus on too little are the things that might help prevent such problems occurring in the future. That is why our support for the IFIs and the strong policies that they promote is so important. Quite simply, they are one of the most effective—and cost-effective—investments we can make in the forward defense of America's core interests.

- Every dollar we contribute to the multilateral development banks leverages more than $45 in official lending, to countries where more than three-quarters of the world's population lives.
- With respect to the IMF, appropriations for the U.S. quota do not result in any net budgetary outlay, yet they can catalyze significant international financial resources when financial crises threaten the financial stability and prosperity of the global economy.

These institutions help promote a more stable world. They can help to promote vital humanitarian objectives. And, let there be no doubt, they promote changes that are central to our nation's economic and commercial future.

Through their programs of lending and advice the IFIs promote open and liberalized markets; transparency and reduced corruption; strengthened property rights and a stable environment for private investment. The United States has 4.5 percent of the world's population, 22 percent of its income. In a very real sense, the future growth in our standard of living will depend a great deal on the growth in our export markets. And that, in turn, will depend a great deal on whether the kinds of development strategies that the IFIs support are successful.

For all these reasons, the IFIs are indispensable. But as we have said many times, that does not mean we have to be satisfied with them as they now are.

THE REFORM OF THE INTERNATIONAL FINANCIAL ARCHITECTURE AND THE INTERNATIONAL FINANCIAL INSTITUTIONS

As I described to this Committee last November, the ongoing reform of the global financial architecture has produced some important achievements, including, most recently, the creation of the G20. This grouping, which met for the first time last

December, will be a permanent informal mechanism for dialogue on key economic and financial issues among industrial and emerging market economies that collectively will account for more than 80 percent of global GDP.

In addition:

- With the creation of the IMF's Supplementary Reserve Facility, we have changed the terms of the exceptional financial support that the international community provides, working to reduce moral hazard with the application of premium interest rates.
- We have catalyzed a major global effort to reduce national vulnerabilities to crises, with concrete steps to help countries develop stronger national financial systems and improved international surveillance, with increased incentives to pursue sound policies before crisis strikes. These include the incentives embodied in the terms of the new Contingent Credit Line, which has several of the features of the SRF, but was designed to enable the IMF to protect from contagion countries that had already adopted sound policies.
- And we have found new ways to involve the private sector in the resolution of crises—most notably in the cases of Korea and Brazil.

More generally, changing the broad orientation of the IFIs has been an important focus of this Administration and many in Congress in recent years. In this context we have seen important steps forward on a number of fronts, including:

A sea change in transparency and accountability.

This is perhaps most visible in the IMF's new policies on the public release of documents. For example, since last June, in large part as a result of Administration and Congressional urging, there is now a presumption that the full set of program documents considered by the IMF Board—including Letters of Intent—which detail the policy commitments that countries have undertaken as a condition for IMF support will be released. Since June 3, 58 arrangements have been discussed by the Board, and program documents were released in 50 of these cases.

Similarly, all of the multilateral development banks have in place mechanisms for public information disclosure and increased public participation. Increasingly the institutions use their Internet websites to post a large volume of project information and appraisal documents and other information. At the World Bank, disclosure of the Country Assistance Strategies (CASs), the Bank's key planning document for future lending, is now routine.

New emphases in program content

We have advocated substantial changes in the scope and nature of the conditionality for IMF and other international official support: to place greater emphasis on the importance of market opening and liberalization of trade; to focus more on the development of the institutions and policies that will allow markets to operate; to take better account of the impact on the poor of economic adjustments; to increase national ownership and participation in reforms; and for the Multilateral Development Banks to place greater weight on environmental, labor and social issues in the design of programs.

For example, as part of its recent IMF program, Indonesia abolished import monopolies for soybeans and wheat; agreed to phase out all non-tariff barriers affecting imports; dissolved all cartels for plywood, cement and paper; removed restrictions on foreign investment in the wholesale and resale trades; and allowed foreign banks to buy domestic ones.

Making good governance a systematic part of IFI operations

We have consistently worked to make governance and effective use of funds a core part of IFI procedures. Most recently, in light of our experience in Russia, we have led the call from the G7 for authoritative and systematic reviews by the IMF and the World Bank to find ways to strengthen safeguards on the use of their funds in all of their lending activities.

More generally, at both the IMF and the World Bank we have worked to strengthen the link between new lending and borrower performance to insure that the resources go to the serious reformers. As a result, the institutions now rely on monitorable criteria on issues including governance, military expenditure review, and anti-corruption efforts to determining new lending levels. Moreover, all of the MDBs have policies and programs in place that are designed to improve governance and eliminate opportunities for corruption—both internally and with borrowing countries.

Progress in areas highlighted by the IMF legislation

With reference to the IMF in particular, on October 1, 1999, Treasury submitted to Congress a major report on IMF reform detailing progress in efforts to increase the IMF's effectiveness in numerous areas such as increased transparency, strengthening of social safety nets, implementation of core labor standards, trade liberalization, promoting good governance, and the environment. This report is available on the Treasury website at: http://www.treas.gov/press/releases/docs/imfrefor.pdf.

In addition, with the active support of Treasury and the United States IMF Executive Director's Office, the IMF cooperated fully in the GAO's preparation of its report on the financial operations of the IMF, which was one of the requirements of the IMF legislation. This report was completed and transmitted to Congress in September 1999 ("International Monetary Fund: Observations on the IMF's Financial Operations").

Since the submission of the October report on IMF reforms, we have seen further progress in a number of areas, including:

- *Trade.* In its most recent Letter of Intent, published on January 20, Indonesia has pledged to "maintain a liberal trade regime, avoid introducing any new trade barriers, and remove remaining distortionary elements in the trade structure" and to eliminate during the program period "all exemptions to import tariffs (except those which are part of international agreements), and remove all existing non-tariff barriers (except those maintained for health and safety reasons)." Indonesia's government has further pledged to eliminate its import monopoly on rice.
- *Labor and Social Safety Nets.* In Bolivia, the authorities, in consultation with social partners and the International Labor Organization (ILO), intend to introduce a new labor law this year that will both enhance labor flexibility and bring Bolivian labor regulations into line with ILO standards, particularly those regarding equality of treatment among genders and labor safety. The USED/IMF has emphasized, both in the context of Bolivia's program and more broadly, the importance of ensuring that efforts to enhance labor market flexibility should include measures to support workplace representation and strengthen social safety nets.
- *Environment.* In recent Article IV discussions with authorities in Laos, the IMF raised the issue of sustainable natural resource management for forestry, water, and agricultural land to prevent over-exploitation. The IMF recommended strengthening the forestry regulatory framework and enforcement as well as a review of logging and export privileges reserved to military-owned enterprises.

In addition, we have fully implemented the fiscal year 1997 Military Audit Legislation. As part of these efforts, following consultations with the U.S. Government and the IMF, the Government of Nigeria reactivated the role of its Auditor General, subjected defense spending to the same accountability standards as other ministries, and committed to consolidate all extra-budgetary military expenditures into the budget. In cases where a country's military audit system does not meet the standards of the legislation, the United States Executive Director has opposed IMF assistance.

In a number of areas we can agree that the IMF has moved some way forward relative to a few years ago. In others, there is a great deal more work left to do. In accordance with this committee's request and interests, let me now turn to our plans for deeper reform.

BUILDING A 21ST CENTURY IMF: OUR AGENDA FOR REFORM

Our plans for reforming the IMF start from a single framing new reality of the global financial system today, that the private sector is the overwhelming source of capital for growth. As we have seen in so many areas—ranging from mortgage finance in industrial countries to building bridges and roads in the developing world—as private capital markets develop, the role of the public sector increasingly shifts from providing finance to providing a framework for strong and sustainable private sector flows.

We believe that the IMF must increasingly reflect that change, with a greater focus on promoting financial stability within countries, a stable flow of capital among them, and rapid recoveries following any financial disruptions.

Reforming the IMF to meet the conditions of a new time will partly be a matter of policies and procedures. It will also and perhaps most crucially be a matter of culture and orientation. In London last December I laid out five core reforms of the IMF's approach in the emerging economies that we believe are necessary.

These are:

1. A greater focus on promoting the flow of information from governments to markets and investors

In a more integrated global capital market, IMF surveillance needs to shift from a focus on collecting and sharing information within the club of nations—to promoting the collection and dissemination of information for investors, markets and the public as a whole. And it needs to pay more attention, not just to the quantity of information disclosed to markets, but also to its quality.

In the context of countries receiving IMF finance, we believe it is appropriate that independent external audits of central banks and other relevant government entities be required and regularly published. We are working to forge a broad international consensus on this point going forward. More generally, we believe that substantial deficiencies in the accuracy and quantity of data that a country discloses should be noted and highlighted by the IMF in the way that more conventional macro-economic deficiencies are highlighted.

In this context, I am glad to report that as a result of United States urging, IMF staff are now working with outside experts to develop new tools for strengthening their safeguards against misuse of IMF funds and to support higher quality auditing and information practices in member countries.

2. Greater attention to financial vulnerability as well as macro-economic fundamentals

In the wake of recent events, we believe that the IMF needs to focus much more attention on financial vulnerabilities such as those that played such a role in causing the crises in Asia.

This will mean, in particular, a greater focus on the strength of national balance sheets. In this context we believe the IMF should promote a more fully integrated assessment of a country's liquidity and balance sheet. To this end, it should work to incorporate more systematically, in its surveillance, indicators that provide a more meaningful guide to the adequacy of a country's reserves than simply their size relative to imports. Work is already under way at the IMF to explore how this can best be achieved.

By the same token, we believe that the IMF should highlight more clearly the risks of unsustainable exchange rate regimes. The presumption needs to be that countries that are involved with the world capital market should increasingly avoid the "middle ground" of pegged exchange rates with discretionary monetary policies, in favor of either more firmly institutionalized fixed rate regimes or floating.

3. A more strategic financing role that is focused on emergency situations

International financial institutions, no less than private companies, need to focus on core competencies. Going forward the IMF needs to be more tightly focused in its financial involvement with countries, lending selectively and on short maturities. It can and must be on the front line of the international response to financial crises. It should not be a source of low-cost financing for countries with ready access to private capital, or long-term welfare for countries that cannot break the habit of bad policies.

This suggests a number of core imperatives. Let me just highlight one here: the need for streamlined facilities. In this context we have supported a thorough review by the IMF's members and its management of the myriad lending facilities that have been established over time. One encouraging first step occurred last month, when the IMF Executive Board agreed to eliminate the Buffer Stock Financing Facility and the contingency element of the Compensatory and Contingency Financing Mechanism. But this process must go further.

We believe that a necessary result of the kind of streamlining would be that the IMF would come to rely on a very small number of core instruments for the bulk of its lending. These instruments will also need to be priced appropriately, both relative to each other and relative to alternative, private sources of finance. For example, in this context we believe that it would be appropriate to introduce higher charges for borrowing under standby arrangements, to encourage recourse to alternative sources of funding. The IMF Executive Board will undertake an initial discussion of the broad issues involved in streamlining the IMF's lending tools in March.

4. Greater emphasis on catalyzing market-based solutions

In a world of global integration and rising private capital flows, the IMF's goal—and the goal of the international community as a whole—must be that a rising number of countries reach the point where it would be unthinkable that they should need the financial support of the IMF, just as it is now unthinkable that the UK or Spain would need it today. By the same token, at times of crisis, in such a world

the IMF must have an increasingly important role as a facilitator of more market-based solutions.

In its response to crises, several basic presumptions should now be guiding the IMF's approach with respect to the private sector.

- IMF lending should be a bridge to and from private sector lending, not a long-term substitute.
- Official lending along with policy changes can be constructive in helping to restore confidence in situations where a country does have the capacity to repay.
- Where possible, the official sector through its conditionality should support approaches—as in Korea and, more recently, Brazil—that enable creditors to recognize their collective interest in maintaining positions, despite their individual interest in withdrawing funds.
- As we have seen, for example, in Ukraine and Pakistan, it will be necessary in some cases for countries to seek to change the profile and structure of their debts to the private sector. Such agreements should have the maximum feasible degree of voluntarism, but they should not fill short-term financing gaps in a way that promises renewed problems down the road.
- In exceptional cases, the IMF should be prepared to provide finance to countries that are in arrears to their private creditors: but only where the country has agreed to a credible adjustment program, is making a good faith effort to reach a collaborative agreement with its creditors, and is focused on a realistic plan for addressing its external financing problems that will be viable over the medium and longer term.

The IMF is currently preparing a report for the International Monetary and Financial Committee (formerly Interim Committee) on the ways in which the broad principles of the G-7 framework for private sector involvement in resolving crises have been implemented—with a view to informing further discussion of these issues going forward.

More broadly, we believe strongly that the IMF should establish a Market Conditions Advisory Group to help it have a deeper knowledge of the private sector and more systematic access to market trends and views.

5. Modernization of the IMF as an institution

We further believe that if the work of the IMF is to change, the IMF itself may also need to change. Specifically, we believe it should move over time toward both a governing structure that is more representative and a relative allocation of member quotas that reflects the changes under way in the world economy—so that each country's standing and voice are more consistent with its relative economic and financial strength.

We also believe that the IMF should deepen the commitment to transparency that is built into its operations, especially by making the Fund's own financial workings clearer and more comprehensible to the public. In that context I am pleased to note that just last Friday we won IMF Board agreement on quarterly publication of the operational budget—to be renamed the Financial Transactions Plan—with a one quarter lag.

This would also be consistent with the legislative mandate that was enacted in last year's authorization of IMF off-market gold sales. The first such "FTP," covering the period March-May 2000, will be published in August.

SUPPORT FOR EFFECTIVE POLICIES IN THE POOREST COUNTRIES

The focus of my remarks has so far has been the IMF's work in emerging market economies. Different issues are posed at the other end of the spectrum, in the poorest countries, which cannot attract significant private capital, and can borrow from the official sector only on concessional terms. In the past year, international concern about the debt problems of these countries has not only spurred action to provide deeper debt relief—but has also prompted a transformation in the way in which the World Bank and the IMF operate in these countries more broadly.

The new framework for concessional assistance to the poorest

The underlying premise of the new approach is that rapid, enduring growth and poverty reduction are mutually reinforcing. Just as poverty reduction is not possible without growth, abject poverty and unequal access to economic opportunity can impede growth. Experience shows that countries that fail to educate their children or vaccinate them against diseases do not grow as fast as those that do.

Under the new approach, the World Bank will take the lead and the IMF will have a more tightly focused role in the poorest countries. As a condition for receiving debt relief and new concessional loans, countries are now required not only to

have established a solid track record of reform, but they also must produce a forward-looking Poverty Reduction Strategy Paper.

With help from the World Bank, these strategies will clearly define national poverty reduction goals, such as reducing infant mortality and malnutrition, and identify the medium term costs associated with achieving these goals. The IMF will then work with the World Bank to ensure that the design of the macroeconomic framework is consistent with the poverty reduction program.

To symbolize the change in the IMF's role in these countries going forward, the IMF has replaced the Enhanced Structural Adjustment Facility with the Poverty Reduction and Growth Facility. In designing the PRGF, a strong effort was made to incorporate suggestions put forward in past evaluations of the ESAF, many of which echoed concerns that had been expressed by Members of Congress.

The new strategy that is embodied in the PRGF has the following key elements:

- A much greater emphasis on enduring growth and poverty reduction as the overarching goal of official support, including concrete targets for the improvement of basic social indicators such as infant mortality and literacy.
- New mechanisms to ensure that programs have a genuine impact on the allocation of resources to core priorities such as basic health and education, and that the additional public funds made available by reducing debt result in additional poverty reduction efforts.
- Strengthened efforts to enhance government accountability and transparency, particularly in their fiscal management, and to encourage civil society participation, and country ownership of reforms.
- An enhanced focus on protecting the poor from the potential short-term negative effects of economic adjustment and reform.

Recent Progress in the Implementation of HIPC

Given the strong interest of many in Congress in this area, let me say a little more about the early evidence with regard to the critical issue of translating debt relief into higher social sector spending.

For example:

- Last year, Uganda saved $45 million in debt service under the original HIPC. As a result, expenditures on health and education increased by $55 million. This relief helped the country to double enrollment in primary education in just two years. Under the enhanced HIPC, going forward Uganda is expected to receive an additional $650 million in debt relief in net present value terms.
- In 1999, Bolivia saved $77 million in debt service under the original HIPC, and social sector expenditures increased by more than $100 million. In 2000, Bolivia is expected to receive $85 million in debt service savings, leading to even greater investment in urgently needed services. With the enhanced HIPC, Bolivia's savings will be $850 million greater in net present value terms than they would otherwise have been.

In this effort we are working hard to ensure reasonable balance between, on the one hand, the strong humanitarian case for providing debt relief rapidly and on the other hand, the economic imperative that the right policies are in place so that debt relief is integrated into meaningful growth and poverty reduction.

The need for full funding of HIPC

Mr. Chairman, United States leadership was decisive in last year's enhancement of the HIPC program and the broader World Bank and IMF reforms it has inspired. With last year's budget agreement, Congress made it possible for that effort to proceed. But Congressional leadership is needed again this year to fully meet our commitments.

The steps agreed to last year will help us to cover roughly one-third of the direct costs to the United States of implementing the enhanced HIPC. But much work remains to do our share, notably with respect to the multilateral HIPC Trust Fund, to which we have yet to make a contribution. Overall, every dollar of our total request will leverage $20 in international debt relief.

The Latin American HIPCs will be especially affected if we fail to ensure that the HIPC Trust Fund is adequately funded. To put it bluntly: if we do not play our part in this area, debt relief for Bolivia, Guyana, Honduras, and Nicaragua will not happen.

There should be no doubt that any delay in funding for this effort will have real consequences. For example:

- Just two weeks ago, Bolivia became the second country to qualify for enhanced HIPC. But it will not see a reduction in its debt payments this year because of the current financing gap in HIPC. Based on very rough estimates, Bolivia

could therefore forgo as much as $35 million in debt relief this year, relief that might have been invested in more rapid growth and poverty reduction. If the financing gap is not filled, it will forgo an even greater amount of relief next year, of roughly $110 million, or more than 1 percent of Bolivian GDP.

- Mozambique has recently been hit by heavy rains and flooding that has destroyed crops, left up to one million people homeless and caused at least $70-80 million in damage to date. With a very strong record of market reforms, it has already qualified for HIPC, and it could qualify for enhanced HIPC in a matter of weeks. Under the enhanced terms, it would receive an additional $250 million in relief in present value terms over the next 20 years. But without full funding for the HIPC Trust Fund this additional relief could be delayed, just when the country needs it most.

That is why the President is requesting:

- A supplemental request for the FY2000 budget of $210 million and full authorization for the HIPC Trust Fund, without which qualifying countries such as Bolivia will be left waiting indefinitely for relief.
- Congressional authorization for the IMF to make full use of the earnings on the profits from off-market gold sales. Last year, Congress authorized the use of a portion of those earnings; the remaining 5/14 of those flows needs to be authorized so that the IMF can meet its commitments to debt relief as countries qualify.
- Appropriations for FY2001 of $225 million for HIPC, comprising $150 million for the HIPC Trust Fund and $75 million to meet the cost of reducing our bilateral loans. To underscore our commitment to seeing this initiative through, the President has also requested $375 million in advance appropriations in FY2001 for these two elements of HIPC.

Mr. Chairman, debt relief for the poorest countries is a global moral imperative. It is also a global economic imperative, at a time when nearly all of the growth in the world's labor force and productivity will be in the developing countries—and their success in a new global economy is going to be important to the success of us all.

The choice we face is a simple one. We can play our full part in making HIPC happen. Or we can leave this initiative under-funded, and risk delay—and even a reversal—of economic reform and poverty reduction efforts in countries that are now working to put their past failures behind them. I hope that Congress will agree with us that the right choice is clear.

CONCLUDING REMARKS

Mr. Chairman, in recent weeks we have been talking with IMF members and management with a view to making all of our reform proposals happen. As our global discussions on these issues continue, it will be important to consider not just the role of the IMF, but also the roles of the World Bank and other development institutions and how these institutions relate to each other. We intend to outline our proposals for reforming this aspect of the international financial architecture in the coming weeks in the lead-up to the Spring Meetings of the IMF and World Bank.

Let me conclude with one final thought. In line with the Committee's request, I have focused today on the international financial institutions. But clearly our most important global economic objectives today must be economic growth and helping countries to grow together. And finance is only one important element of achieving that kind of growth.

Another crucial element of successful development—which can only become more important as global integration proceeds—will be economic openness and growth in foreign trade, both for the domestic competition and innovation that it promotes and the greater interconnectedness of economies and economies that it creates.

In that context, granting Permanent Normal Trading Relations status to China as a critical part of its entry to the WTO entry, and passing both the African Growth and Opportunity Act and the Enhanced Caribbean Initiative, will be enormously important in the weeks and months ahead, for America's core interests and for global economic development.

I look forward to working with this Committee and with others in Congress on these and other crucial international priorities going forward. Thank you, I would now welcome any questions that you may have.

The CHAIRMAN. Thank you, Mr. Secretary. We are going to try to get these gentlemen out of here about on time. Suppose we try to start with a 5-minute round and see how that comes out.

First of all, what do you think about the General Accounting Office having access to information at the IMF and the banks to enable it to audit and monitor their operations? Are you in favor of that?

Secretary SUMMERS. Yes.

The CHAIRMAN. So am I. So that's the first brief answer I have had from anybody in this administration this year.

On March 17, Secretary Rubin, your distinguished predecessor, told the House Committee on Appropriations, and I am quoting here, "There is no doubt that many countries that borrow from MDBs have serious corruption problems." Then he called corruption the single—now, I am quoting him—"the single largest impediment now to economic development in developing countries in many parts of the world."

Now, are loans provided by the IMF and the banks suspended if it is discovered that the funds are being stolen, or diverted for unintended purposes, and as a followup, can you give any examples of that, if so?

Secretary SUMMERS. Yes. The Russian program has not disbursed since August and contains a quite elaborate set of conditions with respect to the imposition of audit safeguards for new monies extended, and also a quite elaborate set of conditions with respect to identifying what has taken place with respect to funding that has been provided in the past.

Other examples include the ongoing discussions between the IMF and Ukraine, where similar allegations have been made, and the World Bank's actions with respect to Kenya in response to allegations of corruption.

Let me say, this is an enormously serious issue, and one of the things we are working to do with the institutions is to establish a base requirement that countries that receive funding through central banks have to have their central banks audited on a regular basis by external auditors as a safeguard.

I would also say that we are working in a number of other ways to support reductions in corruption, including through economic reform. You know when there are no price controls, there are no black markets and there has been no corrupt diversion from white markets to black markets. So economic reform is one crucial element of the strategy.

Reform of the public sector—to put in place the kinds of basic safeguards of integrity monitoring that are common in many other countries—is important to the reductions in corruption. We are also working to support—as we have in the OECD—other countries taking steps, as they have now committed by treaty, to criminalize bribery and to stop the tax deductibility of bribery. This is an additional element in our approach to corruption. Above all, we need to support policies of greater selectivity with respect to eligibility for funds in response to what, I agree with you, Mr. Chairman, is an enormously serious problem.

The CHAIRMAN. Would you give us a list in writing later on of the instances of that?

Secretary SUMMERS. Yes, sir.

[The following was received in response to the chairman's request:]

THE IMF'S APPROACH TO GOVERNANCE/CORRUPTION ISSUES

The IMF's 1996 Declaration on "Partnership for Sustainable Global Growth" includes a statement on the need for promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper. Subsequently, in August 1997, the IMF published guidelines on governance, instructing staff to accord a high priority to promoting good governance, and procedures to be followed in this regard.

IMF support for transparency and free markets is one element of its efforts to promote good governance. The IMP's fiscal policy advice promotes transparency and elimination of exemptions. Trade and exchange liberalization and elimination of price controls can reduce the scope for corruption. The establishment of central bank independence helps to end directed credits, preferential lending, and inflationary quasi-fiscal financing. Private sector development helps to build respect for contracts and transparent rules of the game.

Inclusion in programs of measures to strengthen governance and eliminate corruption has become standard operating procedure in Fund programs in recent years. This includes PRGF (Poverty Reduction and Growth Facility) programs, which involve a special focus on budgetary management and transparency. For a growing list of countries, this has been an important element of the IMF's policy dialogue with national authorities.

- In Cote d'Ivoire, the ESAF program has been suspended since March 1999 because of IMF concerns about several unresolved governance issues in addition to serious weaknesses in the fiscal area and delays in important structural reforms. The IMF is willing to resume negotiations of the second annual ESAF with Cote d'Ivoire after these issues are effectively addressed.
- Indonesia's program was suspended until the IMF was satisfied on issues including whether the Indonesian authorities conducted a full audit of the banking transactions involved in the Bank Bali scandal, publicly disclosed their findings, and committed to prosecuting the wrongdoers.
- In the 1999 Article IV discussion of Morocco, the USED noted the government's decision to participate in a World Bank pilot project to develop anti-corruption strategies and improve transparency of government operations.
- In Ukraine, the IMF indicated in March that the Ukrainian authorities undertook a number of transactions with their reserves in 1997 and 1998 that may have led to the disbursement of Fund loans based on an overstated level of reserves. The IMF and Ukraine have tightened Ukrainian reserve management practices and they are now undertaking detailed audits of the National Bank's activities for this period. The first of the audits will be completed and published soon. Ukraine will also institute more detailed quarterly audits going forward, and it has agreed to place the proceeds of any new IMF disbursements in an account at the Fund that can be used only to repay debts.
- The IMF and Russian officials hired independent auditors in the spring of 1999 to investigate the irregular transactions associated with off-shore subsidiaries of the Central Bank. The auditors published their findings and indicated that they did not find evidence of misappropriation of funds. The IMF and Russia took steps to strengthen Russia's reserve management practices and also agreed that new IMF tranches would be disbursed into an IMF account that could only be used for debt repayment. After these measures were taken, the IMF Board approved a new program for Russia in July 1999. This program was delayed in the fall after Russia failed to meet a number of structural conditions required for continued disbursements.
- Uganda, a recipient of debt relief under the HIPC Initiative, has taken several steps to improve the quality of governance. The government has increased the budget for its anticorruption strategy, which has enabled the Office of the Inspector General of Government to increase its professional staff from 40 to 100, and to establish regional offices to investigate allegations of corruption at the district level. Looking forward, the government is taking steps to reform its procurement policy, to pass legislation requiring public officials to disclose their assets, and to make further improvements in transparency in key areas noted during its participation in the IMF's exercise on standards and codes. (The IMF's findings for Uganda are posted on the Fund's website.)
- Kenya's IMF program was suspended in August 1997, primarily over governance/transparency issues, with other donors suspending their own programs during this period or shortly thereafter. While serious efforts to address these governance concerns were lacking for much of the period since the 1997 decision, the government has taken several steps in recent months towards meeting

IMF concerns, including confirming the independence of the Kenya Revenue Authority, appointing a new director of the Kenya Anti-Corruption Authority, and appointing a well-known opposition figure to reform the civil service. In light of these developments, the IMF has begun negotiations with the Kenyan authorities regarding the steps that will be necessary to establish a firm basis for a new program. Continued and accelerated improvement in governance will be an important condition for ongoing Fund engagement.

- During the Board discussion of the Kyrgyz Republic's PRGF request (February 2000), the USED stated her concern about the lack of transparency and the absence of an anti-corruption program, and encouraged authorities to build upon the small steps that are currently being undertaken in the areas of customs administration, public administration, business licensing, and the judiciary.

Beyond specific cases, recent experience has further highlighted the importance of governance issues for the Fund's overall operations. At the insistence of the United States and other major shareholders and following deliberations at the 1999 Annual Meetings, the IMF will now be undertaking an authoritative review of its procedures and controls to identify ways to strengthen safeguards on the use of its fund. In addition, the Interim Committee has instructed the IMF to enhance its support for members' efforts to maintain strong internal financial controls and tighten supervision and regulation of domestic financial institutions and off-shore banking centers, including measures to deter money laundering.

In addition, the United States, along with others in the G–7, will be pressing the IMF, among other things, to look at the potential to expand circumstances under which advance repayment can be required and, more broadly, to pursue enhanced monitoring of policy commitments while drawings on the Fund remain outstanding but after program conditionality has ended.

The CHAIRMAN. That is very interesting to me. One of the things that is interesting to me is that a paper prepared for the International Financial Institution Advisory Commission suggesting that there are 70 nations receiving IMF structural adjustment loans for more than 20 years. Even some middle-income countries—India is one that is cited—have been receiving IMF loans for more than 40 years. The question is, should IMF and bank loans be made for projects that could receive private sector financing?

Secretary SUMMERS. I indicated, Mr. Chairman, in my prepared remarks, that I feel that the IMF's role needs increasingly, as private markets develop, to be focused on shorter-term, more selective response to emergency situations which represent the kind of situations where private market funding is much less likely to be available. It was appropriate that there be very great attention to assuring that international financial institutions support, rather than supplant, private sector finance for exactly the reasons you suggest.

The CHAIRMAN. I have two follow-up questions, and I will do that later. Senator Biden.

Senator BIDEN. Thank you, Mr. Chairman.

Mr. Secretary, a lot of criticism of the IMF has come both from the left and the right, and I realize this is a vast oversimplification, but on the right it is argued the promise of IMF bail-outs will lull them into a false sense of security and the lenders, as well as the countries in question, will engage in more slipshod policies. On the left, the austerity programs that it imposes on countries are viewed as debilitating, and they keep these nations poor. Both sides suggest the IMF has too much influence, and they both need to have their own agendas for the IMF, and to expand the scope of its influence. For example, last year's authorization of the IMF quota, or dues increase, contained conditions, including requiring the IMF to monitor trade practices of recipient countries, open domestic markets to competition, monitor labor practices, environmental impact

and lending practice. These, as you well know, are all called our—these conditions are the voice and vote, conditions we place on our representative of the IMF.

Now, you have added your voice to call for the IMF to return to its sort of core functions. Could you comment on the proliferation of the so-called voice and vote, and other conditions imposed on our participation in the IMF in recent legislation? How does that square with your call for a return to core functions?

Secretary SUMMERS. Senator Biden, it is a very difficult question that you ask. It is one that we have wrestled with. On the one hand, it is important that we respect sovereignty to the maximum extent. At the same time, it is important that we act on only the highest priorities in time of crisis.

On the other hand, I think as economists have come to a deeper understanding of these situations, we have come to understand that a broader range of issues impact on the prospect of a country's working through a crisis. Issues like the quality of its institutions, the quality of its bankruptcy laws, are much more important to confidence—which is crucial for resolving crises—than we thought, than we had judged some years ago.

I think the best approach is the central exercise of discretion. Each of the issues enumerated in the legislation will in certain cases be at the very center of the situation, and where it is at the very center of the situation, it is appropriate that it be pursued with great vigor. But at the same time it seems to me that we would not effectively advance our agendas by insisting on that laundry list of conditions in every single case. So I think inevitably these situations require the application of judgment.

Certainly, it has been our intent and objective to carry through and to meet our obligation of using a voice and vote to address objectives that have been prescribed. I think we have done so with some success.

Senator BIDEN. Let me just—I am running out of time here. I am just going to get one more question here. The bottom line here is that we need 85 percent of the outfit, 85 percent of the weighted vote to vote for a policy to go into effect of any consequence. We have, what, 17.5 percent of the vote. I would think that means we can dictate the outcome. Obviously, we can veto anything we want. If we do not vote, it does not happen.

Take me through briefly, if you can, the steps that take place inside the institution in order to get structural reform to happen. I mean, is it merely, we say unless it happens we are not voting for anything else? The structural reform you are talking about, what has to happen?

Secretary SUMMERS. Decisions are taken either by the IMF board or by the Board of Governors, the finance ministers of the countries that comprise the IMF. Many of the most important issues, as you suggest, Senator Biden, require an 85 percent vote, and it is a process of working country by country.

Senator BIDEN. Does it require an 85 percent vote, or do expenditures require an 85 percent vote?

Secretary SUMMERS. Particular programs require a majority vote. Reforms in the institution require, depending upon their breadth, an 85 percent vote. So it is a process of persuasion. It is a process

of building consensus. It is a process of compromise, and it is something that we have worked to do very assiduously.

Our Executive Director at the IMF is in constant dialog with her colleagues on these issues. But I would caution that while I think there is a great deal of receptivity to American ideas, and while I think the broad themes that I have been talking about are things for which there is considerable international support, there is understandably a belief that the institution has to operate with respect to its broad strategies by consensus.

The CHAIRMAN. Thank you. Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

Secretary Summers, the chairman said in his statement—he expressed this very clearly—"that the IMF as it now functions is a destructive institution which usually does more harm than good to the countries it is purporting to help. For these and other reasons I believe there is a growing sentiment that it may be time to simply abolish the IMF."

The chairman relents a bit in the next paragraph by saying, "if the IMF wants to avoid that fate," which gives you an opportunity to make the arguments you have today, "there must be some changes in the IMF." Then he points out, "the IMF must not subsidize corruption, must not subsidize nations which violate civil liberties and human rights, and must not subsidize nations using indiscriminate military force resulting in the deaths of thousands of innocent civilians."

Now, my question is: Is it possible for the IMF to reform in these ways and, if not, what is the case to be made for winding up this experiment with the IMF and moving on to a financial institution that does forward basic American foreign policy?

In other words, I understand, as you do, the willingness of the American people to support foreign assistance to other countries if, in fact, there is movement toward democracy, toward human rights, market economics, and other fundamentals. But, there is also an increasing unwillingness to subsidize or support countries because they have sovereignty or are attempting to enter the world trade system, but do not have these values.

I am just wondering whether you or others, who have given a lot of thought to this subject, have ever considered whether this IMF experiment may have had its usefulness but may now be too encumbered by the past or by current situations, and whether we ought to press on to consider something else in its place.

Secretary SUMMERS. Senator Lugar, I am convinced that the international financial institutions make a crucial contribution to our economic well-being. Without the capacity to have provided a nation support from the international financial institutions during 1997 and during 1998, the global economic situation with which we were dealing would have become far more serious, with far greater spillovers to American financial markets, to American export performance, to American commodities prices, and to the health of our economy.

So I believe it is crucial that there be a capacity for the United States to support a multilateral response to economic problems. I believe there is a similar case for longer-term development, given the importance to our interests of successful economic development.

You have raised one of an enormously difficult set of questions having to do with what one might call political conditionality: the linkage between support in these areas and concerns that go beyond the question of how well resources are used. I think it is not possible to set absolute hard and fast rules.

As you know, there are a number of countries where the United States is committed by statute—as in the case of states that have been named as terrorist states—to oppose international financial institution lending. Our policy of excessive withdrawal from involvement in countries where we have objections is sacrificing the possibility of using economic instruments to bring about changes in countries which, over the longer term, reflect both our security interests and our interests in seeing them evolve toward market-oriented democracies.

Senator LUGAR. Well, that is our calculation, though. Maybe we state that standard, but we may hope for something better. Is there any case to be made to support or oppose a government simply because it is an economic issue, as opposed to a political one?

Secretary SUMMERS. Well—I am not sure that I want to be in a position of characterizing particular governments here—but I would say that if one looked at East Asia over the last 25 years, one would say that part of East Asia's transformation toward a more democratic era with more reliance on market forces has been the result of programs that have been worked out with the international financial institutions. A policy of withdrawal, absolute withdrawal on the grounds that there were repressive practices—as there surely were in some countries at some points—would have been a policy that would have denied us the opportunity to have that kind of positive influence. So I think we need to be careful about taking absolutist positions.

At the same time—and this has been an increasing theme of what the international financial institutions have done—we are providing funds in support of policy reviews that look at questions of military spending. Concerns for corruption are increasingly part of these programs. But I think that to use this assistance in a completely political way might well not serve our interests.

Senator LUGAR. Thank you.

The CHAIRMAN. Senator Wellstone.

Senator WELLSTONE. Thank you, Mr. Chairman.

Mr. Chairman, I do not want to rush through this, but the Governors are here and there is a meeting with the Minnesota delegation. I apologize to Secretary Shultz. I will read his testimony very carefully, and I want to put one question to you later in writing if I can, Secretary Summers. I will just highlight this one point and get to my other questions.

On the whole question of debt forgiveness and the Jubilee 2000 initiative, I do have some concern about the conditionalities attached to the administration's debt forgiveness plan. I think there have been a couple of internal IMF and World Bank memos, showing that many countries saw their external debt increase while they were under structural adjustment. That's why many groups have concerns about these conditionalities as well, especially in terms of debt forgiveness for the poorest countries, the question is whether there should be debt forgiveness with or without struc-

tural adjustment conditions. I want to put a question to you in writing if I can, because I want to focus on that.

I do not think the debate, at least in my mind, is about whether there should be an IMF or not. But I am concerned about the IMF's focus on austerity measures and high interest rates, what IMF conditionalities do to people's wages, what they do to living standards, their effect on infant mortality, their effect on hunger and malnutrition. I think these are very legitimate and very important questions. So the question becomes, not whether there should be an IMF, but what should the IMF's policies be? The question is, what is the IMF's role?

I want to keep this away from any labels of left, right, or center. I want to quote from, I think, an important speech that Joseph Stiglitz gave at the Industrial Relations Research Association in Boston. He had some interesting things to say about international financial institutions and workers' rights.

Mr. Stiglitz said, and I quote, "Workers' rights should be the central focus of a development institution such as the World Bank." I think you are probably familiar with his speech, and I think it was an important speech. He argues that this should be the central focus of a development institution such as the World Bank because of the positive contribution of labor unions in stabilizing industrial relations, mitigating income inequalities, and promoting adult education, civil rights, health and safety standards, and child labor standards.

My question to you is whether or not you are in agreement with what Joe Stiglitz had to say, and also whether or not it is true that institutions such as the IMF and the World Bank, rather than promoting, have actually been undermining core labor standards and the development of those standards with their loan conditionalities. I think that is one of the big questions. That is part of what this debate is all about.

So No. 1, do you agree with Joseph Stiglitz' analysis as to the role of labor rights in economic development, and No. 2, do you agree or disagree with the argument that much of what the IMF is trying to do undermines these core labor standards?

Secretary SUMMERS. Speaking with respect to recent times, I would not agree at all with the idea that what the IMF has done has undermined labor standards or labor unions. Very much the contrary. It has worked to promote tripartite dialog in Korea, to support Indonesia's adherence to various of the ILO standards, and so forth.

The World Bank has been very active in promoting a wide range of policies that are directed at reducing child labor, primarily through promoting what I think is the very valid idea that children should be in school rather than at work. So I think the idea that a humane, decent society provides for worker rights has to be at the center of any notion of economic development. I think increasingly in the work of the international financial institutions that idea is at the center.

With respect to your first question, I have not read the speech from which you were quoting, but as I just indicated, it is our belief that respect for workers' rights and for workers has to be at the center of viable economic development strategies. That is some-

thing we have certainly worked to encourage in the international financial institutions.

Senator WELLSTONE. So before time runs out, just to be clear, as far as what Joseph Stiglitz had to say, you do agree that workers' rights should be a central focus of the development institutions.

Secretary SUMMERS. Helping workers should be a central focus of the development institutions, absolutely.

Senator WELLSTONE. That premise you agree with. You do not agree that IMF policies have been antithetical to that.

Secretary SUMMERS. Correct.

The CHAIRMAN. Senator Hagel.

Senator WELLSTONE. Mr. Chairman, may I submit other questions in writing——

The CHAIRMAN. Oh, certainly.

Senator WELLSTONE [continuing]. May I ask the Secretary? I would like to do that.

The CHAIRMAN. As a matter of fact I am going to do the customary thing and keep the record open so that every Senator who is present or not present can file questions in writing.

Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you.

Mr. Secretary, welcome. I want to read a line from your testimony this morning because I think it is relevant to the line of questioning this morning, Mr. Secretary, and then get to a question.

"We prefer to believe that the work of the IMF is change. The IMF itself may also need to change." Picking up on what Senators Lugar, Biden, and others have asked about, I would like to direct two questions.

In the spirit of change and reform for the IMF that this Congress, along with you and your predecessor, have been involved with over the last 3 years, is it part of the new American criteria that the new managing director of the IMF be someone who, in fact, is committed to this reform, to this change?

Your testimony is replete with statements like, "the IMF should not be a source of low-cost financing for countries with ready access to private capital, or a source of wealth for countries who cannot break the habit of bad policies."

Are we holding out for a managing director of the IMF who in fact will implement the kinds of reforms that you have indicated you think are important, and the second part of my question is, what exactly is America's position on the future of IMF?

Secretary SUMMERS. You mean on leadership, or on policy?

Senator HAGEL. The leadership of the IMF.

Secretary SUMMERS. Let me just say, sir, with respect to IMF leadership, we have had a consistent position I think for some months: We want to support a leader of the IMF who has the requisite stature, the requisite expertise, the requisite ability to command global consensus and respect, and the commitment to doing what needs to be done at the IMF. That is the type of individual that we are looking to support, as we have made clear on any number of occasions, and the President's spokesman made clear yesterday.

The existing traditions with respect to selection have served us very well. So it would be our hope that a European candidate who met the criteria that I just described would emerge.

Senator HAGEL. In your opinion, not an Asian candidate? Does it make any difference?

Secretary SUMMERS. The existing tradition has served us well. Our hope would be that it would be possible for global consensus to emerge at this point.

Senator HAGEL. Isn't—if we eliminate the Asian dynamic in this, though——

Secretary SUMMERS. You know, our hope would be—I am not making any absolute statements here—but I think that our judgment has been that there has been a global tradition with respect to this selection. I think it is very important that it is not a choice that is made on any one continent, but a choice that is made of an individual who is outstanding and who can command respect and support, and can make tough decisions on all continents.

Senator HAGEL. Again, my first question, is the criteria for American support of the new managing director of the IMF going to produce someone who is going to in fact do what you have said?

Secretary SUMMERS. We believe it needs to be somebody who can do what needs to be done. I think we tried to lay out in some detail the type of steps that are necessary. Obviously, the IMF is an international organization. Any agenda to be fully implemented has to be called an international agenda, and so we have to build consensus on these directions.

But I think there is an increasing view on the importance of supporting not supplanting private sector flows, on transparency, on selectivity in lending, on private sector involvement, on an organization operating in a transparent way with respect to its own finances. Those are certainly important issues for us as we approach the selection process. As I think in any choice of leadership with respect to any organization, it is appropriate to think about the mission and priorities of that organization.

Senator HAGEL. Mr. Chairman, thank you—Mr. Secretary.

The CHAIRMAN. Mr. Secretary, thank you so much for coming up this morning. It has been a pleasure having you. I am going to have one of my people hand you one question, yes or no. If, as you leave, you will write the answer on it and give it to him, I would appreciate it.

Secretary SUMMERS. Thank you.

The CHAIRMAN. Thank you very much, and you will be receiving questions in writing from Senators who are not here today.

[Responses of Secretary Summers to additional questions follow:]

RESPONSES OF SECRETARY SUMMERS TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR HELMS

DIFFERENTIATING IMF AND WORLD BANK FUNCTIONS

Question. The World Bank has increasingly gotten into the business of making short-term structural adjustment loans to poor countries rather than focusing on medium- or long-term economic development activities, as it was originally intended to do. The structural adjustment loans are supposed to be in the IMF's bailiwick, as I understand it.

Is the overlap between these institutions intentional? Should they keep to their original mandates? Or should these institutions be revamped for the 21st century?

Answer. The IMF and World Bank have distinct but complementary roles in helping member countries cope with the economic and development challenges that confront them. Each institution has particular expertise and strengths to bring to bear on particular issues.

That said, there has been considerable attention given to greater delineation of the institutions' roles in order to minimize and eliminate potentially confusing overlap. We have advocated vigorously for the institutions to collaborate more closely. Closer collaboration between the IMF and the multilateral development banks is a key feature under the Enhanced HIPC Initiative as part of the Poverty Reduction Strategy Paper (PRSP) process. The PRSP paper, prepared by the HIPC eligible country in consultation with the IMF and World Bank will serve as the basic framework to ensure that debt reduction produces demonstrable progress towards poverty reduction and economic growth. Preparing the paper in consultation with the IFIs should produce a more consistent set of policy measures that are cohesive and complementary. Beyond HIPC, agreement was reached in September 1999 at the Development Committee to extend this collaborative approach to all poorest countries, i.e., those eligible to draw on IDA's concessional resources.

Regarding the need for reform, in our view these institutions would benefit from some reform in both policies and processes. At the IMF we have been pressing a reform agenda that emphasizes improved information flow from governments to markets and investors; increased attention to financial vulnerability and macroeconomic fundamentals; development of core instruments and streamlined procedures to provide assistance in emergency situations; greater emphasis on seeking out market-based solutions; and increased efforts to modernize the institution.

CONCESSIONARY LOANS AND "GRADUATION"

Question. Given the number of nations receiving IMF "structural adjustment" loans for more than twenty years:

- Should IMF and bank loans be disbursed incrementally as specific reforms are undertaken by the borrower, or should there be no conditions on such concessionary loans?
- Should a goal of the IMF and the banks be to "graduate" countries from reliance on concessionary loans?

Answer. First, regarding the period of time during which certain countries have been receiving IMF concessional loans, it is important to distinguish between how often a country comes to the IMF seeking financing, and the period during which a country is drawing and servicing its loan. The maturity structure of the IMF's concessional financing instrument, the Poverty Reduction and Growth Facility (PRGF), and the instrument to assist countries with deep-seated balance of payments difficulties of a structural nature, the Extended Financing Facility, provide for repayment beginning five-and-a-half years after each disbursement (in the case of PRGF) or four-and-a-half years (in the case of EFF), and ending ten years after each disbursement. Since disbursements under one arrangement may be spread over three years, a country with only one such loan from the IMF would have credit outstanding over a period of 13 years. That said, there have certainly been cases of what could be considered excessive repeat use of IMF financing.

Regarding the relationship between disbursements and reforms, IMF and MDB loans are in fact linked to reforms undertaken by the borrower. In the absence of sufficient progress, loans can be (and in practice often are) interrupted or even terminated. In our view, conditionality is an essential feature of IFI financing. While no guarantee of success, conditionality on concessional financing (as on other forms of IMF financing) is a critical part of encouraging countries to correct the macroeconomic imbalances and structural weaknesses which give rise to the need for financing, strengthening the hand of national authorities committed to reform, and helping ensure that the institutions are repaid on time.

Regarding "graduation," certainly the ultimate goal of concessional lending and other forms of development assistance is to help countries in their efforts to reach a stage where they no longer require such assistance. Whether and when that goal is reached depend on many factors. But ultimately, sovereign govemments are responsible for the decisions that shape the performance of their economies.

NOT ABETTING HUMAN SUFFERING

Question. Should IMF and bank loans be made for projects that would displace a population involuntarily or harm the culture in areas into which displaced populations are moved?

Answer. This question relates to the activities of the World Bank rather than to those of the IMF as the Fund does not engage in project lending.

Some dislocation of local people can be unavoidable with certain World Bank infrastructure projects, such as roads, urban renewal, and irrigation systems. Our own experience in the United States with dislocation and resettlement arising from public investments has demonstrated the difficulty and severity of the problem, but has also provided valuable guidance for others, including the World Bank.

Against this background, we have articulated and pressed successfully for a formal Bank policy on resettlement base on the following principles:

1. Project design must minimize dislocation and resettlement, and the full range of alternatives must be carefufly examined.
2. For any dislocation that is unavoidable, development of a resettlement action plan (RAP) is required.

A key feature of this resettlement action plan is a strategy that ensures that incomes or the economic base of those relocated be maintained or improved as a result of relocation. Beyond the compensation issue, the RAP also covers other fundamental issues including consultations, timing, budgeting, implementation, and monitoring.

Following the lead of the World Bank, all of the regional development banks also have in place resettlement policies that stipulate the preparation of RAPs.

Also at the urging of the United States, the World Bank has adopted a policy on the treatment of indigenous peoples. This policy calls for ensuring the full respect for each group's uniqueness; minimizing to the maximum extent possible any adverse effects during the development process, and assuring that such peoples receive social and economic benefits that are culturally compatible.

Question. Should loans be made to nations engaged in repression of political or religious freedom?

Answer. The United States seeks to advance the cause of human rights internationally through a number of different channels. In the international financial institutions (IFIS), the United States, consistent with U.S. legislation, uses its voice and vote to channel assistance toward countries other than those whose governments engage in a pattern of gross violations of internationally recognized human rights, and opposes non-Basic Human Needs (BHN) lending to governments which engage in a pattern of gross violations of internationally recognized human rights. In addition, recent U.S. legislation gave the President the option to direct the U.S. Executive Directors of the IFIs to oppose and vote against loans primarily benefiting the specific foreign government determined by the President to have engaged in, or tolerated, a severe violation of religious freedom. The President exercised this option for IFI projects benefiting the Sudan.

Our ability to influence which countries receive IFI loans is limited by the fact that the United States is one member country among many in these institutions. Nevertheless, we will continue to vigorously use our voice and vote to advance the objectives set out in the relevant legislation.

RUSSIA/CHECHNYA

In February 1996, during Russia's first military campaign against Chechnya, the IMF's Managing Director told a Washington Post correspondent: "Are we financing Chechnya? . . . [I]n some ways, yes, we finance Russia." And at a hearing of the Joint Economic Committee on May 5, 1998, the other hearing witness, George Shultz, said: "I think, gentlemen, that through the IMF loans to Russia, we have, in effect, supported atrocities in Chechnya, and I don't know why we should want to do that."

Question. Isn't it unfair to say that IMF funds disbursed to Russia could only be used to repay old loans, since Russia would be relieved of financial pressures, therefore subsidizing its recent inhumane acts in Chechnya? Shouldn't IMF loans to Russia be permanently cut off?

1Answer. The Administration is concerned about Russia's campaign in Chechnya, and we have cited this concern on a number of occasions.

Last year, IMF funding for Russia was delayed because Russia did not fulfill a number of structural conditions required for disbursement. We supported that position.

With the recent inauguration of President Putin, a new government will be responsible for setting Russia's reform course. Putin and his economic advisors have indicated that they intend to work with the IMF and World Bank on an ambitious program of reforms, including measures to strengthen the rule of law, improve the efficiency of government, and strengthen a market economy. We encourage President Putin and his team to work with the IMF and World Bank on a sufficiently

strong program of reforms which could be supported by those institutions and help build sustainable economic growth in Russia.

We make our decisions on whether to support financing for Russia based on our national interest, including our interest in a democratic, stable Russia that is making real progress on economic reform.

NEW IMF MANAGING DIRECTOR

Ouestion. The Frenchman Michel Camdessus stepped down as the IMF's Managing Director on February 14, 2000. A number of people have questioned the fitness of the German gentleman being pushed by Germany's Chancellor as a candidate.

- Is it really necessary to reward Germany with the appointment of a mediocre candidate? Do we have a quota system for who serves in these roles, so that a German must follow a Frenchman?
- Should the IMF strongly consider appointing Leszek Balcerowicz, who has tremendous experience having been Poland's Finance Minister and architect of Poland's transition to a market economy?

Answer. You will have seen that the first German candidate withdrew and that, subsequently, on March 23, the Executive Board agreed to select Mr. Horst Koehler as Managing Director of the IMF. We look forward to working with Mr. Koehler as we all deal with the critical and challenging issues facing the IMF.

Regarding the process for selecting the leaders of the international financial institutions (IFIs), we believe that the principles of transparency and accountability are increasingly fundamental to the work of the IMF and other IFIs and should apply to the process for selecting their leaders. As I indicated in my April 16 statement to the International Monetary and Financial Committee, the selection process should aim to:

- ensure consideration of the highest quality candidates;
- take fully into account the views and interests of all countries, including emerging market economies and the developing world; and
- contribute to the credibility and effectiveness of the institutions.

RESPONSES OF SECRETARY SUMMERS TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR FEINGOLD

DEBT RELIEF FOR SOCIAL NEEDS

Question. I strongly support responsible debt relief proposals, and I believe that debt relief is one of the most important items on the U.S. foreign policy agenda today. One region that I care deeply about, sub-Saharan Africa, faces the obstacle of a staggering $230 billion in bilateral and multilateral debt. Africa's debt service requirements now take over 20% of the region's export earnings. Even the resources required simply to manage debt payments strain the capacity of many governments. Throughout the debate here in the Senate over the African Growth and Opportunity Act, I argued that Africa cannot become a strong economic partner when its states must divert funds away from schools, away from health care, and away from infrastructure in order to service their debt burden. Please tell me more about how the U.S. and other creditor countries can ensure that resources freed up by debt relief will actually be spent on social needs, not on the acquisition of military hardware.

Answer. The enhanced HIPC initiative, as designed by the United States with other creditor countries, incorporates a basic commitment for a more systematic and effective effort against poverty both by the benefiting countries themselves and by the International Financial Institutions (IFIs). Specific steps have been built into the enhanced HIPC initiative to ensure that resources freed up by debt relief are used for achieving core poverty reduction objectives. These steps include:

- Eligible countries are required to undertake macroeconomic reforms, implement poverty reduction strategies, ensure transparency in government operations, and engage in participatory processes in return for debt reduction.
- Countries are expected to develop a poverty reduction strategy that includes targets and monitorable outcomes. All HIPCs are expected to develop a Poverty Reduction Strategy Paper (PRSP) jointly with the IMF and the World Bank, with participation by civil society, before they reach their completion point (i.e., the point at which the country receives the bulk of its assistance under HIPC). Countries coming up first for a decision point (i.e., the point at which the IMF

decides whether a country qualifies for assistance under HIPC) must have an interim strategy in place at the decision point.

- Public expenditure will be monitored by the IMF through its Poverty Reduction and Growth Facility (PRGF, formerly the Enhanced Structural Adjustment Facility, ESAF) programs and the World Bank through public expenditure reviews.

We agree that the HIPC-eligible countries should maximize their resource allocations to the social sectors rather than to nonproductive uses such as military spending, and all current PRGF programs promote a focus on budget transparency and mechanisms to support protection and enhancement of social sector spending.

CRITICISMS OF TIMING AND CONDITIONALITY FOR DEBT RELIEF

Question. There have been criticisms of HIPC in the past, including charges that it takes countries too long to qualify for relief and that the conditions for eligibility are inappropriate. Do you believe that these problems have been adequately addressed?

Answer. The enhanced HIPC initiative was designed with a view to addressing many of the criticisms leveled against the original HIPC initiative. Specifically:

- The enhanced HIPC initiative provides faster debt relief. The timetable for reaching the final stock of debt reduction has been accelerated, based on the concept of a "floating" completion point tied to economic reform and implementation of a poverty reduction strategy. Debt service payments to the IMF and World Bank, as well as bilateral creditors, will be reduced during the first stage of the program before the completion point.

  Five countries (Bolivia, Mauritania, Uganda, Tanzania and Mozambique) have reached a decision point.
- Under the enhanced HIPC initiative, countries are required to develop a Poverty Reduction Strategy Paper (PRSP) that will guide the allocation of the resources freed up by HIPC debt relief to ensure that these resources are directed to basic priority social sectors rather than to nonproductive uses such as military spending.

We believe that, without sound economic policies, many countries are at risk of sliding back into the problems of high debt and slow growth that have hindered their development and impoverished their populations. Progress in the areas of improved governance, greater transparency and participation of civil society is also an important element in helping countries achieve sustainable growth and stability.

WORLD BANK PRIORITIZATION OF POVERTY REDUCTION

Question. Please assess the World Bank's efforts to make poverty reduction an important priority in its large-scale lending programs. Is this a token effort or has it had meaningful results on the ground?

Answer. Economic growth and poverty reduction have the highest priorities on the World Bank's development agenda. At the same time, the Bank and its member countries recognize that more must be done to fight poverty effectively. Consequently, the Bank has been making a major effort to sharpen its focus on poverty reduction, and Bank country assistance strategies and its operational activities are now more clearly directed at poverty reduction than in past years. This includes greater efforts to promote global public goods such as combating infectious diseases. More attention is also being given to improving poverty analysis and to establishing poverty reduction outcomes to measure development progress. In addition, the Bank is also working to better integrate the poverty components of impact evaluations and other development experience into program design and implementation in order to ensure that the increased emphasis on poverty translates into sustainable poverty outcomes on the ground.

The World Bank's support for the efforts of its poorer borrowing countries to develop credible Poverty Reduction Strategy Papers (PRSPs) is of growing importance. These strategies, developed in a participatory process with civil society, will form the basis both for HIPC debt relief and for future flows of concessional assistance. We believe the PRSP process, initiated at the 1999 Annual Meeting of the World Bank and the IMF, has enormous long-term potential both in terms of delivering sustainable development results and in improving the effectiveness of donor coordination.

In sum, the Bank is making an important contribution to poverty reduction and is taking steps to strengthen this impact. There has been major progress but more needs to be done. The United States encourages and supports this long-term effort.

IMPROVING TRANSPARENCY AND ACCOUNTABILITY

Question. Please assess the progress that the International Monetary Fund and the multilateral development banks have made toward increasing transparency and improving accountability in their operations. What gains have been made, and what more needs to be done?

Answer. It is no exaggeration to say that there has been a sea change in increasing transparency and improving accountability. Regarding the IMF, this is perhaps most visible in the Fund's new policies on the public release of documents. For example, since June 1999, in large part as a result of Administration and Congressional urging, there is now a presumption that key program documents considered by the IMF Board—including Letters of Intent—which detail the policy commitments that countries have undertaken as a condition for IMF support will be released. Since June 1999, fifty-eight arrangements have been discussed by the Board, and program documents were released in fifty of these cases. Release of "Public Information Notices" (PINs) following Executive Board discussions of Article IV consultations is also becoming much more routine. PINs are also used to inform the public of Executive Board conclusions following discussions of a broad range of policy issues and regional surveillance. Detailed information about the IMF's financial resources and liquidity position is available on the IMF's Internet website (www.imf.org), as is its Annual Report. Most recently, on February 25, the Executive Board agreed that the IMF's Operational Budget—to be renamed the Financial Transactions Plan (FTP)—will be published quarterly with a one quarter lag. The first FTP, covering March through May 2000, will be published in August 2000.

Similarly, all of the multilateral development banks, in response to strong advocacy from the United States, have made systematic changes in their operations and procedures to increase public participation, transparency, and accountability. Key reforms include:

- Public consultation rules that give affected people a real, and in some cases a first, voice in project design;
- Inspection Panels that provide a public forum for those affected and concerned to raise issues about MDB compliance with their own policies;
- Improved information disclosure through more routine release of documents. For example, as part of the IDA-12 agreement, the World Bank now makes available Public Information Documents, Project Appraisal Documents, Environmental Assessments, and summaries of Operational Evaluations Reports. In addition, each country assistance strategy (CAS), a key planning document for future lending, is publicly available unless the Executive Board votes to keep it private. These documents are available on the Bank's Internet website (www.worldbank.org) or through its public information center.

Similarly, the regional development institutions are making more documents available to the public, via the Internet and their respective public information centers.

Looking forward, there is room for improvement in a number of areas. At the IMF, in addition to the steps noted above which increase the transparency of the IMF as an institution, we would like to see a greater focus on promoting the flow of information from governments to the IMF and to markets and investors. This should include, for example, greater adherence to and compliance with the Special Data Dissemination Standard and publishing assessments of the strength of countries' financial systems. At the World Bank, a full review is underway to determine which additional documents should be made available to the Executive Board and which should be made available to the public.

WORLD BANK EXTERNAL AUDITS

Question. Do the currently administered external audits of institutions like the World Bank provide sufficient information to the U.S. Government with regard to the Bank's operations?

Answer. The financial statements of the World Bank Group and the regional development banks are audited annually by independent and internationally recognized accounting firms in accordance with generally accepted auditing standards. The audit findings are thoroughly discussed both with the senior management of the institutions and with the Board. This dialogue provides an opportunity for the Boards and Managements to examine the reports and to explore in greater detail the implications of the audit results for mitigating risks to the institutions. The independence of the auditor is essential to the integrity of the audit process. The external auditors for the MDBs are selected through international competitive selection and periodically the auditing services are rebid.

The most recent external audits of the Asian Development Bank and the Inter-American Investment Corporation were done by PriceWaterhouseCoopers. The Inter-American Development Bank and the European Bank for Reconstruction and Development were audited by Arthur Andersen. The African Development Bank Group's external auditor was Deloitte and Touche, and the World Bank Group's auditor was Deloitte Touche Tohmatsu.

Overall, we believe that the current external audit process provides sufficient information for the United States to exercise its fiduciary oversight responsibilities over the financial condition of the institutions.

INTERNATIONAL FINANCIAL INSTITUTIONS ANTI-CORRUPTION EFFORTS

Question. While I agree that the international financial institutions must vigilantly combat any internal corruption through strong oversight mechanisms, I also believe that they have a role to play in combating corruption within the countries receiving assistance. As the Asian financial crisis indicated, corruption is a threat to international stability. I also believe that it stands in the way of every development goal that the U.S. pursues abroad. How do the international financial institutions combat corruption abroad, and are these practices sufficient?

Answer. Corruption is widely recognized as a serious threat to economic growth and development. The Asian financial crisis demonstrated that corruption contributes to a loss of confidence in a country's economic policies and can precipitate capital flight.

Bribery and corruption lead to spending and investment decisions that are contrary to stated political and economic objectives. Corruption undermines the efficient use of capital by distorting and diverting public investment from priority projects and programs to personal enrichment. Studies also demonstrate clearly that widespread corruption discourages private sector investment and results in lower rates of economic growth.

The international financial institutions, especially the IMF and the World Bank, are leaders in helping countries to identify, expose and prevent corruption. The IMF has studied the impact of corruption on macroeconomic policy-making and financial institutions, and has incorporated anti-corruption criteria in its economic evaluations and decisions on providing assistance. The World Bank, Asian Development Bank, and African Development Bank have good governance or anti-corruption strategies approved by their respective Boards of Executive Directors. The EBRD has promoted financial sector reforms, and the Inter-American Development Bank has included public sector reforms in its on-going focus on the modernization of the state.

The World Bank has developed new methodologies to help countries analyze their corruption problems and decide on the best remedial actions. All of the MDBs are assisting countries in adopting institutional reforms to promote integrity and reduce corruption. These efforts include: guidance to encourage appropriate deregulation to eliminate opportunities and incentives for corruption; privatization of state-owned enterprises; financial sector reforms that include improved financial disclosure and supervision; guidance and support to improve budget processes, financial management and procurement; and enhanced transparency and reforms in tax, customs, civil service, and judicial administration.

While we are pleased with the progress in the IFIs in the recent past, we are encouraging them to give even higher priority to corruption problems and to provide countries with increased assistance and positive incentives to promote good governance and prevent corruption. For instance, the recent IDA- 12 and the African Development Fund replenishment agreements strengthen the linkage between new lending and borrower performance, including explicit consideration of good governance and efforts to combat corruption.

HUMAN RIGHTS AND ENVIRONMENTAL PRACTICES

Question. Whether or not it is the intent of the financial institutions themselves, the fact is that international financial assistance can make the difference between whether or not a regime stays in power abroad. The IMF and World Bank play a legitimizing role in much of the developing world. How do the international financial institutions ensure that their assistance programs do not legitimize disgraceful human rights and environmental practices?

Answer. With our strong encouragement, the IFIs have made good governance a core issue in their operations, and have strengthened the linkage between new lending and borrower performance to maximize the amount of resources that go to the serious reformers. The institutions have in place monitorable criteria to evaluate borrower performance on a range of critical issues including governance, military ex-

penditure reviews and anti-corruption efforts that are used in determining new lending levels. All of the multilateral development banks have policies and programs in place aimed at improving governance and eliminating opportunities for corruption, both internally and with borrowing countries. The U.S. Executive Directors to the respective IFIs use their voice and vote in support of a range of priority issues including strengthening respect for human rights and environmentally sound practices. Treasury's annual report to Congress on the voting record of the U.S. Executive Directors to the IFIs reflects the progress made on giving greater consideration to these and other priority issues.

Similarly, strong and consistent U.S. advocacy has been instrumental in getting all the MDBs to put in place a wide array of policies and guidelines to mainstream environmental considerations into their analytical work and operations. As a result, policies and procedures that have been adopted include:

- Development and maintenance of adequate environmental capacity for analyzing and managing environmental issues;
- Comprehensive integration of environmental issues into the project development process;
- Appropriate environmental review policies;
- Transparency and information disclosure policies;
- Improvements in consultations with affected and interested parties;
- Effective independent inspection panels;
- Protection of indigenous peoples;
- Adequate planning and implementation of resettlement activities;
- Strong emphasis on investments for energy efficiency, clean technology and renewables;
- Policies for better management and protection of natural resources;
- Clear project performance indicators, and systematic monitoring and evaluation; and
- Provision of adequate resources for project supervision and monitoring.

CONSULTATIONS WITH CIVIL SOCIETY

Question. To what extent do the international financial institutions consult with elements of civil society in the countries they assist? For example, does the IMF consult with local labor unions about its strategies?

Answer. Outreach and consultations with those outside of government (i.e., civil society) is increasingly a routine part of IFI operations. The benefit of broad participation in the discussion of economic and development programs is recognized as a key element to increase the base of support for the program to be undertaken. All of the MDBs have in place public consultation rules to give affected people a voice in project design and have in place or are forming Inspection Panels, which provide a forum to discuss MDB compliance with their own policies.

In addition, broad consultation and participation as key elements in World Bank and IMF efforts to assist borrowers in their work on developing their own Poverty Reduction Strategy Paper (PRSP). This paper, required for countries to be eligible for HIPC debt relief, will also guide Bank and Fund future lending programs for all IDA and ESAF-eligible countries. The country under consideration will design its PRSP in consultation with the World Bank, the IMF and civil society through a participatory process. The goal is to ensure that macroeconomic policies are set with full appreciation of the social context and that poverty reduction and social considerations are fully taken into account when setting priorities.

The IMF is increasingly aware of the social dimensions of its lending programs and economic policy advice. In that regard, the Fund has taken steps to ensure that policy advice, whether a condition for lending or not, does not adversely affect social programs. Further, the Fund strives to strengthen social programs in the context of macroeconomic adjustment programs. As part of the process of developing new programs for various countries, including Mexico, Brazil, Thailand, and Korea, the IMF has discussed labor issues with local authorities. The IMF and International Labor Organization (ILO) have collaborative relationship reflected throughout their operations. Fund and ILO staffs consult regularly on reviews of labor codes, wage policies and social protection mechanisms. Senior IMF officials have participated in ILO-sponsored seminars in Korea and Thailand (November 1998), the regional meeting on social issues in Thailand (January 1999) and addressed the ILO Governing Body at its March 1999 meeting.

[The following statement was submitted for inclusion in the record:]

PREPARED STATEMENT OF SENATOR RUSSELL D. FEINGOLD

I want to thank Secretary Summers for being here today to discuss the future of the major international financial institutions. This hearing has a very ambitious agenda, and I just want to focus on a few discrete issues for a moment.

First, a word about debt relief. I applaud international efforts to address the multilateral debt burdens of the world's poorest countries. Debt relief, with its capacity to free resources for social needs and to free policy from fruitless cycles of servicing and reprogramming, is one of the most important foreign policy priorities before this Congress. I look forward to learning more about the possibilities and limitations of current plans to pursue debt relief today.

The other major issue on the table today is reform. Many calls for reform of the international financial institutions focus on issues of transparency and accountability. Of course, I strongly believe that internal oversight mechanisms are critically important. But the notion of accountability is about more than audits and inspectors general. At the core of this issue is the question of democracy, and the urgent need to create space for different voices—voices from civil societies in donor and recipient countries alike—in the international economic system.

Finally, Mr. Chairman, this new century offers valuable opportunities to assess the lessons of history and to make a set of deliberate and reasoned choices to seek a better future. History has shown that, unless the international community takes political and human rights issues seriously, we cannot achieve stability or order in the international system. We have seen instances in which the pursuit of order has led to injustice, and in the past international financial institutions have played a role in propping up abusive and exploitative regimes, subsidizing illegitimate governments and delaying the inevitable at a terrible human price. It is important to remember that financial stability is not an end in itself—it is desirable because it creates the space and opportunity for human achievement and human development. I hope that serious efforts to think through the future of the international financial architecture will take this into account.

The CHAIRMAN. Now then—you may proceed, sir. It is a delight to have you back.

STATEMENT OF HON. GEORGE P. SHULTZ, FORMER SECRETARY OF STATE AND FORMER SECRETARY OF THE TREASURY

Mr. SHULTZ. Thank you, Mr. Chairman, Senator Biden, Senator Lugar. It is a pleasure to be back. I have not been here in well over a decade, and I spent so much time here it almost feels like homecoming, so I am honored to respond to your invitation.

You asked me to focus on the IMF, which I will do. I have three points of criticism, each of which I will illustrate with an example, and I have eight suggestions about what should be done, or what should be kept in mind as you consider the international economic scene.

My principal points can be stated as follows. The IMF encourages bail-out expectations, and thereby weakens the due diligence that is critical to the healthy functioning of the international economy. I think that is a very important point. Basically it started with Mexico in the mid-1990's, when the Treasury and the IMF together put together a package of over $40 billion to meet the Mexican crisis. I might add after putting it to the Congress and not getting its way in Congress.

What was done with that money? Immediately, the short-term loans that had been made to the Mexican Government by mostly U.S. investors were paid off. Those people got high rates of interest on risky short-term money. The Mexican Government was not able to pay it off or roll it over, and so they got bailed out, literally.

The Mexican Government then did the same thing with its own banks, so it was a gigantic bail-out. The financial people made out

fine. The money did get paid back, but the bail-out happened, and made a big impact.

I might just say later on, after the Russian default, a banker friend of mine said—once you are in office you are held responsible for whatever happens—to me, after you bailed out investors in Mexico because Mexico was your neighbor, I was entitled to believe that you would bail me out in Russia, because Russia has all those nuclear weapons. So do not say that the bail-out mentality does not spread. It does. It is a big problem.

So that is my first point, and I think it is a very important one. I was told I had 10 minutes, so I am rushing along here.

My second point is that the IMF has, almost as a matter of logical development, developed programs that are increasingly intrusive into the economic policies of the countries where it is involved. And I think it is almost axiomatic that the more intrusive you are on economic policies, the more involved you get in the politics of those countries.

The evidence is that the IMF's economic programs are often wrong, showing that their competence in economics can be questioned, but that is where their presumed competence lies. But when they go around the world ministering to the politics of countries, they do not know what they are doing. Let us take the example of Indonesia, about which Secretary Summers spoke.

In the case of Indonesia, we had an authoritarian government where there was a great deal of favoritism of President Suharto's family and his cronies, so you had a lot of corrupt practice there. However, over a 20-year period, they also had something like a 7-percent sustained real growth rate, and the fruits of that were widely disbursed. The income per capita in Indonesia rose very, very rapidly. Never mind legislating great standards. You have to look at what happened to actual real incomes. They, the people of Indonesia, did very well.

Also, a tradition of religious tolerance was fostered. This is the biggest Muslim country in the world, 90 percent Muslim, and they had a tradition of tolerance of other religions, and they were rather proud of it. They had a small but very important ethnic Chinese community that brought lots of money to Indonesia.

But they were part of the Asian crisis, so the IMF and the Treasury moved in, and one of their first acts was to call for the closing of 16 banks. I do not know how you could fail to foresee that, when you do that, you are going to cause a crisis in the banking system and runs on banks. It is as simple as A, B, C. I do not want to say that the IMF deliberately set out to destabilize Indonesia, but it is hard not to come to that conclusion.

Lots of things are wrong in Indonesia, but also lots were right. The intrusiveness of the IMF programs, with their big, thick documents, telling them in great detail about how they should manage their policy, required things that were impossible, and were part of what I think was a great destabilization there.

I have heard people from the IMF say, well, we helped get rid of Suharto. I do not think that is a legitimate function of the IMF. And I do think the management of moving countries from autocratic regimes to democratic ones is very tricky business. You remember, Mr. Chairman, in the eighties we had quite a few: Argen-

tina, Brazil, Chile, South Korea, the Philippines, and Taiwan. And we had lots of discussions in this committee about it.

On the whole those transitions came about all right, but you have got to go from something to something. Otherwise, look what has happened in Indonesia: Income per capita cut in half, poverty widespread, religious intolerance on the rise, fights between Muslims and Christians, ethnic Chinese driven out. I am told at least $100 billion of ethnic Chinese money is parked outside Indonesia right now. If you want to do something about the Indonesian economy, you should think to yourself, how do I get the Chinese back? That is the big problem.

But at any rate, I think this illustrates the difficulty when the IMF finds itself enmeshed in the politics of a country and does not know what it is doing.

My third problem has to do with the IMF's loose charter, and the very large amounts of money that can be used at the discretion of the U.S. President and his G–7 counterparts. It is a very large amount of money now. It is hard to estimate exactly, but it is certainly on the order of $200 billion.

As we have seen by the pattern of what the IMF does, there is virtually no limit on how the money can be used. And that is a temptation to a U.S. President that is very hard to resist.

Example: Russia. In the case of Russia, I think a misconceived policy was implemented, but anyway it had as its foundation the idea that we would provide large amounts of money, and the Russians would reform and become democratic and become an economically open country. So these funds were provided with the hope and expectation that that would happen. Conditions were laid down, and so on.

It is tempting to any country to take the money, because it is like a gift in the sense that the interest rates charged are way below any reasonable market rate of interest. It is aid, that's what it is. That is why they take it. The IMF is the only consultant in the world that pays you to take their advice. Most consultants have to meet a market test, and you have to think their advice is good enough so you will pay for it. In the case of the IMF, it is the reverse.

At any rate, lots of money was poured into Russia, and I think misguided. In the meantime, the Russians were taking money out. And I do not have any personal way of verifying this, but I have seen very credible estimates, that between $150 and $350 billion were taken out of Russia. That is Russian money out of Russia. So when they are taking it out and we are putting it in, that must tell you something.

Some very bad policies were followed, and of course when the money goes to general budget support, it supports whatever the government is doing, including the war in Chechnya. There is no way around that.

It also, in a more subtle way, it seems to me, tends to work on you psychologically. You have made these loans to create some result, and so you wish the result were there, and you allow yourself to think, well, it really is right around the corner. And you have your hopes pinned on some individual like Mr. Yeltsin so you tend to overlook things, and you tend to take his line. And I think in

the process you distort your view of the reality of the country you are dealing with.

In that connection I would like to read a couple of things to you. Here is a description of Russia today. I am reading this.

"A pluralist political system, competing in the world markets and plugged into the Internet. Does that bear any resemblance to the Russia that you"——

Senator BIDEN. Whose description is that, Mr. Secretary?

Mr. SHULTZ. The President of the United States, writing in Time magazine, January 1, 2000, just recently.

Now, here is the description of Chechnya. It says, "we have a profound disagreement on the treatment of refugees." That is all, the treatment of refugees. He says that we understand that they have to "liberate Grozny"—that is the way the Russian Government puts it—and talks about this being a model for how to deal with other problems involving terrorists.

I am reading this. This is from Time magazine, and I think this is what happens to you when you get so involved in another country's operations and you put so much money and so much of your own credibility on the line in favor of some results that are not happening.

I do not think that this is only because of the money that was there, but it helped. I call it the honey pot problem. Because when you have a big honey pot of money that can be used for anything, it is an invitation to a President to say, well, all right, here is a problem. I will get together with my friends in other countries and we will use that money for this purpose, and I think the resulting profligacy with IMF money has had a bad result, and is unfortunate.

So those are three examples. I could give a lot of other examples, but those are three that I want to call your attention to. The enormous amount of money being used to bail out lenders creates a mentality in the international lending community that in one way or another they are likely to get bailed out. And so the private lenders do not do the due diligence they ought to do.

Second, you get driven, almost, by the size of these programs to become very intrusive, very detailed in what you want, and when you do that you are not talking economics, you are talking about the politics of a country. It would be as though the IMF came to the United States and told us, you know, you have problems with Social Security and Medicare, and here is the way you should fix them, without realizing, anyone would have to realize that these issues are very delicate politics in this country. They are not primarily economics.

The third problem is this gigantic honey pot that sits there and can be dipped into.

So those are my points of analysis, and now let me tell you what I think ought to be done. First of all, Mr. Chairman, as you know, I have said for quite a long time, and in a lengthy address to the American Economics Association about 5 or 6 years ago, but also more recently, that it seems to me it is time to close the books on the IMF and go about its functions another way.

Last year I said that and the Congress proceeded to appropriate, or not appropriate, but to provide funds of about $18 billion and

with contributions from other countries to total some $80 billion of additional money for the IMF. So I come to you today and say, all right, I recognize I may not get my way, and if I do not, here are my suggestions for what should be done.

First of all, tighten the charter. I was interested, and welcomed the statement by Secretary Summers that the IMF should return to its core function, namely, dealing with critical problems in exchange rate and balance of payments problems in countries around the world. That is what it started out to be, and that is its function, and it seems to me if that is what you want, the charter should say so.

Then you have a limited purpose organization. The money is there, and it is for this purpose. It is not for any purpose that anybody wants to use it for. It is just for this purpose.

That is the way you go about appropriations, as I can vividly recall. The money was provided to me in my various cabinet posts for certain purposes, and I could not decide, well, this money is appropriated, when I was Secretary of Labor, for manpower training programs, but I guess I will use it for something else. You cannot do that. You have got to use it for what it is prescribed for.

So tighten the charter, and I think the focus should be on what Secretary Summers called core function.

I do think there is a need for an international economic organization with some stature that plays a convener role. That is, when there is a problem, it is important to have some organization that can convene the parties. Lenders and borrowers, bring them together. An individual bank usually cannot do it. An individual country has a hard time. So an international organization that can be a convener is useful, and I think it is probably best if it does not have much money.

So that leads me to my second recommendation, that the amount of money in the fund be drastically reduced. Now, obviously, if that happens there has to be a transition. You cannot just pull the plug on existing programs and commitments that have been made. They have to be carried forward. But if the object is clear, the amount of money in the fund can be brought way down, and you take away the honey pot, and you take away a lot of the bail-out problems by doing that, and I do not think that you would miss it.

Third, insist on transparency. Now, there has been a lot of talk about that, and no doubt some progress on it, because transparency is the counterpart of accountability, and that should be on the IMF's internal operations, and it should also be with respect to the individual country programs.

Sometimes the IMF may have a problem with a country that does not want transparency. It seems to me the IMF should insist on transparency, and if the country balks, well then, that is their choice, but IMF is then not going to be there. So we need to be able to know what is going on.

Fourth, I think the interest rates on loans should be raised up to the market, or close to the market so that it is not a gift. It is a help to a country in making a transition, and so the interest rate policy needs to be revised.

Obviously sovereign countries have to decide for themselves, but I think it is increasingly apparent that countries should be willing

to have financial institutions from outside their own country operating in a country. It helps. It helps with transparency, it helps on diversification, which is very important for small countries, and it helps by virtue of competition in the financial realm, so I think that would be a key.

I am not going to belabor the issue of exchange rates. It is a big, complicated subject, but it is clear that it is a very, very important issue, and I do think that for any country, a stable and strong currency is very, very important, and the way in which you achieve that is fundamentally by having a strong, stable country, an economy to base it on. There is lots more to be said about that. I just do not want to omit it.

Then I think it is very important to really examine the analysis of what is taking place, so that we are clear. I do not agree with Secretary Summers' analysis of what happened. I think the chairman is closer to the mark in his statement that a lot of damage was done. The IMF's prescriptions in Asia for more austerity were misguided, and they had to change them. It got off to a bad start. There are a lot of other examples.

I think in the Asia situation it was not so much about hot money and the new information age, which is very, very important, but the mistakes that were made were classic mistakes. That is, too much debt in relation to equity. Borrow short, lend long, and into illiquid assets. Borrow with hard currency, lend in a softly pegged currency. Put all those things together, and you have got the ingredients for a crisis. It does not have anything to do with the new economy. It has to do with old problems.

I think it is ridiculous when people say Russia caught Asian flu. The things that Russia did internally created the crisis in Russia, not Asian flu, so I think it is important to get the analysis right.

Finally, we have to keep reminding ourselves of the importance of sovereign responsibilities. The responsibility of a country to run its economy in a way that is healthy, noninflationary, and open. And looking at the world from the standpoint of the United States, the world looking at the United States, there is nothing that anybody can do that comes anywhere near the importance of a noninflationary, expanding, open United States economy. And if you put that alongside a European one and a Japanese one, fundamentally the problems will work themselves through. So these sovereign responsibilities are very, very important to this country and elsewhere.

Thank you, Mr. Chairman. I hope I have not gone too far over my time.

The CHAIRMAN. No, you certainly have not.

Mrs. Shultz, your husband has a nodding acquaintance with a lot of folks in this city. He talks and we nod.

Mrs. SHULTZ. That is what I hear.

The CHAIRMAN. And I felt myself nodding a lot during your remarks, sir. It is good to have you with us.

I take it that you do not think it unreasonable to insist that the IMF and the multilateral banks which the U.S. funds rather generously, as you pointed out, should give the General Accounting Office access to their books to audit and monitor their operations. Is that an unreasonable request?

Mr. SHULTZ. Yes. You would have to negotiate that, because these are international organizations, and other countries would want to have their equivalent GAO's also know. But anyway, I think in the interests of transparency there should be access.

Senator BIDEN. You cannot mandate.

Mr. SHULTZ. You cannot mandate, but you can say, this is what we want, this is what we intend, and this is what we are going to insist on.

The CHAIRMAN. Do the IMF and the various development banks typically make loans at interest rates which are actually, in fact, below prevailing market interest rates? If the answer to that is yes, roughly what percentage of their loans would you estimate should be at market loan rates?

Mr. SHULTZ. The answer is clearly yes, and of course you have to make a big distinction between the IMF and the World Bank and the Asian Bank and so on. I think in the case of the IMF the interest rate should be somewhere near market rates, recognizing that when there is a time of crisis, a reason why a country may come to the IMF is that there is no interest rate at which they could get private money, so that there has to be some reason there.

But the IMF rates are much too low in my opinion. What you are trying to do is provide some money that will tide a country's liquidity problem over until things right themselves, so I think they should pay a reasonable rate for that, and that will cause them, among other things, to want to pay the loan off.

The CHAIRMAN. Right. One final question. Let me go back to May 5, 1998, when you, at a hearing of the Joint Economic Committee, testified to this effect: Quote, "I think, gentlemen, that through the IMF loans to Russia we have in effect supported atrocities in Chechnya, and I do not know why we should want to do that." Obviously, you still feel that way about it.

Mr. SHULTZ. I do not think there is the slightest doubt that when you support the general budget of Russia you are supporting, in effect, the things the government does, and the war in Chechnya is one of the most brutal exercises we have seen around the world, and it is quite costly, so it is eating into the general budget of the Russian Government, which has a hard time anyway collecting taxes, so it has got to be significant.

The CHAIRMAN. Should we cutoff the loans to Russia?

Mr. SHULTZ. Absolutely.

The CHAIRMAN. Well, if I ask another question I will run over.

Senator BIDEN. Go ahead.

Mr. SHULTZ. Well, I think our diplomacy, Mr. Chairman—we are a little off the point here. I think our diplomacy toward Russia is very, very important, and we should have a vigorous interaction with Russia, but sort of paying for that by IMF loans or some other kinds of loans is the wrong way to think about it.

We should think about it more in terms of what are our interests, and rely on them to represent their interests, and exactly where Russia is going to go is hard to say. They are going to write their own history. We cannot write it for them.

The CHAIRMAN. Senator Biden.

Senator BIDEN. There are only three of us. Why don't you follow-up the last question.

The CHAIRMAN. I followed up.

Senator BIDEN. OK. Mr. Secretary, thank you for being here. I am reminded, listening to you, how of all the witnesses that have been before this committee over the years, I think you present your case, whatever that case is, as cogently and coherently as anyone here. I mean, I do not know how you could have made your case better and straighter than you did by the way you laid it out. It is always understandable.

I would like to—and since you are not in the Government I will not give you written questions and burden you with all the things you have got to do, but at some point I am sure you are going to be back here.

I would like to expand on your concern and criticism of the moral hazard involved in the current role of the IMF and other international institutions, raising expectations that you can—not unlike what we did here when we bailed out the savings and loans and saved a lot of people who were not the little people. We saved a lot of the big people. What is that old adage? I am going to get it wrong. If you are big enough, we cannot let you fail. That is what we do domestically, and we have done that internationally as well.

Mr. SHULTZ. I have seen some issues in our own domestic economy that I think are very instructive to look at in that regard, because there is always a theory, here is the problem, and if we do not intervene goodness knows what is going to happen, and so I have been through quite a few of those things, and I would be glad to talk about them if you want.

Senator BIDEN. Well, I would like to pursue that at some point, but I would like to get specific in the short time we have. Is there a distinction between the international lending institutions, particularly the IMF, and what generic condition we should lend upon? For example, Russia. Russia is not reforming itself. We all agree with that. Additional loans to Russia are not of much consequence in terms of getting them to move toward democratic institutions, setting up internal institutions that will allow people to rely upon investing there from tax collection to a uniform commercial code, or some version of it.

Is there a distinction between when you are loaning money to a country, an international institution is loaning money to a country, and an international institution inviting a country to participate in a trade relationship? For example, WTO. The Chinese obviously are—I should not say obviously—I believe are even more antidemocratic in their actions and institutions than Russia is, yet there are a lot of people calling for them to be admitted to the World Trade Organization, assuming the final "T's" are crossed and the "I's" are dotted in the international agreement.

What is your position on, for example, the WTO? Should China be admitted to the WTO?

Mr. SHULTZ. Yes, I think so, without a doubt.

Senator BIDEN. Now, I am truly not trying to be argumentative. What are the distinctions between, obviously, allowing a totalitarian government to engage in and participate from and gain benefit from the regime of a World Trade Organization, and therefore allow them in a more indirect way to be able to continue their suppressions in Tibet because of the economic power that they gain as

a consequence of membership there, which is one of the arguments the Senator makes consistently about whether they should be in WTO or whether we should lend them money.

Is there a distinction between facilitating them, a country having resources which are fungible to engage in Chechnya, or suppression in Tibet, or the arrest of press persons or dissidents, whether it is done indirectly, through allowing them access to the World Trade Organization, or it is done directly in terms of a loan? Is there a philosophic and/or practical difference?

Mr. SHULTZ. Yes, I think so.

Senator BIDEN. Could you tell me what it is?

Mr. SHULTZ. I would not support IMF loans to China, or World Bank loans to China.

Senator BIDEN. You really would not?

Mr. SHULTZ. I would not.

Senator BIDEN. You would not?

Mr. SHULTZ. No. Trade and investment, which is done by private individuals, is a different matter entirely. China is a big, important trading partner, but I do not think the case for the WTO rests primarily on economic grounds, and I know there are lots of American companies that will be pushing for it because of the business that they do, and that is understandable.

I do not think that is the main argument for it. To me, the main argument is to draw China as much as we possibly can into the web of rules that characterizes the way the world works in trade, and I have been going there for quite a few years periodically, and it is the case that the change in China over the last 20 years is stunning. It is a totally different country.

It is a repressive regime, and they are doing some things that are terrible, and I think the most recent blast at Taiwan is something we should react to fast. Be clear.

But the more they are drawn into the world of trade, the more people in China tend to know what is going on around the world, be involved with other parts of the world, then the more you see a change in the social and political fabric of China. Actually, there are elections in most local communities in China today, who is going to run their locality. Of course, that is very different. China may be something of a revolution from the bottom rather than from the top.

So I cannot predict what is going to happen in China, but a lot has happened. My guess is that there will be some Tiananmen Square-like things as you go along in this process of the erosion of central authority. It is in a sense sort of decentralizing now.

So I would be in favor of Chinese entry into the WTO for these kinds of reasons.

Senator BIDEN. I happen to agree with you. I would suggest, and I am not sure where it takes me on IMF, but I suggest that if you walk through the streets of Moscow or Leningrad in the last 5 years they are radically different. As bad as things are in Russia, they are a hell of a lot better off, in relative terms, than they were 10 years ago, 15 years ago.

But I appreciate it. Maybe we will get another shot later. Thank you very much.

The CHAIRMAN. Mr. Hagel.

Senator HAGEL. Mr. Chairman, thank you.

Mr. Secretary, welcome. You are one of the preeminent public servants of our time, and we are grateful for your insight. You also represent a particularly unique perspective on all of this, based on the public service assignments that you have had, and your private sector jobs. You blend national security interests with economic interests and all that is in between in a way that very few individuals can.

And with that, in your list of things that we should do, you mentioned the need for some kind of an international economic organization or institution. Could you frame that up a little bit? Would it be a scaled-down IMF? You went through a number of things, less money and transparency, but give us a little sense of what you mean by some kind of an economic organization.

Mr. SHULTZ. Let's call it an IMF without any money.

That is, here you have a problem in a country, say Korea, in this recent thing, and there were a lot of people that loaned them money, and there were a lot of people to whom it was loaned, and what in the end happened was, these groups were caused to get together and develop a structure of how they were going to unwind this problem, to work it out. This is typical of what happens in workouts in the private banking field, when their loans would go sour. Loan officers have to get together with people, and they have to try to work it through.

So it is often difficult to convene these parties, and it is not easy for a country to do it, because they are regarded as an interested party, and it is not easy for a private organization to do it, a bank, say, because they have that same attribute, and so I think it can be quite useful for an international organization to act as the convener, and hire a hall, and invite people in, and kind of moderate a discussion of how you borrowers and you lenders are going to work out your problem, and they will have to work it through.

And of course, if they have to work it through without somebody giving them a lot of money to do it with, then the pain is more apparent, and the lesson of doing your due diligence is more apparent, but nevertheless, there is a convener function that can be useful, I think.

Senator HAGEL. You noted that the President of the United States, the current occupant of the White House, his role and leadership and perspective and policy on this is one that you do not find yourself in agreement with and, of course, that issue will be resolved in November.

Mr. SHULTZ. Well, I have read to you what he said he believes as of 2 months ago, and I was going to ask you if you agree with that. This is just a way of saying, do you agree with this description of Russia? Do you agree with this description of what is going on in Chechnya? I sure don't.

Senator HAGEL. Well, I do not think many of us do, but the point is, we are going to elect a new President. That new President will have a new policy. Would you agree, or would it be your suggestion that the new President form a Presidential commission to evaluate all of the international financial organizations that the United States is involved in? Are they relevant to the challenges of the 21st century? What is their role in the security stability of the

world? these are questions that we have deferred, not just in this Presidency, but over the last 20 years.

And I do not, by the way, think there is any point in belittling anybody for it, but I think we do need to reach out into the future here and figure out where we are going. Could you conceptualize any of that, or would it even be important, or would it be relevant to try to understand this issue and find some solutions?

Mr. SHULTZ. I think it would be extremely important, and I think you are hearing some developing material here. I know there is a commission authorized by the Congress to examine the operation of these institutions and to make some recommendations, and as the chairman noted, as I understand it it is somewhere near ready to deliver its views, lots of input, and it seems to me a new administration always has a fresh start, a fresh chance, and I would hope a new Secretary of the Treasury, whoever that is, would really make a big effort in this regard, because I think it is way overdue.

There are some other things that I think organizationally ought to be done, of comparable scope, but certainly what you suggest I think would be very important to do.

Senator HAGEL. Thank you. Mr. Chairman, may I ask just one more question.

The CHAIRMAN. Certainly.

Senator HAGEL. In light of the current administration's policy, and what we are dealing with here, the chairman is going to be marking up some legislation I think next month, would you give us your opinion regarding the issue of highly indebted poor countries? Are we going in the right direction?

Mr. SHULTZ. I think that bad debts need to be recognized as such. That is, people need to live in reality, and there have been a lot of loans made to desperately poor countries that are never going to get repaid. That is a reality, and a lot of them have been extended by the IMF and by the World Bank, and it seems to me that these organizations should realize that reality and write them off, just as, if you are running a private bank and you make a loan, the loan is totally sour, what do you do? You cannot come to the Congress and say, give me some money to cancel that debt. You just have to swallow it, and you say to yourself, I have got to be more careful the next time.

The World Bank has this ethic that it never makes a bad loan. They say that. I think it is ridiculous. If they do not make any bad loans, they are not doing their job, because they are in a sense supposed to be on the edge of the envelope, and if you are anywhere near the edge of the envelope in risk, you are bound to make some loans that do not work, so you should not just keep them on the books forever and then try to get them paid off by establishing a trust fund that people contribute to, and you put the bad loans in there, and then the bad loans are gotten rid of that way, and you continue to say you never made a bad loan. I think they should write them off.

Senator HAGEL. Do you think the current administration policy is the correct course on these bad loans, as we refer to them?

Mr. SHULTZ. I do not consider myself well-enough informed in precise detail, but I know, having been in these positions, that bad loans are a problem, because they are sort of there, they are a run-

ning sore, they are not going to get repaid, and yet they overhang the situation, and make it hard to grapple with the reality that is there and try to get that economy moving forward. It is hard for people to adopt the kind of policies they would like to adopt.

So I think bad loans are bad loans. I think we had policies—let me say something—I am not criticizing this administration particularly, but in the 1980's there were a lot of bad loans out to Latin American countries, and in response to that, it started with Mexico, but Brazil, Argentina and so on were involved, through the IMF with the Fed and the Treasury loans were made and conditions put, largely saying to people you need to have austerity so you do not have a lot of imports. You need to lower your exchange rates so you can sell exports, generate foreign exchange to be able to pay off the loans.

I thought at the time, but in retrospect certainly it was bad advice. It helped the banks. They were very overexposed, and they had 4 or 5 years—people kicked the can down the road, people had 4 or 5 years to get their balance sheets in order, and then finally, in what became called Brady bonds, the reality was recognized and the market decided whether it wanted to pay 10 cents on the dollar, 20 cents, 80 cents, or whatever, the market prices, and then Latin Americans started to move forward.

But in the meantime, people I think characterized that as a lost decade in Latin America, and I do not think it needed to be so, if people had just faced the reality that these loans are no good, and you have got to go on from there, and as far as large bank exposures in the U.S., making them vulnerable and making us nervous, well, that is a problem for us to face with those banks, not to in a sense have the people of Latin America lose a decade, as they did.

It is interesting, incidentally, that Chile got into trouble, too, in that period, and nobody would help them. IMF would not help them, we would not help them, because Pinochet was a pariah, although they had—the "Chicago Boy's" economy was there. So they had to solve their own problems, which they did. It was hard, but by the mid-1980's they had the only healthy economy in Latin America, whereas all the economies that we helped were miserable. There has got to be some kind of a message there.

Senator HAGEL. Thank you. Mr. Chairman, thank you.

The CHAIRMAN. Mr. Secretary, it is so good to have you sitting there again, and to see you again, and to meet you, ma'am, and I hope that we can dream up another reason to have you cross the country, because it is always a joy to hear you.

Mr. SHULTZ. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you for putting up with us today and, as you know, the record will be kept open so the Senators may file written questions, and when you have time, if you would respond to those, I would appreciate it.

Mr. SHULTZ. Thank you, Mr. Chairman.

The CHAIRMAN. If there be no further business to come before the committee, we stand in recess.

[Whereupon, at 12:30 p.m., the committee adjourned.]

ADMINISTRATION OF FOREIGN AFFAIRS BUDGET FOR FISCAL YEAR 2001

WEDNESDAY, MARCH 8, 2000

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:33 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Rod Grams (chairman of the subcommittee) presiding.

Present: Senator Grams.

Senator GRAMS. Well, good morning. I would like to bring this hearing to order.

And, Mr. Kennedy, thank you very much for being here this morning, and our other witness, Mr. Nelson, who will provide us all the answers on the second panel. Thank you very much.

I realize that budget and management issues are not as flashy as some of the foreign policy issues that are on the front burner, but they are, as we all know, very extremely important.

The administration's budget request should not only reflect its priorities, but it should also serve as an outline for the transformation, which we all agree needs to take place in our foreign policy bureaucracy in order to be effective in this new century.

The Overseas Presence Advisory Panel report noted that the poor condition of many of our overseas posts, the folding chair Embassy in Kiev, which is so crowded that employees must fold their chairs to get to their desks; the Consular's shack in Moscow to shelter visa applications because they could not be accommodated in the Embassy; and the trailer that staff in Angola have worked in for 8 years; and I think this is unacceptable, as is the outdated and incompatible information technology that our overseas personnel must endure.

Now, we do not have an Internet-based network which connects all agencies and posts. And many employees find the best way to communicate with their colleagues here in Washington, DC is from their home computers.

Now, clearly, the overcrowding and the lack of information technology needs to be addressed. However, it would be a mistake to treat the symptoms without regard to the underlying cause.

There has been a long-standing failure of the State Department to foster a culture of flexibility and innovation and develop a coherent interagency platform that would allow us to respond effectively to changing foreign policy priorities.

Now, the panel points out that more funding, if spent in the same way, will not be adequate. And I want to make sure that it is not what you are proposing today, just more spending in the same way.

We need to reform the methods by which we operate overseas to reflect and accommodate a more complex environment.

Now, as we continue to work together to improve the security of our diplomatic facilities abroad, we must also work together to tighten security at the State Department itself, because, you know, let us face it, if the Russians can rip out a piece of molding in the State Department on the very floor that contains the Secretary of State's office and replace it with a similar one that contained a bug, we do have a problem.

In response to the Secretary of State's remarks and the testimony of Assistant Secretary Carpenter before this subcommittee, I introduced a bill to create an Under Secretary for Security.

In the past, the Bureau of Diplomatic Security has tried to impose stricter security measures, only to be rebuffed by diplomats and policymakers. We cannot safeguard our nation's interests, if we cannot ensure the security of our foreign policy apparatus.

Now, I know that some of my colleagues, including the chairman, are very concerned about creating another fiefdom, and enlarging the bureaucracy. And I share those concerns, and I am committed to ensuring that this does not happen in this case as well.

So with that, I would like to welcome our witnesses. As I mentioned, Mr. Benjamin F. Nelson, who will be on our second panel this morning, he is the Director of the National Security and International Affairs Division at the General Accounting Office.

But our first witness is Patrick Kennedy, who is Assistant Secretary for Administration at the Department of State.

Mr. Kennedy, thank you very much for being here this morning.

STATEMENT OF HON. PATRICK F. KENNEDY, ASSISTANT SECRETARY OF STATE FOR ADMINISTRATION, DEPARTMENT OF STATE

Mr. KENNEDY. Thank you, Mr. Chairman.

Mr. Chairman, I have a written statement that I would like to submit for the record, and with your approval I have a few oral remarks that I would like to make to open.

Senator GRAMS. So ordered.

Mr. KENNEDY. Thank you.

I very much appreciate the opportunity to appear before you today to discuss the Department of State's fiscal 2001 operating budget.

The Department appreciates very much the committee's support and your leadership on some of our most critical management initiatives including the Embassy security and counter-terrorism section of the Department's fiscal year 2000–2001 authorization bill.

Let me first stress that the President's budget request for fiscal year 2001 is essentially for current services, with the exception of security and U.N. peacekeeping.

For State Department program accounts, we are seeking a little over $3.2 billion, primarily for diplomatic and consular Programs. The President's budget request for Embassy security and construc-

tion is a little more than $1 billion for next year and $3.5 billion in advanced appropriations through 2005.

The Department, as you know, maintains over 260 diplomatic and consular posts around the world. These house not only State Department officials but also serve as platforms for some 30 other U.S. Government agencies, from Defense to Commerce, from Agriculture to Justice.

But even as we shoulder new responsibilities and staff new posts in places such as Kosovo and East Timor, the Department's resources have dwindled in real and in absolute terms.

Our considerable infrastructure of over 13,500 properties has aged and decayed as construction and maintenance have not kept pace with growth, as you so well pointed out in Kiev.

This lack of resources has challenged our ability to manage the Department's global responsibilities despite successful efforts to improve efficiency through training, information technology and administrative streamlining.

Last year, Secretary Albright convened the Overseas Presence Advisory Panel, OPAP, to consider the future of our Nations's overseas diplomatic presence and to develop practical recommendations on how best to organize and manage our overseas posts.

OPAP issued a report in November, which described the deplorable condition of some of our embassies and consulates abroad following the erosion of resources through much of the past decade.

As I address major management initiatives, the changes that I think we both agree we ought to be undertaking, I will note their relevance to OPAP's recommendations.

Within days of the bombings in Nairobi and Dar es Salaam, the Department put together a supplemental request using all available data for what we knew would be the first tranche of funding for a long-term effort to upgrade our security posture.

This data has subsequently been refined and the focus expanded after attacks in Beijing and Skopje, to include both mob attacks and bombings at all our overseas facilities, not just Embassy buildings themselves.

With emergency supplemental appropriations provided by the Congress, the Bureau of Administration's Office of Foreign Building has successfully undertaken a number of major steps: Completed three new interim chancellories in Dar es Salaam, Nairobi, and Doha; five more permanent chancellories are under construction in Dar es Salaam, Nairobi, Doha, Kampala and Zagreb; two are in design, Istanbul and Tuni; and sites have been acquired or selected for two more, Sao Paulo and Rio de Janeiro.

We have initiated 1,160 security upgrade projects at 250 posts, of which 323 are already completed.

And we have completed property acquisitions to enhance setback distances at 20 posts, and we are negotiating for 70 other properties at 14 posts.

To enhance the perimeter security program initiated under the supplemental, the Department is seeking a total of $200 million—$66 million in diplomatic and consular programs and $134 million in Embassy security, construction and maintenance.

For capital projects, included in our request is $500 million, including $50 million for USAID, to relocate the next tranche of high-risk.

These funds will be used to provide for design and/or construction of facilities in Cape Town, Damascus, Rio de Janeiro, Sao Paulo, Sofia and Yerevan, as well as funding to meet AID requirements in Kampala and Nairobi. It will also fund the acquisition of five to eight additional sites.

In spite of the progress made this year, over 80 percent of our posts cannot be modified to conform to Inman standards. This is why we are requesting $3.35 billion in advance appropriations over the next 4 years to replace the highest-risk, most vulnerable embassies and consulates. These funds will allow the Department to plan coherently and to continue to relocate these critical posts.

The Department is exploring OPAP recommendations on revising the method of funding and administering the design and construction of our foreign buildings.

I am not convinced of the wisdom of moving responsibility for foreign buildings from the Department to a new government-chartered entity that would be governed by a board composed of agencies with an overseas presence.

Negotiations for land and embassy construction often become sensitive issues in our bilateral relations with the host nation. Because building issues cannot but be tightly linked with foreign policy, this function cannot be separated from the Department.

I think the most effective, straightforward approach is to address the conditions noted in the OPAP report that hamper FBO's effective operations. Therefore, I am encouraged by OPAP's other recommendations that propose widening the funding options available to FBO.

OPAP endorsed universality of representation but also rightly questioned the high costs of deploying American staff overseas and encouraged wider use of alternative arrangements that the Department had already begun to explore, including regionalization of administrative operations and one-person American presence posts.

Though they noted the potential for savings from all agencies, they made no specific post recommendations. Thus following up, an interagency group, working with Chiefs of Mission, will conduct a review of all agencies' staffing at seven pilot posts, beginning in Mexico City this month, and make specific recommendations by June of this year.

We have begun to implement many of their other recommendations on human resources and training called for by both OPAP and the McKinsey report.

Personnel rolls shrank in the Department by 11 percent between 1992 and 1997. And we have only recently stabilized our employment at attrition levels.

Last year's supplemental, thanks to this committee and others, filled many staffing gaps in the security area, and the 2001 budget also has modest increases for security staffing.

We are also now training more employees than at any time in recent memory. And next month, the Department will inaugurate a new Leadership and Management School at the Foreign Service Institute.

To continue these efforts, we are requesting $3 million in 2001 to improve functional, language, leadership, security and management training.

Since the East African bombings, we have been reassessing every aspect of our security posture. To this end, the Secretary announced last week that she is exploring the possibility of creating the position of Under Secretary of State for Security, Counterterrorism and Law Enforcement.

Assistant Secretary David Carpenter is leading a review of the Department's structure for addressing these issues and will recommend a course of action to the Secretary.

Our goal, in keeping with the recommendation of the Crowe Commission and the OPAP report, is to clarify the lines of authority, improve coordination among security functions and assure that a single high-ranking officer can speak for the Department on security-related issues.

We have also moved quickly to address some of our most dire security needs. Highlights of these initiatives funded by your emergency security supplemental include the local guard program, which has strengthened security for embassies and consulates with mandatory vehicle inspections worldwide; additional perimeter guards at 121 posts; and surveillance detection programs at 154 posts; purchasing 871 walk-through metal detectors; shipping 230 bomb detectors; and installing 157 x-ray machines.

Also, 11,130 armored vehicles are in the production pipeline, with 44 armored and 187 lightly armored vehicles already delivered.

And we have filled all of the 337 positions funded by the supplemental, including special agents, security engineers and security technical specialists.

But last year's security appropriation must be followed by sustained funding in the next decade to finish the job we have only begun.

The 2001 request for security upgrades in diplomatic and consular programs is $410 million. And more than three-quarters of this amount is for recurring costs associated with these continuing security initiatives.

The challenge of security extending beyond safeguarding our physical plant and equipment is great. We are also instilling in every employee a sense of responsibility and accountability for safeguarding the security of our premises at home and abroad.

The Department has done the following to improve our security posture domestically: We have implemented a new escort policy that makes individual employees responsible and accountable for escorting guests around the State Department premises.

We have introduced a strict computer password policy. And the Chief Information Officer and the Assistant Secretary for Diplomatic Security are reviewing all computer security procedures to assure that all our employees are fully aware of the escalating numbers and varieties of cyber threats to the Department.

Consistent with a key OPAP recommendation, we are focusing on ensuring that all employees of all U.S. Government agencies working overseas can communicate with each other efficiently, as you have noted is a right goal in your own statement.

We are requesting $17 million to begin this process by creating interagency connectivity at two posts selected from among the seven right-sizing posts.

In the past, other agencies have been reluctant to join us on a common computer platform, and we hope that with OPAP's encouragement this attitude will change.

Building on the Department's successful Y2K rollover, which many said we would not succeed at, we have an ambitious initiative underway at the Department to modernize our entire information technology initiative.

The number of Department employees with Internet access has increased by 165 percent in the last 3 years. In addition, a uniform unclassified computer system was fully deployed at 233 posts.

Mr. Chairman, it is a field in which periodic bursts of funding for updates are not enough. Consequently, our 2001 budget includes a $97 million request for the capital investment fund.

This funding, in coordination with the $63 million that you allowed us to have from expedited passport fees, would go toward upgrades to the Department's global information technology infrastructure, specialized desktop systems tailored to the needs of the diplomat, standardized messaging, which can be used to expand to all agencies, improved Internet access, and training requirements.

We are also very pleased that OPAP has recognized the many innovative steps we have taken to improve the delivery of consular services to our customers, both in the United States and overseas.

Since 1994, the Bureau of Consular Affairs has been allowed to keep its machine-readable visa fees, and these—and with these fees, the Bureau has implemented a comprehensive strategy to improve automated consular services and enhance U.S. border security.

In 1999 alone, Consular Affairs completed the worldwide installation of Y2K compliant machine-readable visa computer systems at all visa-issuing posts; expanded the border crossing card program by issuing more than 1 million biometric, machine-readable cards to Mexican nationals; improved fraud prevention programs; and deployed more secure photo-digitized passports, which will completely replace the old version by the end of 2001 at our domestic facilities.

In addition we now have the capability to make available to INS photographs and completed visa applications through a centralized electronic data base. This would allow border inspection officials to verify visas by seeing the actual documentation that accompanied the issuance. The results of these initiatives are better service.

In last year's governmentwide National Performance Review, the Consular Bureau ranked in the top 20 percent for customer service and program performance and outperformed private sector service benchmarks in most categories.

Goals for this year include launching a new 1–800 number that will improve customer services to Americans seeking passports; reengineering the immigrant visa processing system; and deploying a comprehensive signage package in consular sections worldwide.

Finally, we are seeking congressional approval to make our visa waiver program permanent in its existing form.

Allowing Consular Affairs to retain some of its processing fees has resulted in an organization now recognized throughout the U.S. Government for its excellence in customer service and one that is virtually self-funding.

Consular Affairs shows what the Department can accomplish when we combine our managerial talents with adequate resources.

Finally, I would like to review the Department's most significant accomplishment of the past year, the successful integration of the Arms Control and Disarmament Agency and the United States Information Agency into the State Department.

In a March 1 hearing before the House Subcommittee on Commerce, Justice and State, the Department's inspector general praised the Department's preparations for this massive undertaking—the largest structural change to the U.S. Government's foreign affairs administration in decades.

She characterized it as a good investment that resulted in a smoother transition than would have otherwise been possible.

Although we have already taken the major step of formal consolidation, the process is not yet finished. To achieve complete functional and physical integration, we need to have congressional approval to use prior year balances to pay for such one-time expenses as the harmonization of computer systems and the relocation of personnel.

This is no different than in the private sector, where expenses rise temporarily following a merger. And just as the private sector undertakes mergers to find savings through more efficient organization, so do we expect to achieve efficiencies in future years through a more streamlined foreign affairs structure.

However, our bottom lines do differ. The private sector is ultimately looking for bigger profits, while we are looking for ways to more effectively promote our country's national interests.

That is why the Secretary has consistently said that integration was primarily designed to enhance foreign affairs coordination.

However, the goals of enhanced policy coordination and cost-savings are not irreconcilable. Rather, we see them as mutually reinforcing. Thus, I can assure you that cost-savings is a related goal of integration.

But the savings will be realized through the merger of administrative operations, not through downsizing, because there is no overlap in the programmatic functions of ACDA, USIA and State.

While we can already report efficiencies and savings as a result of the reorganization, and we have factored these into our budget request.

Projected rental savings, for example, from vacating buildings housing USIA personnel in Washington, as well as the USIA warehouse in New York, should total $2 million in fiscal year 2001.

And we are also implementing or planning overseas as posts consolidate facilities in places as diverse as Buenos Aires and Tiblisi, and Palermo and Hanoi.

We will continue to press forward additional economies in the future. However, these examples are noteworthy not only for the cost savings they represent, but also because they demonstrate that we are managing our resources innovatively and skillfully.

This sound stewardship of the public trust applies across the board, as evidenced by the successive unqualified audit opinions we received in fiscal year 1997 and fiscal year 1998; and the one we expect for fiscal year 1999, as soon as the inspector general's office has completed their work.

In conclusion, Mr. Chairman, I have outlined some of the major management initiatives launched by Secretary Albright.

We are grateful for the constructive efforts that the Congress has made to help accelerate positive changes in the Department.

I urge you to support this budget, so that we can build sufficient momentum to consolidate the gains we have jointly made.

And I would welcome any questions that you might have, sir.

[The prepared statement of Mr. Kennedy follows:]

PREPARED STATEMENT OF HON. PATRICK F. KENNEDY

Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Department of State's Fiscal Year 2001 budget request. The past year has been a challenging one with many accomplishments for the Department of State. The Department appreciates the subcommittee's support and your leadership on some of our most critical management initiatives, including the improvement of our security posture and the implementation of the Overseas Presence Advisory Panel (OPAP) recommendations. We have tackled many difficult management issues head on to fulfill Secretary Albright's goal of creating a dynamic and effective Department that supports our nation's diplomats with the resources they need to promote American security, prosperity, and values. Today I wish to update you on the progress we have made and the tasks still ahead of us.

As Secretary Albright said when she testified before you last week, the need for active American engagement and leadership has grown since the end of the Cold War. Diplomacy remains America's first line of defense against threats to the security and prosperity of our nation. The Secretary has described to you the Department's work to protect America's national security through our efforts to halt proliferation of the weapons of mass destruction, facilitate peace efforts in volatile regions, fight terrorism, and promote democratization. And she has already told you of our commitment to build American prosperity by promoting free trade, assisting American businesses abroad, safeguarding intellectual property rights, fostering the rule of law, and aggressively promoting anti-corruption efforts in order to level the playing field for American business.

Let me highlight the fact that, in addition to these strategic initiatives, the men and women of the State Department directly serve our citizens every day—even before Americans leave our shores. The Department maintains almost 260 diplomatic and consular posts around the world. These posts not only house State officials but also serve as platforms for about 30 other government agencies, from Defense to Commerce, from Agriculture to Justice. Our embassies and consulates house dedicated teams of Americans who defend our national interest in bilateral dialogues, multilateral negotiations, and international organizations.

We issue about seven million passports a year to Americans across the country and provide information about security and travel conditions for American citizens traveling overseas. Last year we issued 63 Travel Warnings, 133 Public Announcements, and 354 Consular Information Sheets to the American public. All of these are available at our web site, *travel.state.gov* which received a total of 92 million visits in 1999.

Our embassies also provide emergency assistance to American citizens abroad. Last year over 50 million Americans traveled overseas and over 3 million lived abroad. It is the State Department's responsibility to maximize their safety to the extent we can and to assist them in emergencies. Last year, our consular officers issued passports to a quarter of a million Americans abroad, including 35,000 whose passports were lost or stolen, visited over 5,000 Americans incarcerated abroad, and assisted more than 6,000 American families to cope with the death of a loved one overseas. Consular officers carried out thousands of visits to determine the welfare and whereabouts of U.S. citizens, including children who have been abducted abroad by one of their parents. And our consular officers helped more than 16,000 American families adopt foreign-born children.

If a crisis, whether natural or manmade, threatens the lives of Americans abroad, the Department will step in to coordinate the evacuations of our citizens. In 1999,

a total of 12 missions were put on evacuation status. Six emergency task forces were set up at the Department in which consular officers alone worked over 1,500 hours to assist American citizens in trouble overseas. Of course, those hours are above and beyond the countless hours that consular officers put in overseas to deal with these crises.

The Department's consular officers perform critical border security functions. Our posts serve as gateways to the United States by processing visa applications for foreign citizens. Last year alone, consular officers adjudicated almost 9 million immigrant and non-immigrant visas worldwide. In this and in many other ways, the men and women of the Department of State serve American citizens as America's first line of defense against threats to our Nation.

REORGANIZATION AND RESPONSIBILITIES

One of the Department's major accomplishments of the last year was the successful integration of the Arms Control and Disarmament Agency (ACDA) and the United States Information Agency (USIA) into the State Department. This massive undertaking—the largest structural change to the U.S. Government's foreign affairs administration in decades—has proceeded more smoothly than anyone expected. Putting these critical foreign policy functions under one roof has already enhanced the consistency and integrity of our foreign policy. But although we have already taken the major step of formal integration, the process is not yet complete. There remain outstanding issues to be resolved before the three organizations become truly integrated into the Department. We need to have congressional approval to use prior year balances so that we can achieve functional and physical integration. Workspaces and computer systems of the three organizations must be fully integrated before the merger yields the originally envisioned management efficiencies.

Although integration is still a work in progress, we believe it has already made the State Department a stronger and more effective advocate of American interests abroad. But our workload has continued to increase as America reaps the advantages of remaining engaged in an ever more complex, competitive, and interdependent world. We opened 40 new posts in the 1990s, many of them precisely because of our foreign policy successes. For example, following the dissolution of the USSR, our one Embassy in Moscow was joined by 14 in each of the post-Soviet republics. We are opening new posts in Kosovo and East Timor to keep pace with the dramatic changes in those critical parts of the world. We have had to adjust to the rise of new issues on the international agenda, from genetically modified organisms to global warming to peacekeeping in Kosovo. As we shoulder new responsibilities and staff new posts, the Department needs the resources to manage our considerable infrastructure overseas (we manage over 13,500 properties worldwide). This infrastructure requires sustained efforts to construct and maintain.

The President's budget request for 2001 is essential to our ability to manage the Department's global responsibilities and continue our successful efforts to improve efficiency through training, information technology, and administrative streamlining. As Secretary Albright said, it is embarrassing that a nation that aspires to lead the world has such run-down embassies and a hollow diplomatic corps. State Department employees form an extraordinarily dedicated and talented team that works around the clock to protect America's security and prosperity. We owe it to these men and women to provide them the necessary resources to do their jobs. The Department appreciates the subcommittee's support for our efforts to arrest the resource decline of the 1990s. We hope that we can count on you to continue funding needed reinvestment that provides our personnel with the necessary tools to respond to the challenges of 21st century diplomacy. Quite simply, Mr. Chairman, without giving our diplomats the tools they need and the security they are owed, we cannot do what this nation needs us to do.

Let me now outline our proposed FY 2001 budget. The Department's request supports the Administration's determination to promote America's global leadership, as well as the Administration's firm commitment to protect U.S. Government personnel serving abroad, improve the security posture of our overseas facilities, and correct serious deficiencies in the U.S. Government's overseas infrastructure.

OPAP IMPLEMENTATION

Mr. Chairman, first I would like to highlight the OPAP report both because I know of your great support of it and because it is an example of the new approach we have taken to management of the State Department. Last year, following on Admiral Crowe's valuable Accountability Review Board report, Secretary Albright convened the Overseas Presence Advisory Panel under Chairman Lewis Kaden to consider the future of our nation's overseas diplomatic presence, to appraise its condi-

tion, and to develop practical recommendations on how best to organize and manage our overseas posts. OPAP issued a report in November which described the deplorable condition of some of our embassies and consulates abroad following the erosion of resources through much of the last decade. Let me describe what we have already done to implement the report's recommendations in several areas.

As you know, OPAP urged that the Bureau of Diplomatic Security and the Bureau of Administration's Foreign Buildings Office (FBO) continue to implement the recommendations of the ARB. Assistant Secretary Carpenter is overseeing the ARB implementation process. As part of this process, we are requesting new FY 2001 funding to hire additional security personnel, continue new embassy construction, and develop a robust perimeter security program. I will detail these programs later.

The Panel recognized the high costs of deploying American staff overseas and encourages wider use of alternative arrangements the Department has begun to explore, including regionalization of administrative operations and one-person American Presence Posts. The Secretary of State, together with the other Cabinet Secretaries, has launched an interdepartmental review of overseas staffing to ensure that we have the right mix of people at our posts to achieve America's foreign policy goals. Working with chiefs of mission and country teams, an interagency working group led by Ambassador Peter Burleigh will conduct a review of all agencies' staffing at seven pilot posts and make specific right-sizing proposals by June of this year.

Several additional working groups have also been established to address the many other recommendations of the OPAP report.

On *human resources and training,* we have begun to implement many of the recommendations called for by both OPAP and the McKinsey report, "The War for Talent." We are piloting a 360 degree evaluation system which will allow employees to give meaningful feedback on the performance of their supervisors, not just the other way around. To encourage and promote high performers, we are now allowing officers who were identified as outstanding employees to bid for positions one grade higher than their own. And we are working intensively to improve quality of life by streamlining travel procedures, providing greater employment opportunity for spouses, and creating more choices for overseas education of State employees' children.

On *information technology (IT),* we are focused on ensuring that all employees of all U.S. Government agencies working overseas can communicate and collaborate with each other efficiently. We are working to adopt a flexible approach that will link all overseas staff together with a common IT architecture. The budget you have before you requests $17 million to begin this process by creating interagency connectivity and the application of knowledge management at two posts selected from among the seven right-sizing posts.

In the case of *consular affairs,* we are very pleased that OPAP has recognized the many innovative steps we have taken to improve the delivery of consular services to our customers both in the U.S. and overseas. In this regard, the Bureau of Consular Affairs is in the process of contracting with an internationally-respected consulting firm to undertake a survey of its overseas customers. Our objective in this survey is to see how well we support overseas posts in terms of American Citizen Services. In addition, we continue to expand our efforts to introduce the concept of "best practices" to all of our consular operations. And I can assure you that the Department looks forward to working with this subcommittee as all of us grapple with the issue of whether we should link directly consular workload and resources by allowing the Department to have full consular fee retention authority as proposed by OPAP.

The Department is exploring OPAP recommendations on reinventing the method of funding and administration of our *foreign buildings* design and construction. An interagency group headed by the Director of the Foreign Buildings Office is reviewing all aspects of this issue. In addition, we at the Department are seeking expert outside advice in this area and have contracted with a leading consulting firm to examine various funding options and ways to make FBO a more performance-based organization. After they report to us this spring, we will review their findings to determine how best to respond to the OPAP recommendations.

SECURITY

The East Africa Embassy bombings in 1998 made embassy security the first priority on everyone's agenda. Since then, we have been working hard to reassess every aspect of our security posture and our ability to respond comprehensively to threats to U.S. citizens and diplomats abroad. To this end, as the Secretary told you last week, she is exploring the possibility of creating the position of Under Secretary of

State for Security, Counterterrorism, and Law Enforcement. In preparation, Assistant Secretary Carpenter is leading a review of the Department's structure for addressing these issues and will recommend a course of action to the Secretary. He is doing so in close consultation with Mike Sheehan, our Counterterrorism Coordinator, and other senior officials. The goal of this review, in keeping with the recommendation of the Crowe commission and the OPAP report, is to identify options that would clarify lines of authority, improve coordination among security functions, and assure that a single high-ranking officer can speak for the Department on security-related issues.

Before reviewing the progress we have made on the most dire security needs in the aftermath of the embassy bombings, we would like to express our gratitude for the support your subcommittee and the entire Congress gave us in passing the Emergency Security Appropriation, which allowed us to take first steps to counter the escalating terrorist threat against U.S. personnel and property overseas. The Department has put that much-needed infusion of security funds to excellent use.

Some highlights:

- Through the Local Guard Program we have strengthened security for embassy and consulate perimeters with mandatory vehicle inspections worldwide, additional perimeter guards at 121 posts, and surveillance detection programs at 154 posts.
- New security equipment will ensure no posts have outdated technology. As of January 2000 we had purchased 871 walk-through metal detectors, shipped 230 bomb detectors and installed 157 x-ray machines with more in various stages of procurement. Of the 1,030 armored vehicles in the production pipeline, 44 fully armored and 187 lightly armored have already been delivered.
- All of the 337 security professionals funded by the Emergency Security Appropriation have been hired, including special agents, security engineers, and security technical specialists.

To combat the escalating cyberterrorist threat:

- DS has deployed Regional Computer Security Officers worldwide to monitor the computer security posture of posts overseas and help their resident computer staff access the necessary resources and expertise to solve security problems.
- DS has formed a Computer Intrusion Detection Team comprised of analysts and special agents who respond to computer incidents and devise appropriate response strategies. This Team has already foiled a number of hacking attempts.

But despite these improvements, our battle for security is clearly not over. The threat to U.S. diplomatic personnel and facilities remains lethal and global, with a 100 percent increase in reported threats and incidents last year alone. The arrests in Jordan, Canada, Senegal, Mauritania, and the U.S. during the Christmas/New Year's period underscore that Usama bin Ladin and his network of operatives are still seeking opportunities to strike U.S. targets at home and abroad. Since January 1999, we have uncovered over 500 incidents of reported surveillance or suspicious activity against our overseas facilities and personnel.

Therefore, last year's Security Appropriation must be followed by sustained funding in the next decade to finish a job we have only begun. The FY 2001 request for worldwide security upgrades in Diplomatic and Consular Programs is $410 million. More than three-fourths of this amount is for recurring costs associated with continuing the program of security initiatives I mentioned earlier. This $410 million includes $16 million to hire 162 additional security professionals.

STRENGTHENING THE CULTURE OF SECURITY

But the challenge of security extends beyond safeguarding our physical plant and equipment. We also need to strengthen the "culture of security" at the Department. That is, we need to ensure that we have an organizational environment in which every person is not only aware of the need for security but also accepts individual responsibility for it.

Following the collapse of the Soviet Union and the end of the Cold War, the U.S. reduced defense spending and reduced security budgets because of a diminished threat perception. While the vast majority of the Department's employees have always complied with security regulations, they also saw security writ large as somebody else's responsibility, and thus were willing to leave day-to-day operations largely in the hands of the Department's security professionals. Secretary Albright, who has made improvement of the Department's security posture a primary goal of her tenure, has vigorously undertaken the difficult task of changing people's attitudes. She recognized that this is equally important to implementing physical and technical fixes.

The Department has already done the following to improve our culture of security:

- As the attached chart shows, we have rapidly increased the number of Crisis Management Exercises to build emergency and security situation skills among all Department employees.
- We implemented a new escort policy that makes individual employees responsible—and accountable—for escorting guests around Department premises. Obviously, we all wish this had been done sooner. But we are confident that our tightened escort policy has made Main State more secure and encourages security awareness among all our employees.
- We have introduced a strict computer password policy, ensuring that users create more complex passwords and change them regularly.
- We initiated a Security Training and Awareness Program which in the last year has briefed over 5,000 Department employees on information security.
- Chief Information Officer Fernando Burbano and Assistant Secretary Carpenter are reviewing all computer security procedures to assure that our employees are fully aware of the escalating number and variety of cyber threats to the Department.
- The Bureaus of Diplomatic Security, Consular Affairs, and Personnel have jointly instituted new cooperative procedures to prevent, detect, and investigate cases of consular malfeasance to assure that all our officers remain dedicated to protecting the borders of the United States from incursion by unwanted persons.

BUILDING SECURITY

Of course, after the embassy bombings building security became the foremost priority for both the Congress and the State Department. With Emergency Security Appropriation funding, the Foreign Buildings Office has taken a number of major steps:

- Three new interim embassies (Dar es Salaam, Nairobi, and Doha) have been completed; five are under construction (Dar es Salaam, Nairobi, Doha, Kampala, and Zagreb); two are in design (Istanbul and Tunis) and sites have been acquired or selected for two new buildings (Sao Paulo and Rio de Janeiro).
- As of last week, we have initiated 1,160 security upgrade projects at 250 foreign service posts, of which 323 are already complete.
- In addition to these physical security upgrades, 47 property acquisitions have been completed to enhance setback at 20 posts with negotiations on 70 other properties continuing at 14 posts.

The initial costs of the security upgrades were generated in Washington to respond as quickly as possible to the timing of the security supplemental. As I said, the appropriated funds were put to excellent use to reinvigorate our building program to enhance embassy security, hire new security personnel, purchase sorely needed equipment, and initiate security awareness and training programs.

Mr. Chairman, last year's much-needed supplemental security funding was put to good use. But the fact is that despite the progress made this year, over 80 percent of our posts are *not* compliant and cannot be modified to become compliant with Inman standards. This is not a one- or two-year project. It requires sustained political will and funding. That is why we are requesting $3.35 billion in advance appropriations over the four year period FY 2002 through FY 2005 to replace the highest risk, most vulnerable embassies and consulates. These funds will allow the Department to plan coherently and to continue the process of relocating these critical posts based on an analysis of security posture and threats, the global political situation, and the executability of those projects. In particular, funding requested in FY 2002 will enable the Department to proceed with the construction of those projects for which site acquisition and/or design will be initiated in FY 2000 and FY 2001.

To enhance the perimeter security program initiated under the Emergency Security Appropriation, the Department is seeking a total of $200 million—$66 million in Diplomatic and Consular Programs and $134 million in Embassy Security, Construction, and Maintenance. A portion of these funds will be used to complete upgrades at 22 posts. These improvements will bring the posts up to better security levels as envisioned under the Inman/Crowe recommendations. The remainder of the funds will be used to address substantial technical upgrade requirements identified at an additional 40 posts.

For capital projects, included in our request is $500 million, including $50 million for USAID, to relocate the next tranche of high-risk posts that began with the Emergency Security Appropriation. These funds will provide for the design and/or construction of facilities in Cape Town, Damascus, Rio de Janeiro, Sao Paulo, Sofia,

and Yerevan, as well as funding to meet AID requirements in Kampala and Nairobi. They will also fund the acquisition of 5-8 sites.

Of course, security is not only a matter of fortification. With the stringent physical security standards now in place, our recently designed embassies can look more like fortified bunkers than public buildings. Last November, State co-hosted with GSA a national conference on the subject of balancing security and openness in federal buildings, featuring Senator Moynihan and Supreme Court Justice Breyer as keynote speakers. The consensus opinion was that it is possible to: one, make embassy design reflect the democratic values of our society; two, be more respectful of local culture; and three, improve the buildings' security posture. In cooperation with GSA's Public Buildings Service, FBO has launched an initiative to update our design criteria to better achieve all three by phasing in performance-based design criteria in place of proscriptive security standards. In this regard, we have begun the practice of hiring prominent local architects to work with our project teams to ensure our designs are sensitive to the local culture. Finally, we are in the process of introducing uniform signage in our consular sections that will be simple, functional, approachable, and distinctly American.

INFORMATION TECHNOLOGY

Since Secretary Albright took office, the Department has totally transformed its information technology environment. Critical to that transformation was the creation of the Department's IT Capital Investment Fund and its linkage to the Department's strategic plan. With the leadership of the Chief Information Officer (CIO), the Bureau of Information Resource Management (IRM) has achieved rapid modernization even as it successfully tackled the major challenge presented by Y2K. From an agency that was woefully behind the technology curve. State has become one that is able to produce—and execute—five year advance planning for our information systems. These positive changes have been documented in a recent report from the National Academy of Sciences on "The Role of Science, Technology, and Health in Foreign Policy."

As indicated in the attached charts, in the last two years the Department has eliminated the vast majority of legacy e-mail services and deployed industry standard e-mail to provide commercial grade messaging with improved delivery times and reliability. We have completely replaced the Wang dinosaurs that had long restrained the Department's technological development. Where in 1997 the Department had 254 Wang systems, we now have only 14. The number of Department employees with Internet access has increased 165 percent in the last three years. In addition, a uniform unclassified computer system was fully deployed to every Foreign Service Officer at 233 overseas posts, providing a state-of-the-art computing environment.

The recent cyberattacks on prominent "dot coms" and government sites demonstrate the need to establish rigorous and forward-looking computer security procedures. We at State have been intensely focused on this issue in the last year. The CIO has recently assumed authority over computer security issues and in the course of the last year has implemented the following safeguards to protect our classified and sensitive information:

- Formed incident response teams ready to take action in the event of a cyberattack.
- Created an extensive array of electronic firewalls—a system that proved effective against the bombardment of e-mails and viruses we received after the accidental bombing of the Chinese embassy in Belgrade.
- Implemented a comprehensive anti-virus program to protect the Department from the estimated 200 malevolent viruses that attack our systems every month.
- Introduced a web-based geographic information system that informs our ranks both domestically and abroad about up-to-the-minute cyber-threat information.

More must be done, of course, to protect our systems, and Mr. Burbano will be glad to detail our efforts for you further.

We have also been working hard on the human resources side of IT. In November 1999, Under Secretary Cohen approved retention and recruitment bonuses for IT specialists to assure that we could attract people with the technical skills needed for the next generation of global communications. We have also narrowed a debilitating vacancy rate among IT specialists by almost half, though when you consider the number of employees in training our effective vacancy rate still hovers around 20 percent.

In addition, the State Department was the only U.S. Government agency to rise from an "F" to an "A" on Congressman Stephen Horn's Y2K report card, and was

subsequently hailed as a model for the federal government. Our systems sailed through the rollover, and the Department's worldwide online reporting tool enabled the U.S. Government to keep track of Y2K developments throughout the world in real time.

To summarize the technological turnaround we have achieved, I might quote the president of the American Foreign Service Association, usually a vocal critic of State Department management, who recently wrote to the ClO: *"You are all, with very good reason, proud of the achievements of the last twenty months or so. So much has happened in that time that information technology in the State Department is virtually unrecognizable from a couple of years ago."*

We thank the subcommittee for providing us the necessary funding to begin the long-deferred modernization of State Department computer systems. But a key realization from the Y2K experience was that the Department had to engage in an almost desperate game of technological catch-up. A great many of our systems had already aged into obsolesence by the time we began. Y2K became an effort, which contributed to this. Now, finally, the Department is approaching the technology curve. However, Mr. Chairman, IT is a field in which periodic bursts of funding for updates are not enough. Advances in the field are rapid, and these advances yield significant advantages for our ability to communicate with the world. Twenty years ago, a one-time spike in funding enabled us to buy our then-state-of-the-art Wang systems, but the subsequent long dry spell in funding prevented investment in new technology. That episode demonstrates the necessity of a having a consistent program in place to make sure we stay current.

Consequently, our FY2001 budget includes a $97 million request for the Capital Investment Fund. The FY 2001 request, in combination with $63 million in estimated Expedited Passport Fees, is vital to the Department's strategic effort to upgrade our information technology for the new millennium. This sum includes improvements to the Department's global information technology infrastructure, specialized desktop systems tailored to the needs of the diplomat, standardized messaging, improved Internet access, and workforce and training improvements. Of the request, $17 million will be used to begin a program to provide interagency connectivity among all U.S. government agencies with an overseas presence. This initiative is consistent with OPAP findings on the need for greater communication capability among agencies at post.

CONSULAR AFFAIRS

Consular Affairs (CA) is an area that illustrates very well the impact of up-to-date information technology—and adequate funding—on service delivery. Over 80 percent of the visitors coming to our overseas posts are seeking consular services, so more than any other Department employees consular officers are in daily direct contact with traveling American citizens and foreign nationals.

Since FY 1994, CA has been allowed to retain its Machine Readable Visa (MRV) fees, and the bureau has implemented a comprehensive strategy to improve automated consular services and enhance U.S. border security. In 1999 alone, CA completed the worldwide installment of Y2K compliant MRV-2 computer systems at all visa-issuing posts; expanded the Border Crossing Card program by issuing more than one million biometric and machine-readable cards to Mexican nationals; improved fraud prevention programs; and deployed the more secure new photo-digitized passport, which will completely replace the old passports by the end of FY2001 at our domestic agencies. In addition, we now have the capability to strengthen further U.S. border security by making available to INS photographs and completed visa applications through a centralized electronic database. This would allow border inspection officials to verify visas by seeing the actual documentation that accompanied their issuance.

The result of these innovations is better service, plain and simple. Whereas visa applicants at our embassy in Mexico City used to begin lining up at five o'clock—not five a.m., but 5 in the afternoon *the day before*—now all Mexican customers seeking consular services have appointments. They are usually processed within two hours and a courier service returns their passports. Of course, the lack of long lines and crowded waiting rooms also yields security and construction advantages. We have slashed waiting times and red tape, and reached out to our customers through our award-winning web page and over the phone. The Department is proud to report that, in last year's government-wide National Performance Review, Consular Affairs ranked in the top quintile for customer service and program performance and outperformed private sector service benchmarks in most categories.

Goals for this year include launching a 1-800 number that will improve customer services to Americans seeking passports; reengineering immigrant visa processing;

introducing new namecheck algorithms that will improve the accuracy of data searches made on visa applicants who have Russo-Slavic names; and deploying a comprehensive signage package that will improve wayfinding and security in consular sections worldwide. The Department is seeking legislation to make permanent our enormously successful visa waiver pilot program. We urge the Congress to enact a balanced bill that will continue the benefits of the current program-enhanced trade relations, increased trade and tourism, and more efficient use of government resources.

In sum, giving Consular Affairs the power to retain some of its processing fees has resulted in an organization now recognized throughout the U.S. Government for its excellence in customer service—and one that is virtually self-funding. CA is a model of what the Department of State can accomplish when we can combine our managerial talents with adequate resources.

PERSONNEL AND TRAINING

Still, CA, along with all State bureaus, has suffered from severe personnel shortages. Even as passport and visa applications have soared during the 1990s, our workforce shrank. American State Department personnel rolls shrank by 11 percent between 1992 and 1997 and have only recently stabilized our employment at attrition levels. Last year's supplemental filled many gaps in staffing in the security area, and the FY 2001 budget also has more modest increases in security staffing. However, let me emphasize that the Department has been hiring *below* attrition for 6 of the last 8 years. That kind of hiring pattern has a cumulative impact measurable only five or more years down the road, and we are starting to experience severe staffing gaps in certain ranks and job specialties. We cannot advance U.S. interests abroad without the human resources needed to do it.

But we cannot just be content to hire warm bodies to fill positions. We are aware that in the competitive marketplace for top young talent, the Department must continually improve its training programs if we are to attract and retain top young talent. We have taken appropriate steps by launching new programs to train American and foreign support staff. Last year, 351 Office Management Specialists and almost 10,000 Foreign Service Nationals received job training at the Foreign Service Institute (FSI), at regional training sessions, or through our innovative web-based distance training program. We have intensified our training program for Equal Employment Opportunity Counselors, and completed over 100 Crisis Management Training sessions last year alone to ensure that every Department employee knows what to do in the event of a security-related emergency at post. In fact, we are now training more employees—Civil Service, Foreign Service, and foreign nationals—than at any time in recent memory. And next month, the Department will inaugurate a new Leadership and Management School at FSI. To continue these efforts, we are requesting $3 million in FY 2001 to improve functional, language, leadership, security, and management training.

CONCLUSION

I have outlined for you some of the management initiatives we have launched under Secretary Albright's tenure. Her firm commitment to getting our diplomats the resources they need to serve as America's first line of defense, and her willingness to take innovative approaches to diplomatic readiness, have made the Department a better managed organization and a stronger advocate of our national interests. Critical reforms long deferred in the areas of security, IT, and a comprehensive assessment of our overseas presence are finally underway, thanks in large part to your assistance. We are thankful for the constructive and good-faith efforts Congress has made to work with us to accelerate positive change in the Department. The last budget of this Administration is a relatively modest one designed to build sufficient momentum to consolidate the gains we have made. Because even in this period of relative peace and unprecedented prosperity, America's welfare depends on our diplomats' ability to defend our vital interests, we urge you to support this budget. As the great Will Rogers said, "Even if you are on the right track, you'll get run over if you just sit there."

Senator GRAMS. Thank you very much, Mr. Kennedy, for your statement.

Looking at some of the questions this morning, section 1104 of the Foreign Affairs Reform and Restructuring Act requires a report to be submitted to Congress that describes the total anticipated

and the achieved cost savings related to the reorganization of the foreign affairs agencies.

Now, the report must set out cost savings in the categories of personnel; administrative consolidation, including procurement; program consolidation; and real property and lease consolidation. So what is the status of this report this morning?

Mr. KENNEDY. We are in the process—we are working on that report, and if I could just give you a few examples to demonstrate our commitment in these areas.

Senator GRAMS. Yes.

Mr. KENNEDY. In the area of personnel, the United States Information Agency in its last quarter of existence had 2,091 employees. We cross-walked into the State Department 1,889 positions, so we were already taking those aspects into effect. But that is an example of what we were able to do in the area of streamlining, working through that.

Senator GRAMS. Yes.

Mr. KENNEDY. In the administrative area, I think I cited in my testimony, several examples of combining warehouse facilities at our dispatch agency in New York to get those overhead savings reduced as much as possible.

In program coordination, Mr. Chairman, that is the field where we can probably demonstrate the least quantifiable dollar savings because, as you are aware, the State Department did not do public diplomacy before the merger, and we did not do arms control and non-proliferation negotiations.

So when we brought those functional programs into the State Department, we have achieved better foreign policy goals. We are now integrating everything that we do with the public diplomacy aspect.

And the new arms control non-proliferation verification and compliance cluster is certainly going to be able to promote U.S. national security interest better, but I am not sure that I am going to be able to put a dollar figure in this first year on those programmatic improvements.

Last, in real property, again in my statement, I touched on examples overseas. We are following the merger between State and USIA; and ACDA, really was only represented at two negotiating missions.

Admin officers on their own, with our encouragement, are already moving to public diplomacy offices onto existing compounds in order to release those properties.

So you will get a report, and I believe that report is going to demonstrate to you the commitment that we have to achieve those savings, because the State Department has a requirement for $130 million in additional funding each year just to keep pace with inflation and with no new program increases in our budgets. Since we are asking for no new program increases except for security, when we need to go and expand our public diplomacy efforts in places as diverse as Kosovo and East Timor, the way we achieve that is finding savings and then reallocating and reprogramming those savings to achieve those goals.

Senator GRAMS. Do you have any idea of when the report will be released, Mr. Kennedy?

Mr. KENNEDY. No, sir. But I—let me get back to you very quickly on that.

[The following response was subsequently supplied:]

The Department's Congressional Presentation Document (CPD) for FY 2000 contains an overview of the foreign affairs reorganization plan, but it was not possible to estimate anticipated savings because the CPD was submitted to the Congress several months before the merger occurred on October 1, 1999. Similarly, because the CPD for FY 2001 was released only a few months after the merger took place, the Department was not able to report any actual savings. However, the Department is now beginning to realize the benefits of a more streamlined organization, and our FY 2002 CPD will include information on expected and achieved savings.

Senator GRAMS. OK. The State Department was one of three Departments which failed to meet the March 1 deadline set by law for submitting its fiscal 1999 financial statements for review.

The question is: If you cannot produce a clean audited financial statement by the required deadline, it begs the question as to whether the State Department has the tools at hand to adequately manage the resources in the budget request that you are making.

Why did the State Department not meet that March 1 deadline?

Mr. KENNEDY. Mr. Chairman, that is a very complex question. Let me say that we provided to the inspector general and to the Department of the Treasury all the data that was required in—by the deadline.

The inspector general is now reviewing that material. The numbers will not change. We believe it is a clean audit report, and so from one side of the State Department, the report was submitted, and I will ask the inspector general to notify you when she will be submitting that report.

But I believe—and I had extensive discussions with the chief financial officer, Mr. Edwards, who is here with me today, that the fiscal year 1999 report will result in an unqualified, i.e., clean bill just as our fiscal year 1997 and 1998 reports also resulted in clean. We have the tools. And we did get the data into Treasury on time, sir.

Senator GRAMS. OK. And do you have a timetable, do you think, on when that would be completed, the reviewed by the IG?

Mr. KENNEDY. I believe it will be transmitted to you by April 1, sir.

Senator GRAMS. OK.

There is an article from—this is the Washington Post from Monday, March 6, an article, and the headline was "Twelve Agencies Get 'Clean' Audits; Senator Thompson 'Deeply Disappointed' Only Half Meet Goal."

So I am going to have this article entered into the record as a part of today's hearing.

[The article referred to follows:]

[From the Washington Post, March 6, 2000]

12 AGENCIES GET "CLEAN" AUDITS; SENATOR THOMPSON "DEEPLY DISAPPOINTED" ONLY HALF MEET GOAL

(By Stephen Barr)

Only half of the top 24 federal agencies have won "clean" opinions from the government's inspectors general for their fiscal 1999 financial statements, according to a preliminary assessment by congressional and administration officials.

Although that's the same number that produced clean financial statements the previous year, administration officials said the overall audit results reflected substantial improvements and noted that six agencies received higher rankings than they did a year ago.

The Senate Governmental Affairs Committee, however, took a dimmer view. The committee noted that the administration failed to meet its goal of having 18 agencies produce clean statements for fiscal 1999 and said three, perhaps four, Cabinet departments missed the March 1 deadline for filing the statements.

Committee Chairman Fred D. Thompson (R–Tenn.) said he was "deeply disappointed" that only half of the top agencies produced reliable statements. "If agencies couldn't produce satisfactorily audited financial statements by March 1, they certainly didn't have the information they needed to manage their operations last year," Thompson said.

Although corporations offering stock to investors have been required to produce audited financial statements for decades, the government did not have to face such a discipline until Congress approved the Chief Financial Officers Act of 1990.

The law established the position of CFO in the top 24 agencies and directed them to produce audited financial statements for their commercial, revolving and trust accounts, starting in 1997. Congress hopes the law will bring more financial accountability to agencies and help stem waste, fraud and abuse.

Agencies have adopted accounting principles recognized by private-sector groups and started getting their ledgers in order to better track the handling of about $1.8 trillion in taxpayer dollars that flow annually into government coffers.

Data provided to the Senate committee by agency inspectors general showed that:

- The departments of Education, Justice and Treasury and the Environmental Protection Agency received "qualified" opinions. In these cases, the inspectors general found that segments of the financial statements were not reliable.
- The departments of Agriculture, Defense, and Housing and Urban Development, the Agency for International Development and the Office of Personnel Management received a "disclaimer of opinion." The designation indicates that auditors could not determine the reliability of the information contained in the financial statement.
- The departments of Interior, State and Veterans Affairs missed the March 1 deadline set by law.

Clean opinions, meaning the financial statements are reliable, were won by the departments of Commerce, Energy, Health and Human Services, Labor and Transportation as well as from the Federal Emergency Management Agency, General Services Administration, NASA, National Science Foundation, Nuclear Regulatory Commission, Small Business Administration and Social Security Administration, officials said.

At least six agencies increased their rankings compared to a year ago, officials said. But two, EPA and HUD, which received clean opinions in 1998, slipped backward.

HUD said work on its financial statement was slowed by the consolidation of 81 systems into five, which created a huge workload for the agency and the auditors. A HUD spokesman said the agency's "books are sound and reliable."

EPA said two items, primarily technical, could not be resolved to satisfy its auditors by the deadline. "All appropriated funds are accounted for," an EPA spokesman said.

Both HUD and EPA spokesmen said problem areas would be resolved quickly.

Senator GRAMS. Mr. Kennedy, ICASS, a cost sharing mechanism at U.S. embassies overseas for the various Federal agencies, offers the potential for considerable savings because it does empower each post to be able to select providers, including local providers, that will provide the best service at the lowest costs.

Have there been any savings that have occurred since this program was put in place in 1997? And if so, can you give me any examples of if this is working and how it is working?

Mr. KENNEDY. It is working, Mr. Chairman. What ICASS is is a menu of services that an agency can buy from and through the savings, they can achieve a more cost-efficient means of delivery of service.

I think the best way for me to start would be by pointing out that under the current services budget this year, we have been able to keep the posts going overseas, yet the funding they have received is 1.5 percent less than inflation.

So every post is continuing its delivery of administrative services though we have cut back 1.5 percent our reimbursement to inflation.

So I would say, as a former overseas admin officer myself, that ICASS is an example of how I am able to keep going and deliver those services consistently, even though my funding is going down.

Other examples are that it used to be that we had over 1,800 motor vehicles overseas, for which we had no basic funding source for. They were aged. We had the most ancient motor vehicles overseas. And we were reduced to paying three people in Germany to drive around to military bases and collect 7-year-old surplus Army Blazers and pickup trucks. Now, I am not proud. They ran, so I took them.

Senator GRAMS. Yes.

Mr. KENNEDY. Now, though, through the ICASS process, posts are billing other agencies and are generating the savings to be able to produce the funding to procure modern vehicles, and the operating costs of those vehicles are going down significantly; thus, even more savings to the taxpayers.

We are combining warehousing operations with USAID in many locations. We are doing that in Cairo. And I can go on and on with a litany of examples, where by pulling operations together, we have achieved these savings. And if you would like, Mr. Chairman, the Department can submit for the record a list of specific examples of efficiencies achieved at specific posts.

Senator GRAMS. I would appreciate that. I think it would be good for us to be able to have that on record.

Mr. KENNEDY. Absolutely.

[The following response was subsequently supplied:]

EXAMPLES OF POST ICASS SAVINGS

- Embassy Berlin now leases a fleet of ICASS vehicles rather than owning and maintaining them. Post estimates savings of $475,000 over six years.
- Embassy Vienna is on its way to outsourcing administrative supplies for the tri-missions for an estimated savings of $240,000 per year.
- Embassy New Delhi has established a standardized equipment pool for a savings of $60,000 per year.
- Embassy Antananarivo has consolidated the majority of maintenance and repair operations throughout the Mission. The estimated cost savings to USAID alone in rent and utilities is $70,000.
- Embassy Santiago consolidated and streamlined GSO operations by not replacing two senior Foreign Service National employees when they retired in 1997, for an overall savings of over $100,000.
- Embassy Bangkok used the advent of ICASS to review its administrative staffing operations, eliminating one American position and realizing savings in excess of $140,000.
- At Embassy Paris, invoicing each agency for ICASS costs led to the recognition by serviced agencies of the high cost of long distance telephone service, prompting the Administrative Section to change to an alternative telecommunications service provider with estimated savings of up to $100,000 annually.
- In Lilongwe, Malawi, State and USAID co-located their warehouses and combined their duty driver systems. (Amount of savings not specified.)

Senator GRAMS. And also if it is working, and you apparently believe that it has shown, you know, some positives, should any changes be made? Have you seen any shortcomings in ICASS that could make it even work more efficiently?

Mr. KENNEDY. The only change that I think could be considered would be to make ICASS a mandatory provider of services overseas.

Now, that, however, runs against one of the initial predicates of ICASS, which is that it would be a voluntary approach that all agencies would analyze and determine whether or not they could—do it more cheaply.

Senator GRAMS. Yes.

Mr. KENNEDY. And I think I would stick with the voluntary approach, because I want competition. I believe my colleagues who administer programs overseas, if they have some competition, it will drive them to better efforts.

I think of the two things that we have under consideration at—one, we have done, and one, we are looking at—is to use ICASS as a mechanism to bill agencies and control costs.

For example, the Diplomatic Telecommunications Service, which saves the American taxpayer immense amounts of money by buying bandwidth for all agencies in bulk, and then retailing it to the agencies to allow them to make telephone calls back to the United States at costs that are significantly under the somewhat rapacious local PTT charges on a minute-by-minute basis, uses ICASS as their collection mechanism. So they did not have to set up a separate billing system.

One of the OPAP recommendations that we are looking at now is: How and should we bill other agencies for office space that they occupy overseas?

And the Foreign Buildings Office working group that is working with an outside consultant is consulting regularly with the ICASS service center to find out if the ICASS mechanism can serve as a very easy determining and billing mechanism, because under ICASS we know exactly how many square feet every government agency occupies now, because we are billing them for utilities and cleaning.

And so I think that we need to just continue on down that road, sir.

Senator GRAMS. On information technology, in fiscal year 1998 the capital investment fund increased by 249 percent, and it doubled in fiscal year 1999.

Now, given these enormous increases in funding, why is the State Department still stymied by the incompatible information technology systems that we have talked about?

Mr. KENNEDY. This——

Senator GRAMS. This is not unique to the State Department by the way.

Mr. KENNEDY. No, sir.

Senator GRAMS. I know it is—many other agencies have the same problem.

Mr. KENNEDY. As hard as it may seem to believe of an agency that is behind the curve, I think internally the State Department now has no incompatible systems. I can sit at my desk. I have one

keyboard and one screen. Now, there are two different boxes underneath, one for classified processing, another for unclassified processing.

But I can reach out on the unclassified system to every single post in the Foreign Service and anyone in the Washington area who does—deals in the unclassified arena.

Senator GRAMS. Worldwide?

Mr. KENNEDY. Worldwide, sir.

On the classified arena, I can reach out to about half of our posts. So there is no incompatibility within the State Department itself. We have switched to a modern, open systems architecture, industry standard system.

The incompatibility problem that was addressed by the Overseas Presence Advisory Panel is that each U.S. Government agency has its own perspective.

And in the past, agency posts thought—and from their perspective I can see the rationale—that it was more important for them to talk to their own headquarters in Washington than it was to talk to another agency's representatives within the Embassy.

The State Department over the years has offered other agencies the opportunity to sign on to what we call Open Net, which is our unclassified system, but they have declined, choosing instead to spend their resources to talk to their home office.

That is why we are very pleased with the OPAP recommendation and have included a $17 million figure in this year's budget to put in place at five to seven posts overseas a common platform based upon the State Department's Open Net system, which is Microsoft NT based, which is commonly used everywhere, so that all agencies at that post would be able to talk to one another.

So this is the direction we are moving in, but as to the State Department itself, we are integrated. Everyone can talk to everyone else. If I can add one more point there?

Senator GRAMS. Sure.

Mr. KENNEDY. One of the reasons why the capital investments fund is seeing an increase this year is what is, in effect, pent-up demand for improvements for software systems.

In order to ensure, and we were successful, that we would meet the Y2K deadline, we suspended the upgrade of many administrative financial and management systems and devoted all our resources and all our funding, over $200 million, to ensuring that we would get through the Y2K gate unscathed and could carry out our mission.

And so there is pent-up demand. In my own Bureau of Administration, there are a variety of systems that are now a little bit stale, because I wanted to make sure that they were Y2K compatible.

And so that is another reason why we are seeking the $91 million this year in the capital investment account, because that will permit us to achieve economies of scale and economies in efficiencies of operation, we believe.

But there is this pent-up demand, Mr. Chairman, resulting from our diverting all funding almost to the Y2K problem, which we had to do and we accepted that fact.

Senator GRAMS. Yes. Talking about software, on February 2, State sent a cable to about 170 embassies asking them to remove software from their computers that they had been using to produce a budgeting document known as, The Mission Performance Plan.

For those of us who are concerned about security issues, it is hard to understand how the State Department decided to give sole source contract to citizens of the former Soviet Union to write software for its computer.

Now, how much has been spent on this software, and what changes have been made to the contracting process since this discovery? Is this a problem?

Mr. KENNEDY. First of all, Mr. Chairman, if I might have a second to explain our contracting policy.

Senator GRAMS. Yes.

Mr. KENNEDY. The State Department is a great supporter of the small business effort in the United States. Every year, we work with the Small Business Administration to set goals and priorities in order to ensure that as many contracts as possible are let to small, disadvantaged, women, and minority owned businesses.

We had an active contract with an American firm that we have used for many years, which did both classified and unclassified work. When it was decided that it would be necessary to develop a more mechanized, more automated and more computer-based system in order to meet our Government Performance and Results Act goals, we turned to this American company.

This American company subsequently subcontracted with another American company, based in Virginia whose employees were foreign nationals, as you rightly pointed out.

But the process started with a Small Business Administration approved contract with an American small business. And then we have the subcontract.

My second, I think, important theme here, sir, is this was an entirely unclassified operation. There was no classified data. There was no classified material in any way involved in this activity. We use foreign nationals overseas from time to time to process and develop unclassified operational material.

That being said, however, it is clearly something that we need to look at very closely. We suspended that program, and the Assistant Secretary for Diplomatic Security is looking at this now to see if we need to change our applications of what are called the Department of Defense industrial security procedures to reflect how we deal with contracts or subcontracts that are awarded for strictly unclassified work. And that review by Assistant Secretary Carpenter is now ongoing.

Senator GRAMS. The fiscal year 2001 budget is calling for a new $17 million investment in information technology platform pilot program. What is the recurring cost of this?

Mr. KENNEDY. This is a pilot program. The recurring cost would be on the order, I believe, of about 20 percent. I should expand on that, if I might.

The $17 million is the pilot program recommended by the Overseas Presence Advisory Panel, to hook up all agencies of the U.S. Government together at one post so that they can talk to each other, just as the State Department can talk to itself.

Most information technology has about a 5-year life cycle in terms of both hardware and software replacement. And we use a 20-percent figure, so on a $17 million investment, we would be talking about a $3 million, $3.5 million cost, starting, of course, from a new program in about year three or year four.

The $17 million program gets us to, maybe, some 40 posts. Obviously, we have 260 posts. The Overseas Presence Advisory Panel estimated that to do this governmentwide, including all agency arrangements at every post, would cost about a $200 million figure.

And, again, if you use a 20 percent, 5-year life cycle figure, you would be incurring about a $40 million annual figure starting in about year five or year six in order to upgrade that software, so that we would not fall into the same position the State Department fell into in the early 1990's when it had literally archaic technology.

Senator GRAMS. And you mentioned awhile ago about the Y2K. Has the State Department closed out all of its operations dealing with Y2K?

Mr. KENNEDY. We are closing the books now. And the Y2K office will be effectively out of business except for one or two people by the 31st of this month.

We kept a much reduced staff onboard through the 29th of February because of a peculiarity every fourth century, you get a leap year problem. And we had to make sure that—though we did not expect any—that we did not have any Y2K glitches on February 29.

And except for two small ones that had no impact on operations or national security, we had none. And so we released staff, starting literally the first week in January and we closed it down. And everyone except one or two people will be gone by the 1st of April, sir.

Senator GRAMS. OK. In the other area of personnel, has the State Department begun its development of a long-term plan for personnel resources as required by section 326 of last year's State Department authorization bill?

So has the State Department begun the development of that plan dealing with personnel resources?

Mr. KENNEDY. Yes. The Director General, Ambassador Gnehm, is working with his colleagues. He is using as a base the information that had been unearthed by the Overseas Presence Advisory Panel.

[The following response was subsequently supplied:]

WORKFORCE PLANNING FOR FOREIGN SERVICE PERSONNEL

The Department of State has several human resource planning initiatives either in place or being developed which will enable us to improve our plans to meet our future Foreign Service personnel needs. The following are some of the workforce planning projects underway:

1. Overseas Presence Advisory Panel—This panel "reviewed the value and appropriate size of the nation's overseas presence in the coming years and evaluated how best to locate, protect, staff, equip, and manage overseas posts."
2. Overseas Staffing Model—This model identifies the staffing requirements at overseas posts based on specific categories and criteria. It is reviewed biannually by the Department's Overseas Staffing Board (a senior management group), which makes adjustments as required.
3. Foreign Service Workforce Model—A contractor was hired to develop improved computer based promotion and workforce planning models which will allow for the projection of promotions, attrition, and other relevant workforce planning factors for Foreign Service generalists by cones and specialists by skill group. The target date for completion of these models is March of 2001.

4. Annual Program Planning/Financial Planning/Congressional Budget Presentation—This annual process establishes the Department's strategic goals, priorities, and resource allocations for the next two fiscal years.
5. Annual Foreign Service Hiring Plan—This budget based process determines the number of Foreign Service generalists by cone and specialists by skill group to be hired during the fiscal year based on the Department of State's approved budget.
6. War for Talent Study—This study was done by the McKinsey Group and pointed out areas of improvement needed in the Department so that it can continue to attract, train, promote, and retain top-flight employees.
7. National Foreign Service Training Center has several initiatives to train Foreign Service personnel to meet the language, functional, and technical needs of our overseas posts.

We will analyze information from these projects and develop a long range workforce plan as required by Section 326 of the 1999 Department of State authorization bill to be submitted March 1, 2001.

Mr. KENNEDY. There was a large study done by the McKinsey Group, which is a world renowned U.S. consulting firm that advises on personnel practices and procedures. And they did a report for the State Department.

And coupled with that, will be the results of the OPAP study on the numbers of personnel that are needed overseas, as well as the State Department's overseas staffing model.

Let me get back to you, sir, with the exact date that that report will be available.

[The following response was subsequently supplied:]

The report will be submitted to the Congress by March 31, 2000, as required by law.

Senator GRAMS. I appreciate it. Why does the State Department feel there is a need for an increase, I believe, it is 189 full-time employees in fiscal year 2001?

Mr. KENNEDY. Most of those employees, 182 of them, are all in the security-related field. As we move forward, thanks to your help with the emergency security appropriation, which allowed us to hire—I believe it was 337 people—security agents, security engineers, security technicians, and others. We have deployed those people.

What we have discovered as we have gone further in our analysis of what we need to make the overseas facilities and our domestic facilities safer, is that we need some additional personnel. And it basically boils down into three categories.

We are hiring an additional 80 special agents. Some of those will be backfilling the Washington office or offices elsewhere in the United States, where personnel and positions were moved overseas.

We also discovered that we have basically no surge capacity whatsoever. When a post overseas is under a specific, heightened threat, we have been forced to pull agents from domestic protective activities, or special agents, regional security officers, from other posts to surge to that post; therefore, leaving vulnerabilities elsewhere.

The 80 special agents we are hiring will represent an ability to surge wherever we need it—domestic security, protective security, heightened investigations on border security issues, passport and visa fraud.

The next category is security engineers and security technicians. Operating a security program overseas is very, very expensive, if you have to depend only upon personnel.

We have discovered that hardware, card readers, cameras, time lapse recorders, et cetera, are very valuable and cost-efficient tools, and these systems are deployed in our most sensitive and classified areas.

They are also deployed around our most sensitive and vulnerable parameters. And, therefore, we need qualified American engineers and American technicians in order to make sure that the equipment is installed and maintained.

And then the last component is support personnel to engage in faster contracting, in order to get materials out to posts; logistics personnel to keep the pipeline flowing in a smooth fashion.

And then to get to the 189 number, we add two employees in Foreign Buildings; 15 employees, who are carried in our overall budget, who are not really ours, but are a shift in personnel for the International Boundary and Water Commission. And I, respectfully, would have to defer to the Commissioner of IBWC to answer exactly the uses for which he would deploy those personnel.

And the only program increase that we have, which are 10 people, into the Democracy Human Rights and Labor and in the Office of Science, which are obviously very, very important arenas to deal with human rights, international labor issues, and scientific issues.

Senator GRAMS. I think you mentioned 182 for security. And I have, in my notes, 162. Is that——

Mr. KENNEDY. It is 162. You are correct, sir. It is 162 for security, and then 27 to get to 189.

Senator GRAMS. OK.

Mr. KENNEDY. Yes, sir.

Senator GRAMS. How many of these employees are expected to be members of the Foreign Service?

Mr. KENNEDY. I would say, of the 162, 125 of them would be special agents of the Diplomatic Security Service, and the 40 to 45 security technicians would be Foreign Service, because, in order to make sure that we can respond quickly, we base some of them in Washington and some of them overseas.

And in order to make sure we do not have to keep people overseas for their entire career, which is not good personnel policy, we rotate them back and forth, and to our regional centers, such as we have in Fort Lauderdale, Florida, that services Latin America.

Senator GRAMS. And as with technology, the recurring costs, what are the estimates that are expected recurring costs in the future years for these additional employees?

Mr. KENNEDY. It is $32 million, Mr. Chairman.

Senator GRAMS. Per year?

Mr. KENNEDY. Yes, sir. That is the tail to keep those people on the staff and viable with essentially enough travel money in order for them to perform their duties.

Senator GRAMS. The budget for 2001 provides for $3 million in new funding for personnel training. Will any of these funds be used to provide Foreign Service officers with any kind of specialized training on the effects of torture and also on how to identify and

interview victims of torture, which is required now, by law, under section 7 of the Torture Victims Relief Act, which is P.L. 105–320?

Mr. KENNEDY. I am afraid I do not have the answer on the torture question. I will have to get back to you on that, for the record.

[The following response was subsequently supplied:]

In support of Section 7 of the Torture Victims Relief Act of 1998 (P.L. 105–320), the Department of State acting through the Foreign Service Institute (FSI) has taken a number of steps to ensure that Foreign Service officers receive appropriate training. In the period since the legislation was signed into law on October 1998 the Department has concentrated the bulk of its training efforts on consular and political officers about to depart for assignments overseas.

We added a special torture victims training segment to the Basic Consular course (PC-530) which is mandatory for all officers who serve in consular capacity. This includes almost all junior officers on their first tour overseas. On average between 350-400 students complete PC-350 each year. The basic training these officers receive relates to dealing with and reporting about victims of torture and provides the foundation for subsequent training.

Experienced, mid-level consular supervisors receive additional training on torture victims issues in the Advanced Consular course (PC-532) which is taken by about 35-60 students each year.

Finally, in the consular field, about 100 officers per year who are likely to serve as "duty officers" overseas receive a 6-day Orientation To Overseas Consular Functions (PC-105) course in which they receive basic lecture materials on abuse and torture issues and learn how to bring such developments promptly and properly to the attention of the appropriate officers at their posts.

For officers working in Washington who have a need to understand human rights issues such as dealing with victims of torture we provide a course on global issues (PP-510) twice a year which contains a panel on tough human rights issues. This segment has included a representative from the Washington office of the Center for Victims of Torture. This is an elective or voluntary course and on average we have between 60-70 students per year who receive this training.

FSI also provides a refresher segment of training on dealing with human rights issues in FSI's Political Tradecraft course (PP-202) and Political/Economic Tradecraft (PG-140) which are offered a total of six times a year to Foreign Service officers being assigned to work for the first time in political or economic sections at an embassy or consulate overseas. This training is provided on average to 150 officers per year. Many of these political officers serve as human rights officers at posts and thus are the ones who will work with their consular colleagues on reported cases of torture. The training is provided either by officers from the bureau of Democracy, Human Rights and Labor or by non-governmental representatives they recommend.

Torture related issues are raised in a number of FSI's Area Studies courses, in a range of special round tables, simulations and courses related to international conflicts and ethnic and religious tensions.

In the basic consular course all students receive a handout that focuses specifically on recognizing signs of torture. In addition, lectures, reading and exercises on handling arrests of American citizens include discussion of cases in which the American prisoner claims to have been subjected to torture. Consular officials are instructed on ways of verifying such claims and, subject to the prisoner's consent, raising the issue with local authorities either formally of informally. Consular officials are taught to treat such cases with compassion and sensitivity. Emphasis is placed on the importance of eliciting information from the victim without causing further distress. The instructor also emphasizes that any information a consular officer may develop concerning torture of non-American prisoners should be given to the post's human rights officer for the annual human rights report.

The Advanced Consular course includes a session on dealing with persons who are traumatized, under extreme stress, or mentally ill. Through discussions and role-plays, professional psychologists teach consular officers how to deal with traumatized individuals most effectively, with the goal of obtaining useful information that the consular officer needs in order to assist the person. This course also includes individual sessions on refugee, asylum and torture issues, presented by representatives of the Bureau of Population, Refugees and Migration (PRM), and the Bureau of Democracy, Human Rights and Labor. PRM's session reviews the criteria for refugee or asylum status, and the procedures for processing refugee and asylum claims. PRM speakers also stress the consular officer's role in handling individuals with potential claims to refugee status, and the need to protect the confidentiality

of asylum claims in responding to requests for investigation from INS asylum officers or immigration judges.

DRL presenters specifically discuss the contributions of consular officers to a mission's human rights reporting on the use of torture and on cases of religious persecution. In the follow-on courses provided to political officers, DRL is seeking to provide the same type of skill focus but adjusted to the roles of human rights officers in embassy political sections overseas.

Mr. KENNEDY. I do know that the purpose of the training is essentially two-fold: one, make sure our personnel are well acquainted with the needs for overseas operations. Second, to provide our personnel with any specialized training required for the function that they perform, in order to make their activities overseas as productive as possible.

And, obviously, the training that you are talking about would be part of that expansion that we need to do to make sure that our employees are trained to do everything that is required of them. And I will take this up with Ruth Davis, who is the Director of the Foreign Service Institute when I see her this afternoon.

Senator GRAMS. All right. The State Department has every intent, I would assume, then, of complying with this new law.

Mr. KENNEDY. Mr. Chairman, we comply with the law, sir. Yes, sir.

Senator GRAMS. OK. Very good. I would appreciate the answer, then, when you can give us more details.

Mr. KENNEDY. Yes, sir.

Senator GRAMS. The Overseas Presence Advisory Panel. Now, the Department of State was required to report to Congress on the review of findings of the Overseas Presence Advisory Panel, as you have talked about, 120 days after OPAP submitted its report. Now, by my reckoning, Congress should have the State Department's report by this time.

Given that you have justified a number of your budget requests by stating that they are OPAP recommendations, when are we going to be seeing the State Department's report, itself.

Mr. KENNEDY. Mr. Chairman, I participated in the drafting and the report and clearing of other sections. And I think you will have the report by the end of the month.

Senator GRAMS. Now, I notice that you listed kind of a long list of OPAP recommendations; those that the State Department agreed with, that you supported, but on the other side of the coin, are there any recommendations from OPAP that the State Department has decided not to implement or that you have disagreed with?

Mr. KENNEDY. The State Department is, as we have said, reviewing all the recommendations. The Secretary has indicated that she is very pleased with all the efforts that OPAP put into this. Some of the recommendations that they have made have to be reviewed.

An example of that would be in the foreign buildings area, where there is an OPAP recommendation to spin the Office of Foreign Buildings off out of the State Department, and set it up as a Government corporation.

That is something that we have neither accepted nor rejected. We are studying it very closely. We believe that the management of our overseas facilities and insuring their security is an integral part of the operations of the State Department, just as the United

States Army has its Corps of Engineers to make sure that Army facilities are up to snuff, and just as the Navy has the Navy Facilities Command.

There are a number of us in the Department who believe that the correct way to approach this is to take the hindrances that were very, very well described in the OPAP report, the impediments to FBO functioning more effectively, and change them.

So, we have engaged a major—what used to be called big eight—I guess it is down to big four—consulting firm with extensive overseas and domestic experience. And they are working with me and Patsy Thomasson, who is my Deputy Assistant Secretary for Foreign Buildings, to find out exactly what is the right approach.

So, that is an example of something that we are not saying that we reject their point out of hand, but that we have to work through the exact details of it to find the best solution for the American taxpayer.

Senator GRAMS. Well, unlike Congress, I thought maybe OPAP might have made some recommendations you did not agree with. And I just wanted to make sure of that.

The OPAP report also recommends right-sizing the U.S. Embassy personnel abroad to be more accurately reflecting the needs and the urgencies of the United States in each location.

So, is there a review process underway now at the Department of State and with other Federal agencies to review and adjust the personnel levels at the various overseas posts, where the manpower meets the needs, so they are not all, like, cookie-cutters?

Mr. KENNEDY. Yes, there is, Mr. Chairman. Peter Burleigh, who is the former Deputy U.S. Representative to the United Nations and former Ambassador to Sri Lanka, is heading an interagency group now, which has already had several domestic meetings. They are developing a modality and a format. And Peter will be leading a first team to Mexico City before the end of this month.

We have selected seven posts that will be pilots for this activity. And we are involving every U.S. Government agency that is represented overseas. They have an initial methodology worked out. They are going to, in effect, test that methodology in Mexico City, come back to Washington, and then go out and visit six more posts, and refine that methodology.

And so the goal is to determine, in effect, not a cookie-cutter staffing model, but to try to come up with a kind of methodology that can be applied on a worldwide basis, which will serve as a good benchmark, and test to make sure exactly where we need to deploy; possibly more commercial and trade promotion people; maybe more personnel from the law enforcement community, whether it be the FBI, DEA, or the U.S. Secret Service; maybe more people with specialities in human rights abuse analysis.

And so, that effort is underway. We believe that we will have the methodology fixed and analysis of the seven pilot posts completed in June, sir.

Senator GRAMS. Another OPAP recommendation was for the charging of rent to other Federal agencies at U.S. Embassies to obtain some compensation for costs or maintenance of the infrastructure.

Does the State Department agree with this recommendation by OPAP?

Mr. KENNEDY. We are reviewing that now. I can give you my personal opinion, which is an unqualified yes. I think that if you look at any business in the United States, or you look at how the executive branch operates in the United States, the General Services Administration charges rent.

I happen, out of my own account at the State Department, to pay over $100 million in rent to GSA every year for domestic facilities, whose titles reside with the General Services Administration. And I pay them that fee. And it goes into the public building fund that is used by GSA.

I think that that is an excellent idea, because it accomplishes two things. First of all, it is just like ICASS, which we discussed earlier, and I believe it is a major success. It sets out the actual cost of doing business overseas, and levies that charge upon the agency that is there.

So, if agency *x* occupies 15 percent of a U.S. Government-owned building overseas, it ought to pay some fee for that 15 percent. And that fee could go into a revolving account that could be used to construct new buildings, because, as you know, we do not own enough buildings overseas. And then we are paying rent and rent and rent into perpetuity.

To that end, another one of the OPAP Commission's working groups, headed by Patsy Thomasson, who is the Deputy Assistant Secretary for Foreign Buildings, working with an outside contractor, a major U.S. advisory and consulting firm, is working now with other U.S. Government agencies to go through the modalities of all of this and to decide, should this be done; how it could be done; how could it be done in such a way that the overhead is minimized, possibly using an ICASS-like or ICASS collection mechanism.

So, this is under active review, but I think it would be a way to allocate the actual costs of operations and an effective way just as we have done under ICASS.

Senator GRAMS. Now, if this program were implemented would the State Department budget—or should it be reduced in any way because of the collection of rents?

Mr. KENNEDY. At the moment, I do not see how we could reduce the State Department's budget, because there is nothing in its base now. We have very, very limited funding for the construction of new buildings.

And so, since this money would go into a construction account, it might be part of the downstream funding source for the construction of new buildings; i.e., replacing funds that we would ask you for, for the construction of new buildings. But since we have nothing in our base for construction of new buildings, this would be truly incremental.

Senator GRAMS. On the security budget, worldwide security upgrades funding. The funding exists within the diplomatic and security program account, as well as in the security and maintenance of overseas buildings account.

Could you explain to me the difference between the two worldwide security upgrade sub-accounts?

Mr. KENNEDY. Yes, sir.

Senator GRAMS. And why are separate accounts necessary?

I mean, is this just kind of like our budget; too confusing and could be streamlined?

Mr. KENNEDY. I think that the Security and Maintenance of Buildings account is, in effect, for the bricks and mortar and the steel and the glass.

And the other account is the non-fixed assets; the salaries of security officers, the salaries of security engineers, equipment that is installed at posts, such as cameras, walkthrough metal detectors, x-ray equipment, bomb detection equipment, lightly and fully armored vehicles.

So, it is hard goods versus soft goods. That is probably the wrong choice of words. It is physical plant versus technical and operational material.

And so, we placed the bricks and mortar in the FBO account, and in the DS part of the Diplomatic and Consular Programs accounts are programs account, salaries, and equipment that enhance security, once you have the bricks and mortar in place.

And I think that that is a good way to do it, because FBO builds buildings. And diplomatic security, you know, makes them secure with equipment and people.

Senator GRAMS. So, your opinion would be to keep them separate, as they are now.

Mr. KENNEDY. Yes, sir.

Senator GRAMS. OK.

Mr. KENNEDY. Because we are able to get additional synergies by having FBO run an entire account. FBO, also, in everything it does as part of its routine operations, takes security into consideration.

So, when they are doing an upgrade at a chancery that is, say, 50 years old and is in need of an upgrade because its building systems are worn out or the windows are worn out, it works the security account at the same time.

So, having the bricks and mortar in one place, in one account, leads, I believe, to efficiencies in economies at scale. So, rather than having two cadres of structural engineers and electrical engineers, why not have one, and have them work all brick and mortar together?

Senator GRAMS. And as you mentioned earlier in your testimony, too, the Secretary of State has indicated that she is considering the creation of the new post Under Secretary for Security, Counterterrorism and Law Enforcement.

Now, as I have noted, I have introduced a bill to create such a position, as well, but I wanted to make sure that it will not add to the State Department's bureaucracy, as we have mentioned.

Is the possibility of adding an Under Secretary for Security being considered as part of a large effort to review the senior management positions at the Department of State?

Mr. KENNEDY. That review, such as you are talking about, is sort of constantly ongoing, but let me first say that the Secretary and the entire Department very much appreciate your support and interest in this.

There is no doubt that we welcome your support, as well as others, for an Under Secretary for Security, Counterterrorism and Law Enforcement.

The State Department's senior management, Mr. Chairman, functions like a corporate board of directors in a major business. And what we have done is divided that responsibility up across a number of portfolios, given the wide range of activities the State Department is engaged in. And in this post-cold war world, as the Secretary and others form their initial thoughts on this, consideration was given to a possibility of dropping one current Under Secretary and substituting this one.

But if I might, let me just run down that list: The Under Secretary of State for Political Affairs. I think that we could all agree that there are too many issues out there, across too wide a range of activities, to vest the security function in Under Secretary for Political Affairs, and eliminate that function.

The Under Secretary of State for Economic and Business and Agricultural Affairs. I think also, without a doubt, that the U.S. national security depends as much now on economic security and trade promotion and trade negotiations and export promotion, as it does on anything else. So, that one can arguably be set aside.

Global Affairs. If you look at the issues that we face now in the environment, human rights, refugees, the promotion of freedom, the promotion of democracy, the issues that you touched on earlier about combating torture, scientific efforts, controlling the global pollution; arguably that one ought to be set aside, as well.

The Under Secretary for Management. I think the issues we are talking about today demonstrate that it would be very difficult, given the State Department's global reach and its coordination of management issues with some 30 other U.S. Government agencies who occupy our platform overseas, to eliminate that one.

Next there is the relatively new Under Secretary for Arms Control and International Security Affairs that was created following the merger of Arms Control and Disarmament Agency and the State Department, in which this committee plays such a major role. It is very hard to imagine how you could eliminate that committee with the panoply of non-proliferation, weapons of mass destruction, other issues.

And finally, the Under Secretary for Public Diplomacy, which was created by statute and added to the State Department with the absorption of the United States Information Agency.

So, when you run down the list of the current six Under Secretaries, it is very difficult to figure out which one, one would eliminate, given this wide range of activities. And I think the conclusion of those who looked at it was, there is no issue that we could step away from.

And therefore, we were required to step up to the fact that if security is as important as we believe it is, consideration of an additional Under Secretary is something we have to look at very seriously.

Senator GRAMS. So, what I am hearing is that it will not add to the bureaucracy, and you will drop one to comply with the bill.

Mr. KENNEDY. We would like to have a further discussion with you about that, Mr. Chairman.

Senator GRAMS. OK.

Mr. KENNEDY. We believe that the addition of a small office of an Under Secretary for Security Assistance, Law Enforcement, et cetera, would not increase the bureaucracy, because we would not be drawing—we would not be coming to you or your colleagues in Appropriations and asking for additional positions. We would be realigning positions in the State Department, just as we do now, to address new and emerging issues.

And therefore, there would be no increase in the bureaucracy. It would be a realignment, a restructuring, and we would like to argue, a more efficient way of doing business. So, there would be a new Under Secretary, but the bureaucracy would not be increased. It would, in effect, be streamlined.

Senator GRAMS. Well, we will enjoy those talks, or at least the review of it in the plans submitted.

Mr. KENNEDY. Yes, sir.

Senator GRAMS. I appreciate it. Mr. Kennedy, I have no other questions. And this is always a dangerous thing to say, but is there anything else you want to add?

I get in a lot of trouble when I am asked that. And sometimes I say too much, but——

Mr. KENNEDY. Sir, you have given me a lot of time to lay out our concerns. I would just close by saying thank you very much for your consideration.

You, personally, this subcommittee and the full committee, have been great supporters of the State Department through some very, very trying and troubled times. We look forward to your continued support. I and my colleagues are always at your and your staff's disposal.

The only thing I could say is that this is a current services budget. There are no or only minuscule program increases outside of the security field. And we seek and ask your support.

Thank you very much, sir.

Senator GRAMS. Thank you very much, Mr. Kennedy. And I appreciate your time and your candor in the answers. So, thank you very much.

[Additional questions for the record follow:]

RESPONSES OF HON. PATRICK F. KENNEDY TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JOSEPH R. BIDEN, JR.

DECLINING REFUGEE ADMISSIONS

Question 1. With the great number of refugees in Africa and other troubled parts of the world who must be resettled in another country if their lives are to be protected and their human needs met, why is the Administration, after having finally raised the number of refugee admissions to the U.S. in fiscal year 1999, again requesting a budget that will continue the downward trend in refugee admissions at a time of unprecedented prosperity for our country? How did the Administration arrive at the admissions numbers of 76,000-80,000 that the budget request will accommodate?

Answer. As we have noted over the past several years, overall refugee admissions levels have declined from the levels of the early 1990s because the numbers of eligible refugees from our historically large in-country programs from the Former Soviet Union and Vietnam continue to decline. In FY 1993, those programs made up 72 percent of refugee admissions to the United States. In FY 2000, they will constitute about 26 percent.

At the same time, we have worked diligently over the past several years to redirect the U.S. refugee admissions program toward "rescuing" those individuals around the world most in need of resettlement because of their current circumstances, regardless of their location or historic ties to the U.S. Recent examples of this effort are: the Humanitarian Evacuation Program for Kosovar Albanians; the program for Afghan women-at-risk in Pakistan and other South Asian countries; and the recently established Priority Two designations for a group of Sudanese youth in Kakuma Camp in Kenya (commonly referred to as the "Lost Boys"). In addition, over the past two years, we have more than doubled the admissions ceiling for African refugees and expanded access to the program to many more ethnic groups and nationalities.

The refugee admissions level contained in the FY 2001 budget request was arrived at based on our analysis of the protection and humanitarian assistance needs of refugees around the worldwide. This is a preliminary figure. We are still formulating the President's FY 2001 Refugee Admissions proposal which we plan to transmit to the Congress in May in preparation for the annual refugee admissions Consultations with the Congress.

FAMILY REUNIFICATION

Question 2. Why is the State Department eliminating the family reunification priorities? Do you have anything to put in their place that will achieve the effect of bringing in close family members who are refugees to join their U.S.-resident anchors?

Answer. The State Department is not eliminating the family reunification component of the U.S. refugee admissions program for close family members of permanent residents of the United States. There are two major family reunion elements in the U.S. programs, Visas 93 and Priority Three (P3). Visas 93 is a statutory authority which provides for following-to-join status for the spouse and minor unmarried children of persons admitted to the U.S. as refugees. P3 is an administrative mechanism for specific nationalities, which are identified in the annual Report to Congress.

While at one time family reunification for a broad range of family relationships was the mainstay of the U.S. refugee admissions program, over the past several years we have restructured the admissions program to focus on the protection needs of persons currently experiencing persecution and for whom resettlement appears to be the most appropriate option. At the same time we have continued to provide access to resettlement processing for close family members, that is spouses, unmarried children, and parents (P3 cases) of U.S. legal residents. We are currently reviewing options for strengthening and streamlining the P3 process.

As we have worked over the past six years to focus the program on individuals and groups that have compelling resettlement needs, we limited broad access to the admissions program for more distant family members (such as, siblings, grandparents, grandchildren, aunts and uncles, and cousins). These actions were taken to ensure that compelling resettlement needs received priority. Regrettably, access to resettlement consideration through these extended family reunion mechanisms sometimes generates abuse of the process and numerous fraudulent claims. Processing such claims disadvantaged legitimate refugees and was an inappropriate use of the program's personnel and financial resources. If any of the extended family members has a legitimate claim to refugee status, they are eligible for resettlement as a separate case.

EMERGENCY REFUGEE CASES

Question 3. We understand that UNHCR would like greater resettlement-country participation in the effort to resettle emergency refugee cases, including from the U.S. How will the State Department respond to this worthwhile appeal?

Answer. We have recently received the proposal from the United Nations High Commissioner for Refugees (UNHCR) and we are discussing the issue with them. As the largest refugee resettlement country, the United States has historically accepted for resettlement some fifty percent of all cases identified by the UNHCR as needing resettlement.

Concerning expedited processing of certain cases, we have always had the ability to quickly process emergency refugee cases. These cases usually involve security issues and therefore we do not publicize these resettlement procedures. Additionally, on numerous occasions we have responded positively to requests from UNHCR for processing of large groups of particularly compelling cases. For example, we are currently processing for U.S. resettlement some 1,500 individuals from the Democratic Republic of the Congo that the UNHCR had identified as at-risk refugees. Working

with UNHCR we coordinated the movement of these individuals to secure locations in Benin and Cameroon and are expediting the consideration of their refugee cases. The majority of the group brought to Benin have already arrived in the U.S.

OVERSEAS PROCESSING AGENCIES: THE PUBLIC/PRIVATE PARTNERSHIP

Question 4. The practice of using American NGO's to assist processing overseas appears to have worked to the U.S. Refugee Program's benefit over many years. Why is the State Department moving away from this very effective public-private partnership?

Answer. Depending on the circumstances, we utilize a variety of processing arrangements around the world. American NGO's currently provides overseas processing assistance for sixty-six percent of the U.S. refugee admissions caseload. Included in this figure is most of the processing of refugee cases in Africa, the Near East and South Asia, and the former Yugoslavia.

In some locations, American NGOs would not be allowed to work. This is the case in Cuba and was true in the Former Soviet Union when that program was established ten years ago. In certain other locations, security concerns or the limited size of the caseload indicate that other arrangements, including direct processing by Embassy staff, are most appropriate. In other locations, the International Organization for Migration, because of its established presence in and recognition by a country, is the most appropriate organization to process certain caseloads because it also provides all medical clearances and arranges transportation for approved refugee applicants. This is, for example, the case in Belgrade.

The Department believes that the ability to utilize a variety of processing arrangements provides for more efficient processing and ultimately benefits the refugee populations we seek to assist through this increasingly diverse and flexible program.

Senator GRAMS. I would like to call, now, our next witness: Panel No. 2, Mr. Benjamin F. Nelson, who is the Director of International Relations and Trade Issues, National Security and International Affairs Division of the General Accounting Office.

Mr. Nelson.

STATEMENT OF BENJAMIN F. NELSON, DIRECTOR, INTERNATIONAL RELATIONS AND TRADE ISSUES, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, DC

Mr. NELSON. Good morning, Mr. Chairman. We have——

Senator GRAMS. Welcome back to the committee, Mr. Nelson. It is nice seeing you again.

Mr. NELSON. Thanks. With your permission, I have two of the members of my staff sitting here, so that they can help me answer any questions you might have about some particular aspects of the State Department's operations. Ms. Diana Glod and Mr. Lynn Moore.

Senator GRAMS. All right. We will have to dig for tougher questions, then, if you have got all of this help.

But if you have an opening statement, I would like to hear it or enter it into the record. But good morning.

Mr. NELSON. Yes, sir. I have a short opening statement that I will go into, and submit my entire statement for the record.

Senator GRAMS. Without objection.

Mr. NELSON. OK. Mr. Chairman, I am pleased to be here today to participate in the subcommittee's deliberations on the Department of State's fiscal year 2001 budget.

The Department is the principal agency for advancing and protecting U.S. overseas interests. It maintains a network of over 250 overseas locations to support its mission and that of about 35 other agencies that have overseas operations.

A substantial amount of State's $3 billion annual budget for the administration of foreign affairs is spent to support these operations. These business-type operations range from providing security for over 50,000 State and other agencies personnel, to locating suitable housing for American employees and their dependents.

In recent years, we have done a significant amount of work examining the ways the State Department carries out its management and business-related operations—including our report being released today on State's progress in implementing immediate security upgrades in the wake of the bombings of U.S. Embassies in Africa. A list of other relevant reports is attached to the end of my statement.

I will focus on the management challenges that State faces in four key areas.

Mr. Chairman, I would like to add that addressing these challenges is not easy, given the environment in which the Department operates and the wide range of concerns that must be taken into account.

These four challenges are: One, improving the security of U.S. personnel and facilities overseas in a cost-effective and timely manner.

The second challenge, determining the right size and location of the U.S. presence in order to improve efficiency of operations.

The third challenge is continuing to upgrade information and financial management systems to further improve communications and accountability.

And last, improving performance planning—to better achieve mission objectives.

It is worthy to note that the Department has recognized these challenges, devoted substantial resources toward addressing them, and has achieved results in many areas.

For example, in the aftermath of the bombings of U.S. Embassies in Africa in 1998, State, using about $1.5 billion in emergency supplemental funds, has started to upgrade security at all of its overseas posts and has begun a major program to build new facilities that fully meet higher security standards.

Following up on the recommendations of the Crowe report, State also convened an Overseas Presence Advisory Panel, which issued a report to the Secretary this past November. The panel noted that the U.S. presence has not been adjusted to the new economic, political and technological landscape.

The panel further concluded that a 10-percent reduction in the size of the overseas posts could generate government savings of about $380 million annually.

State has established an interdepartmental right-sizing committee to respond to the panel's recommendations.

Furthermore, consistent with our recommendations, State has made improvements in its information and financial management systems. State was successfully able to meet Y2K challenges and received unqualified opinions on its financial statements for fiscal years 1997 and 1998.

Further, State's performance plans continue to show improvements in establishing results-oriented goals and quantifiable performance measures.

However, despite this progress, State has a number of remaining challenges in each of these areas.

In our report issued today, we conclude that State has made progress in implementing certain emergency security enhancements, but current cost estimates to complete major upgrades that are included in the package could exceed the Department's initial estimates by about $800 million, and projects will not be completed as quickly as the Department had hoped, due primarily to changing security requirements.

I would like to point out, Mr. Chairman, that these are requirements that have been evolving as the Department prepared to upgrade its facilities. These additional costs are not necessarily the result of mismanagement by the Department, but the result of further refining the requirements.

Let me move to the overseas presence issue. Although State has convened an interdepartmental right-sizing committee, it has not yet indicated what actions it may take to address the specific recommendations in the Overseas Presence Advisory Panel report.

I would like to note that the panel's findings are consistent with our observations from our recent work at the State Department. We have recommended that State re-examine the way overseas administrative functions, such as relocating employees, are carried out.

From our work, we have concluded that State could increase the efficiency of its operations by regionalizing certain functions and making greater use of technology and out-sourcing. Actions in these areas could potentially reduce the U.S. overseas presence.

State also faces continuing challenges in working with other U.S. agencies operating overseas to standardize information technology and to correct longstanding weaknesses in financial management systems. Investing in compatible technologies could reduce costs and improve the productivity and effectiveness of the overseas staff.

Regarding financial management, the Department's accomplishments here have been noteworthy. The unqualified opinions in 1997 and 1998 represented major accomplishments; however, the Department's Office of Inspector General reported, in September 1999, that State's financial systems did not comply with certain requirements, including some provisions of the Federal Financial Management Improvement Act of 1996.

In our view, State needs to continue to make improvements in its financial management system, so as to provide managers with information they need to operate in a more businesslike fashion; that is, make more cost-based decisions.

Moreover, while State has made some improvements in its Government Performance and Results Act plans, its fiscal year 2000 annual performance plan did not provide a complete picture of the agency's intended performance for some of its strategic goals.

It contained only a limited discussion of the strategies and resources the agency needs to achieve its goals. Also, the plan did not describe how the Department was going to validate the data it would use to measure its own performance.

Mr. Chairman, that concludes my opening statement. I would be happy to take any questions you might have.

[The prepared statement of Mr. Nelson follows:]

PREPARED STATEMENT OF BENJAMIN F. NELSON

PROGRESS AND CHALLENGES IN ADDRESSING MANAGEMENT ISSUES

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to participate in the Subcommittee's deliberations on the Department of State's fiscal year 2001 budget. The Department is the principal agency for advancing and protecting U.S. interests overseas. The Department maintains a worldwide network of operations at over 250 overseas locations to support its mission and that of about 35 other U.S. agencies that operate overseas. A substantial amount of State's $3 billion annual budget for the administration of foreign affairs is spent supporting these operations. These business-type operations range from providing security for over 50,000 State and other U.S. agencies personnel to locating suitable housing for American employees and their dependents.

In recent years, we have done a significant amount of work examining the way State carries out its management and business-related operations—including our report being issued today on State's progress on immediate security upgrades in the wake of the bombings of the U.S. embassies in Africa.[1] A list of our other relevant reports is attached to the end of my statement. My testimony will focus on the management challenges that State faces in improving its operations in four key areas.

SUMMARY

The State Department faces several wide-ranging and complex challenges in managing its vast overseas operations. These challenges include:

- improving the security of U.S. personnel and facilities overseas in a cost-effective and timely manner,
- determining the right size and location of the U.S. overseas presence to improve the efficiency of operations,
- upgrading information and financial management systems to further improve communications and accountability, and
- improving performance planning to better achieve mission objectives.

State has recognized these challenges and has devoted substantial resources toward addressing them. For example, in the aftermath of the bombings of two U.S. embassies in Africa in 1998, State, using about $1.5 billion in emergency supplemental funds, has started to upgrade security at all of its overseas posts and has begun a major program to build new facilities that fully meet higher security standards. Following up on a recommendation of the Crowe reports, State also convened an Overseas Presence Advisory Panel, which issued a report in November 1999 to the Secretary of State, calling for substantial changes in the size, composition, and management of the U.S. overseas presence. It concluded that the U.S. presence has not adequately adjusted to the new economic, political, and technological landscape. Further, the panel concluded that a 10 percent reduction in the size of the overseas posts could generate government savings of $380 million annually. State has established an interdepartmental "right-sizing" committee to respond to the panel's recommendations. Furthermore, consistent with our recommendations, State has made many improvements to its information and financial management systems. It was able to successfully meet Y2K challenges and received unqualified opinions on its financial management statements for fiscal years 1997 and 1998. Further, State's performance plans continue to show improvements in establishing results-oriented goals and quantifiable performance measures.

State has made progress in addressing the four areas, but challenges remain.

- In our report issued today, we conclude that State has made progress in implementing certain emergency security upgrades, but current cost estimates to complete major upgrades could exceed the Department's initial estimates by about $800 million, and will not be completed as quickly as it had hoped, due to increasing security requirements.
- Although State has convened an interdepartmental right-sizing committee, it has not yet indicated what actions it may take to address the specific recommendations in the Overseas Presence Advisory Panel's report. The panel's findings are consistent with our observations from our work in recent years. We

[1] *State Department: Overseas Emergency Security Program Progressing, but Costs Are Increasing* (GAO/NSIAD-OO-83, Mar. 8, 2000). This report can be accessed at: http://www.gpo.gov under the heading: General Accounting Office, GAO Reports, and entering report number NSIAD-00-83.

have recommended that State reexamine the way overseas administrative functions, such as relocating employees are carried out. From our work, we have concluded that State could increase the efficiency of its operations by regionalizing certain functions and making use of technology and outsourcing. Actions in these areas could potentially reduce the U.S. overseas presence.

- State also faces continuing challenges in working with U.S. agencies operating overseas to standardize information technology capabilities and in correcting its longstanding weaknesses in financial management systems. Investing in compatible technologies could reduce costs, and improve the productivity and effectiveness of overseas staff. Regarding financial management, the Department's Office of Inspector General reported in September 1999 that State's financial systems did not comply with certain requirements, including some provisions of the Federal Financial Management Improvement Act of 1996. In our view, State needs to continue to make improvements in its financial management systems to provide managers with the information they need to operate in a more business-like fashion and make better cost-based decisions.
- Moreover, while State has made some progress in implementing requirements under the Government's Performance and Results Act, its fiscal year 2000 annual performance plan did not provide a complete picture of the agency's intended performance relating to some of its strategic goals. It contained only a limited discussion of the strategies and resources the agency needs to achieve its goals. Also, the plan did not describe how the Department was going to validate the data it would use to measure its performance.

ENHANCING OVERSEAS SECURITY

In light of the known threats of terrorism against the American people and property overseas by groups opposed to U.S. interests, enhancing the security of embassies and consulates might well be the most significant challenge facing the Department of State. The August 1998 bombings of the U.S. embassies in Nairobi, Kenya, and in Dar es Salaam, Tanzania, highlighted the security management challenge for the Department of State. Immediately after the bombings in Africa, State deployed teams to Kenya and Tanzania to assess the damage firsthand and estimate costs for replacements and temporary facilities. It also sent teams to over 30 other high-risk countries to assess the threats and possible options to reduce them. Those teams, in coordination with State's overseas security officers, chiefs of missions, and other officials, helped State further define its security enhancement requirements and estimate the costs for upgrading existing facilities worldwide. State requested and received about $1.5 billion in emergency supplemental appropriations from the Congress to improve security quickly at all posts and to begin relocating its most vulnerable embassies and consulates.

Using funds from the supplemental, State has reestablished embassy operations in interim office buildings in Nairobi, Kenya, and in Dar es Salaam, Tanzania, and has signed a contract for construction of new embassy compounds. These two embassy compounds are scheduled for completion in 2003 at a cost of about $119 million. Projects to relocate several other embassies and consulates are also under way including those in Kampala, Uganda; Zagreb, Croatia; and Doha, Qatar. In addition, State has made progress in implementing many of its planned security upgrades, including enhancing vehicle inspection and security guard programs, hiring additional special agents and other security staff, and instituting a new surveillance detection program designed to identify hostile surveillance activities and potential attackers.

According to State's data, major construction upgrades to improve the security of existing facilities at 119 posts are likely to cost significantly more than was originally estimated and are behind schedule. State estimates that the upgrades and electronic equipment installations, originally funded at $181 million, and take longer to complete than projected. State notes that these upgrades could potentially cost about $800 million more to complete than originally envisioned due to an increase in requirements and other factors. State says that to address these additional requirements, it plans to request additional funds in its fiscal year 2001 and future budgets; realign funds from other projects; stretch the program over several years; and/or, where possible, use less costly methods to achieve project objectives. Further, the current cost estimates for the construction of embassies initiated as part of the emergency supplemental in Kampala, Zagreb, and Doha are about $122 million, or about $45 million higher than original estimates, due to increases in staffing and upgrades in security requirements. As of December 31, 1999, State had obligated $972 million and expended $445 million of the $1.5-billion emergency supplemental appropriations.

In its fiscal year 2001 budget, the Department of State requested an advance appropriation of $3.35 billion over 4 years (fiscal years 2002 through 2005) to replace its highest risk and most vulnerable embassies and consulates. State did not identify which embassies and consulates will be replaced or what the estimated project costs are for completion. Because of State's past problems in implementing capital construction programs, we have been asked to evaluate whether the Department's planning adequately identifies which projects are highest priority for replacement, their estimated costs, and when construction can be completed. We have just begun this effort.

OVERSEAS PRESENCE

Another key issue that the Department faces in its everyday operations is the sheer number of U.S. employees overseas—which affects security requirements, operating costs, and efficiency. In recent years, we have repeatedly raised concerns about the need to reexamine the U.S. overseas presence in light of the changing political landscape and advances in technology. In 1996, we reported that State was reluctant to seriously reexamine its overseas presence and the scope of its activities or to substantially change its business practices. We encouraged State to expand its use of regional centers for certain administrative services and explore greater use of Foreign Service National personnel to reduce staffing costs. In our 1998 report on overseas housing programs, we noted that some administrative functions could be performed by the private sector or through other means that would reduce posts' staffing needs. The security burden is directly affected by the size of the overseas work force.

We are pleased to note that the Department has moved forward in examining its overseas presence. Following the bombings in Africa, State appointed a panel to review overseas operations of the U.S. government. The panel made a number of recommendations in November 1999 about how to best organize and manage overseas posts. The panel concluded that the U.S. overseas presence has not adequately adjusted to the new economic, political, and technological landscape. Many of these points are consistent with our observations from prior work on budget, staffing, and related management issues. The panel recommended that the President establish an interagency committee to determine the right size and composition of overseas posts. The panel concluded that reducing the size of overseas posts overall by 10 percent would generate government savings of $380 million annually.

The panel also recommended that State reform its administrative services. Our prior work identified several actions State could take to streamline those services and reduce costs, including outsourcing of key housing functions and one-stop shopping for relocation services. State has attempted to reengineer its logistics system, focusing on direct ordering from the supplier and other actions that eliminated unnecessary costs and procedures in providing needed goods and services. It has also implemented the International Cooperative Administrative Support Services system to provide greater transparency to the costs of operations. However, it has not broadly embraced the concept of cost-based decision-making for many of its operations, such as overseas housing and relocation. Changes in the way State carries out its administrative functions could reduce the number of overseas staff.

IMPROVING INFORMATION AND FINANCIAL MANAGEMENT SYSTEMS

Recognizing that it relied on inadequate information and financial management systems and infrastructures that were generally inadequate to support State's core foreign policy and administrative functions, in 1997, State developed a 5-year information technology plan to lay out its overall modernization effort. Our 1998 report on information resource management questioned State's methodology for making its 1997 estimate that it would cost $2.7 billion over 5 years to modernize its global information technology infrastructure. Consistent with our recommendations, State has improved its information technology planning and investment process and is revising its modernization cost estimates. Moreover, State reports that it has fully achieved some of its modernization goals. For example, overseas posts now have modern computer platforms, the obsolete Wang computer network has been fully replaced, and its e-mail systems have been consolidated and upgraded.

Despite these efforts, the Overseas Presence Advisory Panel reported that U.S. embassies are still equipped with incompatible information technology systems incapable of even the simplest electronic communications between agencies. It added that most employees overseas cannot e-mail colleagues in other agencies even in the same building. The panel recommended that the Department develop and implement a strategy for standardizing information and communications networks at all posts while providing all agencies with the connectivity they require. The panel sug-

gested that a single, unclassified global communications network to serve all U.S. agencies with an overseas presence could be built at an estimated cost of $200 million. The Department's recently completed modernization program overseas, according to State officials, could provide a common platform at posts for e-mail and other functions if it is accepted by all agencies at each post. State has included $17 million in its fiscal year 2001 budget request to develop and deploy interagency information platforms at about 45 posts overseas.

Regarding financial management, the Department of State has received an unqualified audit opinion on its Department-wide financial statements for fiscal years 1997 and 1998. However, its audit report for fiscal year 1998 issued on September 30, 1999, disclosed that State's financial management systems were still out of compliance with certain federal accounting requirements. Principal weaknesses in State's financial and accounting systems included balances that could not be reconciled, and balances requiring substantial manual effort to correct. In addition, State did not meet the OMB's March 1, 2000 requirement to submit fiscal year 1999 audited financial statements. State officials indicated that they anticipate obtaining an unqualified audit opinion on its fiscal year 1999 statements. State has drafted a remediation plan in compliance with the Federal Financial Management Improvement Act. This plan addresses the actions the agency believes are necessary to address its internal control weaknesses.

STRENGTHENING STRATEGIC AND PERFORMANCE PLANNING

As required by the Government Performance and Results Act, State has prepared strategic and performance plans in recent years. The Act provides a framework for addressing management challenges and providing greater accountability of State's programs and operations. In its first strategic plan for foreign affairs, State formulated foreign policy goals that cover a wide spectrum of U.S. national interests. Our review of State's performance plan for fiscal year 2000 found that improvements had been made over the prior year's plans, including the addition of results-oriented goals, quantifiable measures, and baselines for many of its performance goals. However, the plan still had limited usefulness and provided an incomplete picture of the agency's intended performance for some of its key strategic goals. For example, State did not provide a full range of objectives, strategies, external factors, and performance indicators for many of its goals.

Also, its plan did not elaborate on the many cross-cutting issues. For example, State says it works closely with the U.S. Trade Representative and the Department of Commerce on specific U.S. government export promotion efforts without explaining what each agency will do. We will soon review State's performance plan for 2001 and its first performance report for fiscal year 1999.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions you may have.

RELATED GAO PRODUCTS

Overseas Security and Presence

State Department: Overseas Emergency Security Program Progressing, but Costs Are Increasing (GAO/NSIAD-00-83, Mar. 8, 2000).

Information Management

Department of State IRM: Modernization Program at Risk Absent Full Implementation of Key Best Practices (GAO/NSIAD-98-242, Sept. 29, 1998).

Year 2000 Computing Crisis: State Department Needs to Make Fundamental Improvements to Its Year 2000 Program (GAO/AIMD-98-162, Aug. 28, 1998).

Computer Security: Pervasive, Serious Weaknesses Jeopardize State Department Operations (GAO/AIMD-98-145, May 18, 1998).

Foreign Affairs Organization and Management

State Department: Major Management Challenges and Program Risks (T-NSIAD/AIMD-99-99, Mar. 4, 1999).

Performance and Accountability Series: Major Management Challenges and Program Risks, Department of State (GAO/OCG-99-12, Jan. 1999).

Foreign Affairs Management: Major Challenges Facing the Department of State (GAO/T-NSIAD-98-25 1, Sept. 17, 1998).

International Affairs: Activities of Domestic Agencies (GAO/T-NSIAD-98-174, June 4, 1998).

International Affairs Budget: Framework for Assessing Relevance, Priority, and Efficiency (GAO/T-NSIAD-98-18, Oct. 30, 1997).

Relocation and Housing

State Department: Options for Reducing Overseas Housing and Furniture Costs (GAO/NSIAD-98-128, July 31, 1998).

State Department: Using Best Practices to Relocate Employees Could Reduce Costs and Improve Service (GAO/NSIAD-98-19, Oct. 17, 1997).

Strategic and Performance Planning

Observations on Department of State's Fiscal Year 2000 Performance Plan (NSIAD99-183R, July 20, 1999).

The Results Act: Observations on the Department of State's Fiscal Year 1999 Annual Performance Plan (GAO/NSIAD-98-210R, June 17, 1998).

Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

Senator GRAMS. Thank you very much, Mr. Nelson. I appreciate it.

A couple of quick questions. You noted in your statement that the estimated cost to complete State's emergency security upgrades have grown substantially.

Could you elaborate on the reasons for this and the potential implications?

Mr. NELSON. Yes. Yes, I can.

As I stated earlier, I think the primary reason for the increase in the cost estimates is that the Department is better refining the requirements. As you know, the initial estimates were done in a rather hurried fashion, after the bombings.

And the Department did not have a data base or information on each of its posts that—that kind of cataloged the requirements.

So, the Department had to rush out, get some information, and now through a more systematic process, the requirements are being refined. And what is happening is that the estimates—the new estimates are substantially higher than those that were initially done by the Department through a rather quick method.

Senator GRAMS. Are they in line, though, with the needs—I mean, the estimates, in your opinion? Are the requests justified? Do they meet the goals? Are they overstating the goals?

Mr. NELSON. Do you mean the Department's budget request?

Senator GRAMS. Yes.

Mr. NELSON. I do not have a view on that, because we have not—we have not gone through a process of trying to rationalize the Department's budget. What we have done was focus on being able to report to Congress how much progress they are making in the security area, with the funds that were given to them under the supplemental.

We have work underway to try to look at State's capacity to manage a much larger or longer term embassy construction program.

What we do know is that at most of the embassies the Department has done a very good job of putting in place cameras, x-ray machines, putting film on windows to reduce the potential for shatter, improved training, and hired more guards. And so, in those areas, the Department has done a very noteworthy job.

Senator GRAMS. Maybe I could say from our side, too, has the funding been adequate? Our funding of the project, is it adequate, or are too many dollars appropriated in too short a period of time, or can they absorb those dollars to do the job they need to do?

Mr. NELSON. I think, for the long-term construction program, the items you mentioned should be of concern, as to whether the De-

partment has the capacity to handle a large scale, long-term new construction program.

As you know, the Department had some difficulties a while back. And I think the Department probably does not want to engage in too much discussion about the Inman program, but I think there are lessons to be learned from that program.

And when you look at the projects now, where there is new construction, three of those projects are currently experiencing some cost increases. So, I think there is reason to be concerned if we are moving to a long-term program.

But with respect to the items in the supplemental, I do not think the Department is going to be able to pay for that package of activities that it wanted to complete within the $1.5 billion appropriation.

Senator GRAMS. GAO's report makes it clear that State's estimated cost for construction of new embassies have increased significantly; the cost for these new facilities.

What are the potential implications of such cost increases for the State's plans to initiate a multi-billion dollar construction program?

Mr. NELSON. Well, as I said, the implications are tremendous, in terms of cost. The Crowe report made reference to about a $10 billion program. If we look at—first of all, let me point out that these are estimates and the size of the estimates have increased as the Department has gotten better information. And I would not call them cost overruns in the traditional sense that we talk about cost overruns.

My point is that our work suggested that the cost of completing these upgrades is likely to be substantially higher than was initially estimated.

If the pattern holds true in the longer term construction program, those costs are likely to be very significant, and that is why GAO feels that the Department needs to lay out, in a fairly comprehensive way, its long-term construction program and obtain the buy-in and support of the Congress. And that program should include realistic numbers regarding what this effort is going to cost.

If the increases in the long-term program are anything close to what we see in the short-term program, the costs are going to be staggering.

Senator GRAMS. Do you have an estimate of over/under, or what is the under-estimated cost, or what has been the increased estimates in the costs? Is it 20 percent?

Mr. NELSON. Well, it has varied from project to project. I believe that for some of the projects in the supplemental, that the increases were in excess of 200 or 300 percent.

Well, I have it here. In three areas of the supplemental, including relocating high-risk missions, there was a 24 percent increase. Installing security-related equipment, those costs have gone up—I should not say costs have gone up—the estimates have increased by 337 percent.

And security construction for major upgrades, such as bollards and rails and acquiring adjacent property, those estimates have gone up by about 500 percent, as to what it would cost to achieve the objectives that were laid out for the first money to $1.5 billion.

Senator GRAMS. Why the huge increases? Just trying to put it together too quick, or underestimating the need, or—those are awfully large——

Mr. NELSON. You answered the question. They really did not have a good handle on how much it would cost, as well as some of the complexities involved. Acquiring land or getting approval from government to do certain things, add to the difficult challenge that they face.

Senator GRAMS. GAO reviewed the Inman security construction program in the early 1990's. What are the lessons we should have learned from that program, which should be considered in the State's ongoing security enhancement efforts right now?

Not to make the same mistakes, I guess, but——

Mr. NELSON. Mr. Chairman, in that program, there were a lot of management issues regarding having the capacity, the right people. The decisionmaking process was pretty cumbersome. There was continuing disagreement among the different departments about the site, the location.

There were a number of issues. And the contracting methods did not provide—give the contractor incentives to operate in an efficient manner. Those were some of the things that happened.

But I think the essential lesson for us is to have—if we are going to embark on a major round of new construction, that we need to have a plan that clearly lays out a strategy; that has good cost estimates; and one that can be endorsed and supported by the Congress, so that we do not have a lull in a program, the way we had between the Inman program and the bombings in Africa.

It is our fear that absent a clearly laid-out strategy—and I know that the Department is concerned about putting something on paper that will reduce their flexibility.

And I understand the challenges that they face in trying to improve security. But I think that a plan that lays out a strategy, has good numbers and good time tables, will increase the amount of congressional support and keep the pressure on for accountability. And I think that is a critical issue for the subcommittee, is having the bases to hold the Department accountable for achieving some results.

There is a potential to spend lots of money and not achieve the results that the Congress expects to see.

Senator GRAMS. Thank you very much, Mr. Nelson.

All right. As you mentioned in your statement, also, GAO has identified a number of options for State to reduce its overseas presence and be able to save some money.

Now, could you—would you want to elaborate a little bit on some of those options that you have talked about?

Mr. NELSON. Yes, sir. One of the things that—I think it is correct to characterize the Department as being reluctant to re-examine the way it does business. The Department has—until recently, has not been willing to do so.

So, we took it upon ourselves to try to examine some of the functions that State carries out. We call those the business-type things. But we would not approach or attempt to second-guess State on the foreign policy matters and how they go about, you know, doing their business, because I do not think we have the expertise there.

But we sought to look at some of their business functions. And we examined things like: How does State relocate people overseas? How do they find suitable housing for them? How do they buy furniture?

So, these are business functions. And we thought that that would be good information out there as to how the business community approaches these functions. And what we found was that State has not taken advantage of technology; that some of its functions, at least as far as we could determine, seem to be more expensive than is necessary.

And there was a limited involvement by the private sector, even in places where there is sufficient private sector capacity—like, for example, in Europe—to provide some of these services, particularly, like house-finding; that there are firms out there who can perform some of those functions.

Of course, the net result would be that if you could contract out more of these functions to the private sector, you would have fewer administrative support people operating overseas. And I can imagine that this analogy could be extended to certain financial operations, as well as some of the communications activities.

Our work has shown that there are quite a few people overseas engaging in, sort of, the manual transfer of different pieces of paper, that if the Department was able to move forward on its technology program, it may not be necessary to have that many people overseas to support communications functions.

Senator GRAMS. Would this fall under the ICASS-type opportunities, to take advantage of some of the local contracting, outside contracting? The flexibility built into that, would that—is that what you are saying; they are kind of reluctant to adopt all of those opportunities?

Mr. NELSON. Well, even within—within the State system, what—rather than relying on one or another Government agency, what our work seems to suggest is that a large part of deciding how the function will be carried out should include some assessment of the capacity of the private sector; not necessarily another Government agency.

Senator GRAMS. Are you convinced State will address these and any other related recommendations that have been raised by OPAP for right-sizing of the overseas missions?

Mr. NELSON. Mr. Chairman, I can say that we are very pleased with the actions that the Department has taken to date. I think the new leadership team at the Department—first of all, I would like to give them credit for following up on the Crowe recommendations; for commissioning the overseas panel.

And I think this—these are good first steps for a serious analytic examination of our overseas presence; one that—based on asking a series of critical questions about the functions, activities, and who needs to be overseas to carry them out.

But I think the committee will have to be vigilant in its dealing with the Department to make sure that there are some tangible, concrete actions taken in response to the report. We applaud the Department for taking a serious and analytic look at the recommendations. And there should be some concrete actions taken in response.

And I think the—as I said, the committee should be vigilant in asking the Department to—about those specific actions.

Senator GRAMS. In your opinion, what are the State Department's most serious management problems? Outside the realm of security issues, of course, but have you been able to pinpoint any or recommend closer examination of any areas?

Mr. NELSON. I have had difficulty identifying the most pressing. I think the Department has done a good job of improving its management of overseas property. I think it has done a good job of disposing of unneeded, excess real estate. They have also made tremendous improvements in their financial management capability.

Three or 4 years ago, the Department's capacity in that area was not very good. And I think they have done a good job of improving their financial management capacity.

I still believe that the Department needs to focus on those business-type functions that I talked about earlier. And that is, the processes used to relocate people, provide them housing, and various other support functions that are done overseas.

Senator GRAMS. Does it have the internal capabilities to do this, or would you recommend or should it use some outside expertise, as well, in order to try and achieve some of these?

Mr. NELSON. I think the Department would be wise to obtain some outside assistance in trying to rationalize current functions and current presence.

What GAO did—we could only go so far in our analysis, but we used a lot of what is available in the private sector to try to decide whether a function could be better done inside or out, or even how a certain function was approached by the private sector.

And since we are in an era of globalization, there are numerous multi-national firms now that are operating overseas who have to face some similar challenges. They have to protect their employees, too. And we think that there are lessons to be learned from some of the private sector firms.

Senator GRAMS. What are some of the challenges, Mr. Nelson, that you feel State is facing to reorganize some of our foreign policy apparatuses with USIA and ACDA? What problems are they facing in trying to do that, being folded into State?

Mr. NELSON. Mr. Chairman, we have not examined, very closely, this—the Department's progress in that regard. We have expressed concerns about the possibility of duplicating certain functions, but we have not conducted a very close examination of the Department's progress.

I do know, from reading the Secretary's various statements, that it is a challenge to integrate all of those other actors into State without diminishing their—their intended role within the U.S. foreign affairs apparatus.

And I also understand that cost savings will not be a primary—or is not a primary concern at this point in time.

Senator GRAMS. It was for us, but——

Mr. NELSON. By the Department.

Senator GRAMS. And finally, just one last question: Do you think that State has responded favorably to GAO's recommendations for change based on best practices?

Mr. NELSON. Well, from a GAO standpoint, we would have preferred a more open or more receptive—more receptivity to our recommendations. The Department, we understand, operates in a very complex environment. And the Department is basically reluctant to go to a zero-based approach to looking at their operations.

I am encouraged, though, by the response to the Overseas Presence Advisory Panel.

Senator GRAMS. OK. Well, Mr. Nelson, I will ask you the same final question I did Mr. Kennedy. Is there anything else you would like to add, in addition?

Mr. NELSON. I would just like to conclude that the Department faces a number of very serious and difficult challenges. As has been pointed out, some of our overseas facilities are not in very good shape and may not be of a status that would be commensurate with the U.S.'s importance in the world. And I think that this is something that has to be addressed.

At the same time, I believe that if any funding is provided to the Department, that the Congress should take steps to make sure that concrete action and concrete results are achieved, where we have some embassies that do not meet up to standards, but also where we have some activities that may be more expensive than is really necessary.

Senator GRAMS. Well, Mr. Nelson, thank you very much for your time this morning, and your testimony. I really appreciate it.

And just for the record, I would like to leave the record open for about 3 days, in case any of the members of the subcommittee would like to—or the full committee would like to address any questions to you or to Mr. Kennedy for any clarification of your testimony or answers or any other things they might decide to ask you about.

And I also would like to submit for the record a letter from Chairman Helms to the Chairman of the Budget Committee, Senator Domenici, on concerns about the President's budget request for the 150 account.

[The letter referred to follows:]

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, March 4, 1999.

The Honorable PETE V. DOMENICI,
Chairman,
Committee on the Budget,
U.S. Senate,
Washington, DC.

DEAR MR. CHAIRMAN: The President's fiscal year 2000 budget is the first since enactment last October of the Foreign Affairs Reform and Restructuring Act, which requires the consolidation of the functions of the Arms Control and Disarmament Agency (ACDA) and the U.S. Information Agency (USIA) into the State Department. (Consolidation will be completed prior to the start of fiscal year 2000. I believe this will strengthen the Secretary of State's ability to conduct foreign policy.)

As a result the State Department has presented a fiscal year 2000 budget that includes an additional 1,943 personnel from these two agencies, who will now report to the Secretary of State. In addition, the State Department has more direct oversight over the Agency for International Development.

State Department Administration of Foreign Affairs Budget

I am convinced that the State Department is not adequately looking for opportunities to streamline and reduce duplication and overlap in the consolidation process.

In testimony before the Committee last week, the Secretary of State indicated that the State Department would achieve savings in the future, but she could not point to any specific savings. As agencies are eliminated, and functions moved, it seems incredible that certain duplication cannot be eliminated. For example, administrative personnel of the previous two agencies surely could be down-sized. Also, as USIA personnel are integrated into regional bureaus, all duplication in regional analysts certainly should be eliminated.

The General Accounting Office (GAO) has long been critical of a lack of long-term planning by the State Department. Specifically, GAO has found that the State Department continues to resist setting funding priorities. Reorganization presents a real opportunity for reductions to occur in staffing levels while maintaining a vigorous presence overseas. Budget discipline, when and if implemented, will force at least some of these needed changes.

Also, the GAO and other independent foundations have found that the present cable writing and review process may be too cumbersome, given the widespread use of electronic mail and the possibilities of the Defense Messaging System for transmitting classified communications. In addition, the report found that the need for face-to-face diplomatic meetings might be reduced by using other communication methods, such as video-conferencing. Again, budget discipline could go a long way to achieving a streamlined communication system and provide an opportunity for some reduction in personnel.

The President's budget also requests an advance appropriation of $3 billion for a five-year embassy construction program to begin in fiscal year 2001. I am concerned that the State Department has not adequately determined that the security of U.S. personnel abroad must be a priority. Instead of including a rational five-year plan, commencing in fiscal year 2000, the President's plan would defer most of the embassy upgrades until the out years of the plan. As a result it could be a decade before secure embassies are open for business.

The proposed plan, which provides minimal funding in the first three years, also would prohibit securing efficiencies in embassy construction. Given the failure to commit adequate funding in the next three years under the plan, it will be impossible for the State Department to secure one contract to both design and build an embassy or one contract to build multiple embassies in a region.

I am opposed to an advance appropriation for embassy security. However, I hope the Senate budget resolution will include a multi-year commitment to securing U.S. facilities overseas. The Committee intends to mark-up a five year authorization bill for the construction of secure embassies. Funding would be provided in a new authorization that could not be tapped for other State Department activities, and would require the Secretary to certify compliance with optimal security standards. Although it is impossible for the United States to provide totally risk-free embassies, the Congress should approve reasonable funding for minimizing the risk for U.S. personnel overseas.

Foreign Assistance

The President's fiscal year 2000 budget requests $119,000,000 more for foreign aid programs than the 1999 levels. With a serious agriculture crisis at home, as well as numerous other domestic priorities, it is difficult to reconcile the Administration's desire for more foreign aid. American taxpayers expect Congress to cut foreign aid unless it directly promotes U.S. national interests.

The Committee has just received the Agency for International Development's fiscal year 2000 Congressional Presentation documents, and we are still in the process of reviewing them. Nevertheless, I can offer several comments that I hope your Committee will consider:

Development Assistance Fund

The Administration's request for another increase for "sustainable development assistance" programs is not justified. According to President Clinton's 1993 task force on foreign aid reform: "Despite decades of foreign assistance, most of Africa and parts of Latin America, Asia and the Middle East are economically worse off today than they were 20 years ago." Under the stewardship of the Clinton Administration, the situation has further deteriorated. In fact, A.I.D. cannot explain how its programs are performing and whether they are achieving their intended goals. A September 30, 1998 A.I.D. Inspector General report titled "Audit of the Status of USAID's Implementation of the Government Performance and Results Act of 1993" revealed that, "USAID will not be able to meet the reporting requirements of the Results Act since it relies on infrequent, untimely data that is targeted at measuring results for the development community as a whole."

Expanding on the same theme, an October 5, 1998 A.I.D. Inspector General report entitled "Audit Quality of Results Reported in the Global Bureau's Center for Human Capacity Development Results Review and Resource Request (R4) Report Prepared in 1997" disclosed that the "Global Bureau's Center for Human Capacity Development did not report results which were objectively verifiable, supported, and/or accurate." There are scores of Inspector General reports on country programs and various functional bureaus which contain virtually the same findings. Simply put, A.I.D. cannot demonstrate that its development assistance programs even work, and yet it requests a funding increase of $119,000,000.

Included in its request for development assistance, the Administration asks for $482,000,000 for population control and HIV/AIDS activities, as well as $25,000,000 for the U.N. Fund for Population Activities (UNFPA). The Clinton Administration has begotten the largest population control account in U.S. history and is the world's largest provider of international population control assistance. Despite this fact, the United Nations and many recipients of these funds harshly criticized the U.S. Congress at a U.N. conference in The Hague in February for suspending funds to UNFPA for fiscal year 1999.

Mr. Chairman, you are fully aware of the horror stories about Chinese women being forced to abort their babies and undergo forced sterilization procedures, and UNFPA's longstanding involvement with China's population control program is precisely the reason Congress suspended its support. I sincerely hope Congress will stand on principle and deny UNFPA funds for fiscal year 2000. (In addition to funding projects from the population control and HIV/AIDS accounts, these misguided projects are funded also from other accounts, including Child Survival and Health, Infectious Diseases, Development Fund for Africa, Economic Support Funds, Support for Eastern Europe and Democracy (SEED) and Freedom Support Act (assistance to the New Independent States). A.I.D. should stop misusing these accounts.)

AID Operating Expenses

Congress should scale back significantly the Administration's $508,000,000 request for AID's Operating Expenses, which is $15,000,000 more than Congress appropriated for fiscal year 1999. As a "laboratory" for the Vice President's "reinvent government" initiative, AID should be a model of efficiency, but this is not the case.

A January 1999 General Accounting Office report called "Major Management Challenges and Program Risks" documented problems at A.I.D. that many of us have suspected for years:

> The lack of an integrated financial management system and the existence of material control weaknesses hinder the agency's ability to produce auditable financial statements. As in the pervious year, USAID's Office of Inspector General (OIG) was unable to express an opinion on the agency's financial statements for fiscal year 1997. The process of preparing financial statements and subjecting them to independent audit is the first step in generating complete, reliable, and timely financial information for decision makers at all levels. Without financial integration and strong controls, USAID's systems do not comply with federal accounting and management requirements.

Mr. Chairman, I remind you that this devastating analysis of A.I.D.'s financial mismanagement comes after the Administrator of A.I.D. spent nearly $100,000,000 on a computerized financial management system that, according to GAO, "does not work as intended and has created problems in mission operations and morale."

Inter-American Foundation and African Development Foundation

I strongly urge that funding for the Inter-American Foundation—which has spent more than $1 billion since its creation—and the African Development Foundation be eliminated. In 1998, the Foreign Relations Committee forced the Inter-American Foundation to end several grants to groups in Ecuador clearly identified by the State Department to be terrorist organizations which had actually kidnaped Americans and threatened their lives, as well as the lives and safety of other U.S. citizens while extorting money from them. Abolishing these two foundations outright, which I have consistently advocated, would save the taxpayers at least $35 million annually.

United Nations

As you well know, the Congress approved and the President vetoed a bill by Senator Biden and me to reform the United Nations in exchange for the payment of arrears to the United Nations. The Committee will consider the U.N. reform bill again this Congress. The payment plan calls for $244 million in FY2000 funds, and an additional $107 million in debt forgiveness. In addition, the President's budget

includes more than $1.6 billion for assessed and voluntary contributions to international organizations. This does not include other AID transfers to these organizations for specific programs and activities. International organizations represent more than one quarter of the State Department's operational budget. The U.N. Reform bill would reduce the U.S. assessment and begin a reduction in these expenditures.

Pete, I look forward to your guidance regarding budget resources within the total 150 foreign affairs account, and am particularly interested in finding resources within the account for embassy security.

Sincerely,

JESSE HELMS.

Senator GRAMS. So, with that, again, I want to thank you very much. I appreciate it. This hearing is concluded.

Mr. NELSON. Thank you.

[Whereupon, at 12:08 p.m., the hearing was adjourned.]

BUSINESS MEETING TO MARK UP THE TECHNICAL ASSISTANCE, TRADE PROMOTION AND ANTI-CORRUPTION ACT FOR FISCAL YEAR 2001

THURSDAY, MARCH 23, 2000

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 2:43 p.m., in room SD–419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Lugar, Hagel, Smith, Frist, Brownback, Ashcroft, Chafee, Biden, Sarbanes, Dodd, Kerry, Feingold, and Boxer.

The CHAIRMAN. The committee will come to order, and the chair is certainly delighted that we have a quorum. Sometimes we have to wait, and I apologize for being a few minutes late. In recognition of that, I ask unanimous consent that my statement, which is written for history, be made part of the record. Without objection, it is so ordered.

[The opening statement of Senator Helms follows:]

OPENING STATEMENT OF SENATOR JESSE HELMS

This past November 29, the President signed into law the State Department authorization bill, which, among other things, resulted in an historic reform of the U.N. in exchange for partial payment of what some call "U.S. arrears."

Today the Foreign Relations Committee will consider its second major legislative responsibility—authorization of U.S. foreign assistance and trade promotion programs. The Technical Assistance, Trade Promotion, and Anti-Corruption Act is not a foreign aid bill per se—but it does contain a number of provisions to help the Agency for International Development operate more efficiently and effectively.

The most recent time a similar bill was enacted into law was in 1985, when Senator Lugar was Chairman of this Committee. Obviously, enacting this kind of legislation is not easy. But drafting this bill has been a team effort with valuable contributions from every Committee member. With this in mind, I hope we may repeat Senator Lugar's accomplishment some 15 years ago.

During a Foreign Relations Committee business meeting last year, Senators Lugar, Biden and Sarbanes expressed their strong support for President Clinton's debt relief proposal that is part of this bill. Senators Hagel, Grams and others on both sides of the aisle support this initiative as well. For my part, I would have preferred to go even further in pushing reform of the international financial institutions. However, I emphasize that this legislation does not write a blank check—it imposes meaningful conditions.

During the same business meeting last year, Senators Dodd, Biden, Brownback, Hagel, and Boxer gave strong support to Senator DeWine's microenterprise legislation. We have made some important improvements, and that language is in the bill.

Finally, the legislation before us addresses front and center the issue of economic sanctions, an issue that prompts strong feelings from all sides. Many members of

this Committee, on both sides of the aisle, have expressed an interest in finding a compromise that resolves this important issue. As a result, we have included Senator Ashcroft's legislation permitting sales of food and medicine to go to pariah nations otherwise subject to sanctions.

The impetus for this reform comes from our farm community, which is hurting today, and which is asking us in Congress to look at ways in which we can expand markets for American farm products. I agree that we should do everything we can to help American farmers, but we absolutely must do it in a way that protects the moral and national security interests of the United States.

Thus, the provision in this bill will allow sales of medical and farm products to terrorist states—but only on a strictly commercial basis (i.e., no credits). This is an absolutely vital provision. Without credits, every dollar these countries spend on American farm products is a dollar they cannot spend on terror and repression. With credits, however, the United States would be indirectly subsidizing the ability of pariah nations to oppress their people and support terrorism around the world.

Further, the specific mechanism in Senator Ashcroft's proposal for protecting U.S. security interests is the licensing process—which was included in the version of the legislation that passed the Senate this past July with 78 votes—and which I have insisted upon making a part of this bill. Licensing will allow sales to go forward. But it will also give the U.S. government a "safety valve" to ensure that these newly authorized sales are not being used for nefarious purposes, or in ways that are to the detriment of U.S. national security.

While this legislation has been blessed with the input of all Committee members, there are bound to be further amendments to be offered. It is my hope that we can move at a steady pace through those amendments so as to be finished this afternoon.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Mr. Chairman, one of our members has to be back in her district and she has to catch a plane. I wonder if, and it's a little out of order, but if we could recognize Senator Boxer.

The CHAIRMAN. Certainly.

Senator BOXER. That is so kind of you, Mr. Chairman. I will be less than 1 minute, and thank you very much.

I could not be more thrilled because of the inclusion of the AIDS and tuberculosis sections in this bill. Senator Smith and I have worked together and, Mr. Chairman, your staff was just outstanding in helping us, and I am so appreciative.

There are two problems that I am going to have with the bill. I am not going to say anything about it today except to identify those sections: the family planning language that I think is trouble and then an amendment that I know my friend Senator Ashcroft will be offering on genetically altered foods.

Those are two, but I will wait until the floor, and I do not even want to put in a negative tone because overall this bill does a lot of good things. Again, Mr. Chairman, I want to thank you and the colleagues on my side for yielding me this time.

The CHAIRMAN. On the contrary, I thank you, ma'am.

Let me call on the chief of staff here to explain where we stand, and let us race it for these folks who need to get away. Identify yourself for the record.

Mr. BIEGUN. My name is Steve Biegun. I'm the chief of staff of the Foreign Relations Committee.

My suggestion, Senator, is we proceed title by title. We have identified a few amendments from other Senators. That way we can quickly move through the legislation and complete this.

Senator BIDEN. Mr. Chairman, would it be appropriate that, unless you wish to move first, could I just take 3 minutes to make an opening statement about the bill, at least from my perspective?

Mr. Chairman, I think this bill is not everything we hoped we could do, but I think it has accomplished some very important objectives. First, it authorizes the use of the remaining proceeds from gold sales by the International Monetary Fund, along with other funding, to be used to complete the United States contribution to the Highly Indebted Poor Countries Debt Relief Program. I realize that you have accommodated me and others in working through this. It is not your favorite thing. But I do appreciate it.

Congress authorized part of this program last year and I am pleased that we are starting to complete the project today. If we do nothing else of consequence this year in the foreign assistance program, I think we should do this. Relieving the debt burden that is borne by the poorest nations will be a significant contribution to improving the lives of millions of people in the developing world.

I want to thank you, Mr. Chairman, for working with me and with Senator Hagel and Senator Sarbanes to reach an accommodation that is not all that any of us would have wanted, but it permits a worthy program to go forward, and I think it makes good economic sense. As so many religious leaders in this country and around the world have told us, I think it is also the right thing to do.

The bill also contains a title on microenterprise development. These programs have proven very successful in many different parts of the world and I think U.S. support for such programs should continue and be expanded. Our support for microenterprises has a profound impact in parts of the developing world because it provides access to capital that they would not otherwise have.

I was interested to see that one of those programs that involved a lady in a very poor village in India—maybe some of you saw it—where she was able to get a loan for a cell phone, a cell phone. And she rents out her cell phone and makes more money renting out that little cell phone in her little microenterprise than the rest of the people in her village. She makes four or five times as much as they make in the whole year. It is that kind of thing we see.

I am also pleased to note that, as the Senator from California said, the title on HIV-AIDS will be part of the managers package of amendments. I attended the hearing on AIDS in Africa, led by—convened by Senator Frist last month, but also spearheaded by our friend from Wisconsin. It is a big, big, big problem, and this is a good start.

Mr. Chairman, the bill you have placed before the committee still contains some provisions that each of us, you and I, do not particularly like pieces of. But I have made my objections known to you, Mr. Chairman, but we have decided to leave a number of these things in the markup and put the issue before the committee so we will be able to complete votes, keep them at a minimum and get some movement here.

But I thank you and your staff for the agreement we have been able to reach on a significant portion of this bill and I think, Mr. Chairman, that you deserve some credit. I appreciate it very much and thanks for what you have done.

I yield the floor.

The CHAIRMAN. Well, I thank you. I would say that both staffs have performed admirably on this.

The first order of business is to consider and I hope approve the managers amendment. It is before all Senators and was circulated earlier to the staff.

Senator LUGAR. I move that it be adopted.

Senator BIDEN. I second the motion.

Senator KERRY. Mr. Chairman.

The CHAIRMAN. Mr. Kerry, Senator Kerry.

Senator KERRY. Mr. Chairman, I am not going to delay the committee because obviously you want to move on. But I do want to say, I want to thank you for including in the managers amendment significant components of Senator Frist's and my legislation on the vaccine immunization program, on a contribution to the global alliance, on a contribution to the international AIDS vaccine initiative, on the World Bank AIDS prevention trust fund, and on the AIDS prevention programs at USAID.

I think, Mr. Chairman, this is an enormously important step by this committee, and I want to thank you for your willingness to entertain it.

The two components of the legislation that are not in here, the tax credit, are available to us still, we hope, within the Africa Growth and Opportunity Act and it may be that we can still negotiate that. The reason they are not in here is simply the lack of our jurisdiction. But we have embraced every other component of the AIDS Africa effort from testimony that came before the committee, and I think the committee is to be congratulated for doing that. It is a very significant step by the Foreign Relations Committee of the U.S. Senate.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator, thank you very much for agreeing to deal with these issues on the floor. That means a lot to what we are trying to do this afternoon.

The chairman of the Finance Committee and I have an understanding when it comes to issues of jurisdiction and I fear that to offer your amendment at this time might jeopardize that, and we have talked about that.

Senator KERRY. I understand that.

The CHAIRMAN. I have a letter from Senator Roth requesting that we deal with this issue on the floor and I ask unanimous consent that it be included in the record. Without objection, so ordered.

[The letter referred to follows:]

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, March 23, 2000.

The Honorable JESSE HELMS,
Chairman, Senate Foreign Relations Committee,
Dirksen Senate Office Building,
Washington, DC.

DEAR JESSE: It is my understanding that the Foreign Relations Committee may consider an anti-corruption and trade assistance bill. It has come to my attention that there may be an amendment offered to this legislation which would make changes to the Internal Revenue Code, and as such, would clearly be in the jurisdiction of the Committee on Finance. Furthermore, it would be a revenue measure, which constitutionally must originate in the House of Representatives. As you know, if the bill you are considering becomes a revenue measure and the Senate passes it, the House will not consider it and will return the bill to the Senate.

Of course, this amendment deals with the very difficult subject of AIDS in Africa. I do not wish to slow debate on finding solutions to this epidemic, and this letter should not be taken as a decision on the merits of the amendment itself. The Senate passed H.R. 434, the Trade and Development Act of 1999, which includes an amendment offered by Senator Feinstein relating to the availability of HIV/AIDS pharmaceuticals in sub-Saharan Africa. I am currently defending the Senate position on the Feinstein amendment in a conference with the House, and I look forward to continued debate and new ideas on how the United States can ease the destruction of this disease in Africa.

Our Committees have worked well together in the past on matters of jurisdiction, and I ask you to take my concerns into consideration when the Foreign Relations Committee takes up this matter. Thank you.

Sincerely,

WILLIAM V. ROTH, JR., *Chairman.*

Senator KERRY. I would move the amendment.

The CHAIRMAN. Is there a second?

Senator LUGAR. Second.

Senator SARBANES. Is this the managers amendment now?

The CHAIRMAN. Yes.

Do you want a rollcall vote?

[No response.]

The CHAIRMAN. All in favor say aye.

[A chorus of ayes.]

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. Carried.

All right, now is the time for amendments.

Senator LUGAR. Mr. Chairman.

The CHAIRMAN. Yes.

Senator LUGAR. Mr. Chairman, I have an amendment.

The CHAIRMAN. Please, sir.

Senator LUGAR. Thank you very much, Mr. Chairman.

I propose a modification to the bill in the form of an amendment. This is a revised version of my Sanctions Policy Reform Act, S. 757, which has 39 co-sponsors in both parties. I propose to add it to Title I of the legislation. I believe that most members of the committee are familiar with the bill. They have a copy, I believe, of the text of the bill and I have written to each one of you about it.

Essentially, my bill is intended to provide a framework for considering new unilateral economic sanctions—and I stress "unilateral," that is, United States alone—economic sanctions, and I stress "economic," and I stress "prospective," namely from this point onward. It offers a framework for considering new sanctions in the executive branch and to the Congress.

There have been many instances in my judgment in which we have learned of the adverse effects of sanctions after they have been imposed and we have not provided for ways and means of ever terminating them.

My amendment is comprehensive. I appreciate the work of Senator Ashcroft on this committee and others with regard to food and medicine and humanitarian goals, but our amendment really covers everything. It suggests that we, as a Nation, may want to use sanctions from time to time and we ought to have that opportunity, both the Congress and the President. But before doing so we need to explain the rationale of what we are doing. This is the gist of

the amendment, to have some form or framework so as not to conduct foreign policy on the cheap, or on impulse.

I ask the support of the committee on the basis of the strong support of "U.S. Engage," which includes some 670 American businesses that have worked with former Representative Lee Hamilton of Indiana on the House side and with myself in the formulation of this legislation over the course of the last 3 years. We have testified before this committee. The chairman was kind enough to have a hearing.

This has been debated once on the Senate floor as an amendment to the agricultural appropriation bill and by a close vote lost, essentially I believe because the chairman of the Appropriations Committee felt that his bill was in jeopardy. Let me just say that we do not have that problem today. This is an appropriate forum, the Foreign Relations Committee. This is clearly an important area of foreign policy.

Finally, I would just say, Mr. Chairman, that at some point we have to come to grips, it seems to me, with a reasonable policy on sanctions reform. I have tried to scale this to a modest point to avoid including sanctions that now exist. We will have to work our way through those. But we are only talking prospectively, only about those sanctions in the future and the importance, if we do this unilaterally, to have thought about them in advance.

I stress that unilateral is different from multilateral. The effect of unilateral sanctions in my judgment in almost every instance has been they did not work. From the standpoint of moral outrage, many Members of Congress may wish to support sanctions anyway simply to indicate how badly we feel about how a government is treating its people or for other outrages. But we ought to be under no illusion this has any particular effect.

There are instances where multilateral sanctions have had an effect. We discussed some of those in the hearing this morning with regard to policy on India, Pakistan, and the like.

So I am hopeful, Mr. Chairman, that we could have consideration of the amendment. I would appreciate the support of the members.

The CHAIRMAN. I know we are all grateful to Senator Lugar for his longstanding effort on this matter. He knows a great deal about this subject as the author of the South Africa sanctions several years ago. I did not happen to agree with him on that, but I admire his work nonetheless.

Senator LUGAR. Well, that was a multilateral sanction effort that worked.

The CHAIRMAN. In my judgment the amendment needlessly bureaucratizes the process of implementing sanctions and, by putting up hurdles for new sanctions, appears to me to say that the President and Members of Congress initiate sanctions maybe out of ignorance and lack of due deliberation. But the record shows that Congress takes the matter of placing sanctions on other nations quite seriously and after lengthy consideration.

For example, the Comprehensive Anti-Apartheid Act was enacted in 1986, I believe it was, after extensive discussion and very similar language was introduced in 1981 and some provisions included in the bill were originally proposed in the 1970's. The Chemical Weapons Control and Warfare Elimination Act was enacted in

1991, but was originally introduced in 1987 and then again in 1989.

The Iran-Libya Sanctions Act authored by Senator D'Amato was signed into law in August 1996. You may recall that Alliance D'Amato introduced comprehensive sanctions bill related to Iran 3 years earlier.

Finally, the Glenn proliferation sanctions legislation pertinent to South Asia may be instructive. That legislation prompts the so-called U.S. Engage business lobby to claim that Congress acts too hastily on sanctions. But the nonproliferation sanctions measures upon which it was based were passed in 1977. But after 13 years of watching the President waive sanctions based on disputed certifications about Pakistan, the Congress limited the waiver authority, and that is slow and deliberate action, I think.

Now here are my friends in the business community. They come to see me and we shake hands and all of that. But they claim that there is a sanctions epidemic. I do not think that is right. CRS found that, instead of 61 new sanctions between 1993 and 1996, as the National Association of Manufacturers claimed, there were really only 9 new sanctions, and there have been even fewer since 1996.

So we should use sanctions sparingly, but when we are faced with heinous repression, military aggression, terrorism, the proliferation of weapons of mass destruction, Congress would be wise to keep sanctions as a tool so that we have more alternatives simply to delivering a diplomatic demarche or sending in the Marines.

With due respect, I consider it unwise to make so difficult the use of this tool for serving our interests and moral principles, and I hope my colleagues will oppose the amendment, and I will respectfully do so, with my respects for Senator Lugar, as he noted.

Senator BIDEN. Mr. Chairman.

The CHAIRMAN. Senator Biden.

Senator BIDEN. I find myself in an unusual position here. I tend to agree a little more in principle on this with Senator Lugar than I do with the chairman and those who oppose it. But I am concerned about a couple aspects of the way the Lugar amendment—I supported another, broader sanctions approach that I think did not have some of the liabilities I am about to speak to.

I am concerned that the Lugar amendment ends up—could end up, at least, unnecessarily limiting Congress and the President. Let me explain what I mean. The amendment provides, for example, that it is not in order to proceed to a bill in either the House or the Senate that contains a unilateral sanction—and I agree generally unilateral sanctions do not work—a unilateral economic sanction, if the President has not submitted certain reports required under the bill.

Now, this sets up a situation where the President of the United States can hold up consideration by Congress of a bill simply by failing to submit a report and then finding one ally to make a point of order on the floor of the Senate. Now, I do not want to get too arcane here, but on separation of powers issues I am not sure I am prepared to give up that, to put our faith that much in a President's hands.

Second, the bill requires the President to give 45 days public notice before imposing new unilateral sanctions. Now, there may be a lot of circumstances in which an instant imposition of sanctions, unilateral, notwithstanding the fact they are unilateral, would be necessary to advance the foreign policy interests of the United States.

Often sanctions have more than one purpose. Typically, we are trying to deprive a targeted nation of revenues, revenue that it needs badly and that it needs in order to continue its bad behavior, and if we wait 45 days to deprive them of that revenue we may find we put ourselves in a more tenuous position than we were before that process.

Often, as I said, we are trying to send, as you said, Mr. Chairman, a political signal, a signal that if delayed is, quite frankly, of little consequence.

So true, the President can waive the requirements of advance notice where the sanction would involve the freezing of assets or the President determines that the national interest be jeopardized. But if the waiver is so readily applied, then we have created a meaningless provision here. I mean, in other words, if he is able to do that then we do not need to have this provision in the first place, the waiting the 45 days.

I think that real sanctions reform would give the President a little more—should give the President a little more flexibility on current sanctions as well, which this does not do, to meet the changing circumstances more quickly than he can now.

So although in principle I agree with the Senator from Indiana that unilateral sanctions rarely, if ever, are of positive consequence, I am reluctant to at this time, Dick, to support your proposal, which, as you know, I supported an alternative broad proposal to this before and we are—as a consequence here, it is this or basically nothing as a practical matter right now.

So my inclination is to vote no. If it passes I would like to be able to work with the Senator on the floor to deal with some of these things I have mentioned. And if it does not pass, I would like to work with him to deal with some of these things to see if we can get a consensus. But you may very well have the votes at this point anyway.

So I am going to reluctantly, Mr. Chairman, vote no on this amendment.

The CHAIRMAN. Very well.

Senator LUGAR. Mr. Chairman.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Mr. Chairman, I understand the reasoning of the distinguished Senator from Delaware, but I am confounded by that argument. Essentially, the President under my legislation does have complete authority, if it is in the national interest, as the Senator pointed out, to waive the procedures. He can waive the procedures with regard to the economic sanctions by explicit language in the bill.

Senator SARBANES. Does the Congress have that authority?

Senator LUGAR. No.

Senator SARBANES. Under your bill?

Senator LUGAR. No. This is given to the Chief Executive as Commander-in-Chief.

Senator SARBANES. So the Congress could not? The Congress would be bound by the process?

Senator LUGAR. Congress would be bound by the process.

Senator SARBANES. And the time waiting period?

Senator LUGAR. And so would the Executive, except where the case of national emergency, the powers vested in the President ought to be exercised.

You know, you cannot have it all ways. I appreciate if Senators want to have the right to have unilateral sanctions, to go out onto the floor and thunder away at another country and in the emotions of the moment try to get something passed. That is an interesting idea, but it is not always good legislation in my judgment.

I would say respectfully, thank goodness, since we have been debating this issue for 3 years we have not done very much of this. In large part, intellectually the argument has been won. Why the committee cannot adopt the guidelines so that we have established in statute what we want to do to develop better legislation is somewhat confounding.

Nevertheless, I appreciate that Senators want to have this ability. I would say that that can have an honest difference of opinion. I for one, believe public policy is better served by having reasonable guidelines, but retain flexibility in an emergency for the President.

Senator SARBANES. Mr. Chairman.

Senator KERRY. Is not the waiver authority——

The CHAIRMAN. Senator.

Senator SARBANES. Go ahead.

Senator KERRY. Is not the waiver authority as to the reports and not as to the sanction itself?

Senator LUGAR. The President can go ahead with the sanction. We have been through the waiver argument, because the President, Stu Eizenstat and others have strongly argued this back and forth between the committees and the administration for 3 years to try to establish that the President is in charge when we have an emergency. Nothing in this law is going to change that.

Some people in the White House believe that they should not to have to rationalize what they are doing. In other words, even after having imposed the sanction, they would prefer not to have to rationalize or explain why they did it.

The CHAIRMAN. Senator Kerry.

Senator KERRY. I just wanted—normally we work very closely together and I find myself often in agreement. But I must say I do associate myself with the remarks of the chairman and of the ranking member on this one, for a number of different reasons that have been articulated.

The CHAIRMAN. Very well.

Did you finish, Senator?

Senator SARBANES. I was just going to make the observation that it seems to me that what is needed is to exercise prudence and wisdom in the decision as to whether to seek to impose a unilateral sanction and not develop a process which in effect almost precludes doing it in instances in which it may be advisable.

In fact, the argument that was just advanced that not much of it has been done recently may reflect some exercise of prudence and wisdom in making the judgment, and in fact is an argument not for this provision, but actually an argument against this provision. And I do not think we ought to completely eliminate this possibility, this weapon, from the congressional arsenal in dealing with situations which we may encounter.

I will make this observation. On occasion these economic sanctions are a recourse that may make unnecessary recourses of far more serious consequence, and to eliminate them from the picture altogether will severely handicap our ability to respond in certain situations that call for a response.

Senator DODD. Mr. Chairman.

The CHAIRMAN. Senator Dodd.

Senator DODD. This is turning out to be somewhat of an interesting discussion here. Maybe I should—maybe some other members want to be heard on the other side.

The CHAIRMAN. No, no. I was just checking to see. OK.

Senator DODD. Well, with all due respect to the chairman and my fellow Democrats on this side here, I find myself in agreement with the Senator from Indiana. Senator Hagel and I have introduced legislation which is broader, I think, in perspective than this. Ideally I would prefer, I suppose, that our proposal were on the table here, but that is not in front of us now, but this is.

Unilateral sanctions invariably get adopted when you have an emotional, highly charged situation, and it is usually the legislative branch in a sense of frustration of wanting to do something about it. That is normally how it happens. I mean, something occurs somewhere in the world that is offensive to us and we are asked, what are you going to do about it, and so we want to have something we can do about, so we pass a sanction.

We have gone through a relative period of stability around the world, so we have not lurched to that option, which is all the more reason why this is an appropriate time to be legislating on this when we are not confronted with a fact situation that makes it awkward to vote against it. But invariably, we will be confronted at some point in the future with a situation where that option will once again be appealing to us.

So in a sense what the Senator from Indiana is doing is in the cool of the moment offering a proposal here that would sort of make it difficult to do something which invariably does more harm than good. Whether you like this particular formation of how to respond to it or some different proposal, I think most of us agree with the notion that unilateral sanctions have not worked. Now, there may be some isolated case where in a short period of time it has.

So, Mr. Chairman, I have great respect for your thoughts on this, as well as my colleagues Senator Kerry and Senator Sarbanes, Senator Biden. But I come down, and again at a relatively close call, and support what the Senator from Indiana is trying to do here. I think this is the moment to act on this.

I thank you.

The CHAIRMAN. Further comment?

Senator BIDEN. 60 seconds, Mr. Chairman—oh, excuse me. Senator Hagel.

Senator HAGEL. Mr. Chairman, I will be very brief. I was an original co-sponsor of Senator Lugar's bill and I think it is appropriate. I think what Senator Dodd said is exactly right.

Senator Lugar made a point and we all appreciate it, that rarely is there a choice between the perfect and the imperfect here. I think Senator Lugar's core value point is exactly right. We should, while we have the luxury, as Senator Dodd pointed out, and the time to work our way through this, develop some kind of coordinated overall framework for what we do and why we do it, rather than ricochet from crisis to crisis, as we often do in all administrations.

But I think there is great value and wisdom in what Senator Lugar is doing. I think it is appropriate and I will support it.

Thank you.

Senator BIDEN. Mr. Chairman, 60 seconds, if I may.

I do not disagree with the fundamental premise that unilateral sanctions in the heat of passion are generally a bad thing and that unilateral sanctions even not in the heat of passion are generally an unworkable thing. But I think the emphasis should be shifted a different way, and that is we should not make it more difficult for us to be able to impose a sanction; we should make it easier for the President to waive the sanction.

The reason I say that is for the following. Sometimes the purpose of the sanction, notwithstanding the fact it is counterintuitive in the long term to do what the Congress does, is exactly what I thought Senator Sarbanes was implying: a way to let off steam to keep from doing something that is a heck of a lot more damaging and a heck of a lot more difficult, leaving the President in the position he can still veto this.

In terms of the balance of power here, we pass a sanction and the President vetos it, we have to have a super-majority to overcome it. If the feelings are running that high on the issue, then you find yourself in the position where if that is not done and that avenue is cutoff you will find something else that I think is more difficult.

So as a philosophic matter, I have erred on the other side of this, erred on the side of not limiting congressional authority to impose, but increasing the flexibility of a President to dispose. That is, putting the ability on the President to be able to waive the sanction under more liberal circumstances than he now has. And I do not use "liberal" in a philosophic sense; easier to waive the sanction, giving then us the burden to have to come back to stop it.

So it is a matter of balance here, and I think it relates to the congressional legislative balance. That is my objection to, and the reason I did not sign on in the first instance, to the proposal of the Senator from Indiana, although I do agree that it would be a good idea if we are able to structurally change this so that we had something in place that allowed us out of the conundrum we often find ourselves in, and I will end with this.

That is, we find a sanction being put in place that may at the moment have made sense, at that very moment, but then constituencies get vested in that sanction. Even though the sanctions—I would offer Jackson-Vanik as an example—no longer have the rel-

evance and the bite and the impact that they had initially, that maybe was justified initially.

But now you have a constituency that invested in it. I do not just mean an ethnic constituency. I mean any constituency—an economic constituency that is invested in that sanction remaining. The efficacy of the sanction is long since past, but what happens is you find now it difficult politically for the Congress to be able to do "the right thing" because there is a political price to pay to do it now.

That is why again I say the reason to shift to more latitude to the President is to recognize the reality of the way legislative bodies function, and that is to allow the President to save us from ourselves, because the truth of the matter is, if the President were to lift the sanctions that we all, that a majority of us basically knew did not make much sense, but we did not want to go back home and explain it—I know we are not supposed to say these things out loud, but we all know this is how it works—then we get the right result and we are not put on the hook, without giving up what I believe is a core responsibility and authority that as a legislative body in the separation of powers doctrine we possess.

That is my rationale. That is the reason, Dick, why I am going to vote no, and you do not need to hear any more about what I think about these issues.

The CHAIRMAN. Is there further comment?

[No response.]

The CHAIRMAN. There being none, the question is on the amendment. All in favor will say aye.

[A chorus of ayes.]

The CHAIRMAN. All opposed, no.

[A chorus of noes.]

Senator LUGAR. May we have a rollcall vote?

The CHAIRMAN. Pardon?

Senator LUGAR. May we have a rollcall vote?

The CHAIRMAN. Yes, sir. The clerk will call the roll.

Mrs. ALLEM. Mr. Lugar.

Senator LUGAR. Aye.

Mrs. ALLEM. Mr. Hagel.

Senator HAGEL. Aye.

Mrs. ALLEM. Mr. Smith.

Senator SMITH. Aye.

Mrs. ALLEM. Mr. Grams.

Senator LUGAR. Votes aye by proxy.

Mrs. ALLEM. Mr. Brownback.

Senator BROWNBACK. No.

Mrs. ALLEM. Mr. Thomas.

Senator LUGAR. Votes aye by proxy.

Mrs. ALLEM. Mr. Ashcroft.

Senator ASHCROFT. No.

Mrs. ALLEM. Mr. Frist.

Senator FRIST. Aye.

Mrs. ALLEM. Mr. Chafee.

Senator CHAFEE. Aye.

Mrs. ALLEM. Mr. Biden.

Senator BIDEN. No.

Mrs. ALLEM. Mr. Sarbanes.

Senator SARBANES. No.
Mrs. ALLEM. Mr. Dodd.
Senator DODD. Aye.
Mrs. ALLEM. Mr. Kerry.
Senator KERRY. No.
Mrs. ALLEM. Mr. Feingold.
Senator FEINGOLD. No.
Mrs. ALLEM. Mr. Wellstone.
Senator BIDEN. No by proxy.
Mrs. ALLEM. Mrs. Boxer.
Senator BIDEN. No by proxy.
Mrs. ALLEM. Mr. Torricelli.
Senator BIDEN. No by proxy.
Mrs. ALLEM. Mr. Chairman.
The CHAIRMAN. No.
Mrs. ALLEM. Mr. Chairman, the vote is 8 yeas and 10 nays.
Senator DODD. Mr. Chairman.
The CHAIRMAN. Yes, sir.
Senator DODD. Title III? Do you have any more amendments on Title II? I guess you are doing this title by title.
The CHAIRMAN. First, are there further amendments to Title I? Let me get that clear.
Senator KERRY. Mr. Chairman, I just want the record to reflect, because I did not comment after Senator Biden, I do not want my vote misinterpreted on that, and I feel very strongly. But the waiver in this I feel, because the President does not have the capacity to waive by the Congress nor does he deal with existing sanctions, and the process I believe is imbalanced, as Senator Biden has said, but I do not want to give an impression that we should not try to deal with the issue. And I share Senator Biden's notion that if something could be worked through on that—I do not want that vote subject to misinterpretation.
The CHAIRMAN. The record will so show.
Senator ASHCROFT. Mr. Chairman.
The CHAIRMAN. Senator Ashcroft.
Senator ASHCROFT. I have an amendment for Title I if that is appropriate.
The CHAIRMAN. Very well. The Senator will state it.
Senator ASHCROFT. First of all, let me just say that the amendment which I have stems from a bill which I have previously filed which supports our assisting developing countries in using scientific principles when they view the benefits and potential risks of biotechnology.
I want to thank a number of members of this committee for their help in this respect: the chairman and the ranking member for their support of this provision, which we thought we might be in the mark originally, but was objected to. Senator Lugar has done substantial work on this in the Agriculture Committee.
This bill—this amendment would authorize funds for USAID to help developing countries use scientific principles when they view the benefits and potential risks of biotechnology. It is designed to help us focus on science rather than emotion or other qualities.
Also, it requests the President to develop a coordinated policy on biotech for all international institutions that affect agricultural pol-

icy, such as the United Nations, the WTO, OECD, et cetera, because there appear to be divergent views in these organizations.

I would like, with your permission, to read just a little bit of a letter from Ambassador Andrew Young, who has endorsed this proposal, and I talked to him in a phone call that we were able to connect. He is in Africa right now. He said: "Dear Senator Ashcroft. It is with great pleasure that I write to you in support of S. 2106." I am going to skip some other areas. He goes on to say: "I have been involved in outreach to Africa in support of biotechnology for some time now, realizing the great potential for biotechnology to help solve problems of starvation, illness, and environmental degradation in some of the world's poorest areas."

I am skipping to another area: "Innovations such as vitamin A-enriched maize will help protect future generations of Africa's children from debilitating diseases such as river blindness and could even work as a nutritional supplement in the fight against HIV-AIDS. Similarly, the development of a virus-resistant sweet potato and cassava will increase yields for these important food security crops, which are widely consumed in the developing world. These are only a few of the examples of how technologies developed in the U.S. address the needs of a growing global population."

He goes on to talk about cotton growers in Makathini Flats in the KwaZulu-Natal, South Africa, and to support the idea that we should be science-based in our evaluation of biotechnology and that we should encourage the developing world to be science-based in this respect.

I would indicate to you that I would like to also submit for inclusion in the record, along with Ambassador Andrew Young's letter, one from Dr. Roger Beachy, who is the president of the Donald Danforth Plant Science Center, and a letter from L. Val Giddings, the vice president for Food and Agriculture from the organization BIO.

I personally believe that this is merely to ask that we foster around the world an opportunity for people to make intelligent science-based decisions, and I think that is consistent with the kind of foreign policy and projected influence that the United States should have.

The CHAIRMAN. Without objection, the material referenced by the Senator will be included in the record.

[The material referred to follows:]

GOODWORKS INTERNATIONAL, LLC,
303 PEACHTREE ST., NE,
Atlanta, GA, March 15, 2000.

Honorable JOHN ASHCROFT,
Senate Hart Office Building,
Room 316, Washington, DC.

DEAR SENATOR ASHCROFT: It is with great pleasure that I write to you in support of S. 2106 which supports capacity building for agricultural biotechnology applications in Africa and other emerging markets.

As you may be aware, I have been involved in outreach to Africa in support of biotechnology for some time now, realizing the great potential for biotechnology to help solve problems of starvation, illness and environmental degradation in some of the world's poorest areas. I remain committed to biotechnology as an important tool for agricultural development, which will allow African nations to feed their growing populations through sustainable practices in the years ahead. Innovations such as Vitamin A-enriched maize will help protect future generations of Africa's children

from debilitating illnesses such as river blindness, and could even work as a nutritional supplement in the fight against HIV/AIDS. Similarly, the development of virus-resistant sweet potato and cassava will increase yields for these important food security crops which are widely consumed in the developing world. These are only a few examples of how technologies developed in the U.S. can address the needs of a growing global population.

Later this year, I hope to visit KwaZulu Natal, South Africa, where small farmers in the Makathini Flats area are successfully growing genetically enhanced cotton. I understand that field trials have been so successful that the number of small growers in the Makathini area using the genetically enhanced seed has grown from 60 during the 1998-99 season to more than 600 in 1999-2000. This example of biotechnology's potential in Africa is particularly appealing to me in that small family growers make up the vast majority of producers on the continent, and any advantage to their productivity has an immediate impact on their quality of life. I believe this type of positive impact is what we want to achieve through foreign aid and scientific exchange with Africa and other emerging markets.

But for biotechnology to take root in Africa, the U.S. and other countries promoting agricultural biotechnology must make significant investments in education and training abroad. This became apparent to me over the last year through my work on the Biosafety Protocol to the Convention on Biological Diversity. The "Like Minded Group" of developing country delegates to the Protocol negotiations, led by a bloc of African nations, took a strong stance against biotechnology. The reason for their position was due, in large part, to propaganda and misinformation distributed by environmental groups that promoted irrational fears among many delegates. In the absence of scientific knowledge and understanding about biotechnology, these fears threatened to close the door on the trade of genetically enhanced goods. The type of programs supported by S. 2106, which will promote the sharing of technologies and expertise with the developing world will be extremely effective in building a basis for acceptance and support of biotechnology in critical areas of the world. This is vitally important in our struggle to help African nations achieve sustainable agricultural practices that provide food security for their people.

Thank you for your time and consideration. Please call on me if I may be of assistance in promoting this important piece of legislation.

Sincerely,

ANDREW YOUNG.

DONALD DANFORTH PLANT SCIENCE CENTER,
7425 FORSYTH BLVD., SUITE 3100,
St. Louis, Missouri, March 15, 2000.

The Honorable JOHN ASHCROFT,
Hart Senate Office Building,
Room 316, Washington, DC.

DEAR SENATOR ASHCROFT: I am writing to offer my full support of Senate Bill 2106 and to thank you for introducing it. This bill would provide technical support to train scientists from developing countries in the areas of agricultural biotechnology and biosafety. It is obvious that many of our potential partners in developing countries have much to gain from the application of new technologies in agriculture, including biotechnology. It is clear, however, that many countries lack the scientific skills and policy expertise to evaluate safety of new products. This bill would make it possible to provide training for those countries to allow them to better evaluate the products of American agriculture and to begin to develop their own intellectual strengths in this important area of science.

SB 2106 would help to facilitate the training of postdoctoral researchers and students at the Donald Danforth Plant Science Center. The Danforth Center has a highly successful research and training program called the International Laboratory for Tropical Agricultural Biotechnology (ILTAB). We expect that SB 2106 would help to support trainees at ILTAB and the Danforth Center, making it possible for us to reach more scientists from around the world who will play an important role in the research, development and biosafety of agricultural products in their home countries.

I urge your continued support of this bill and look forward to visiting with you in the future so that we might discuss the Danforth Center and ILTAB at greater length.

Sincerely,

ROGER N. BEACHY, PH.D.,
President.

BIO
March 17, 2000.

Honorable JOHN ASHCROFT,
Senate Hart Office Building,
Room 316, Washington, DC.

DEAR SENATOR ASHCROFT: It is with pleasure that I write on behalf of more than 900 BIO members in support of S. 2106. This is an important piece of legislation that will help provide well-deserved support for the international acceptance of and trade in products derived through modern biotechnology.

As you may know, there is significant misinformation being disseminated throughout the world regarding the benefits and potential risks of biotechnology particularly in developing nations which lack regulatory infrastructure. In the absence of science-based education and training programs, fear and misunderstanding may hamper future trade in genetically enhanced products in these emerging markets. The Biosafety Protocol negotiations provided a clear example of how such misinformation can also threaten U.S. business interests. Throughout negotiations, we witnessed delegates from Africa and other developing nations taking extreme positions in opposition to biotechnology as a result of propaganda and "junk science" being disseminated by Greenpeace and other anti-biotech NGO members of the protest industry. Without credible scientific data available *from objective sources* to counter these claims, the misunderstandings only persist.

The U.S. biotechnology industry has already made sizeable investments in capacity building and outreach to the developing world through research and training programs, and the development of genetically enhanced food security crops, such as sweet potatoes, cassava and maize. However, there is not yet a commercial market for biotechnology in the bulk of these countries and industry can not adequately lay the groundwork for future development on its own. In providing for technical exchange programs and technology transfer projects, S. 2106 is invaluable in its support of future trade and commercial activity by U.S. industry in these emerging markets.

Most importantly, however, S. 2106 recognizes the importance of biotechnology applications in the developing world to help address problems of starvation, malnutrition, illness and environmental degradation. The existing and potential benefits of biotechnology are substantial and significant, and could potentially revolutionize food security policy in some of the world's poorest nations. By allowing even the smallest landholders to produce more food on less land at reduced costs, biotechnology is an empowering tool for the developing world.

Thank you for your leadership in support of this important legislation. If I may provide any information or be of any assistance to you, please do not hesitate to call me.

Sincerely,

L. VAL GIDDINGS,
Vice President for Food & Agriculture.

Senator FEINGOLD. Mr. Chairman, if I could respond.

The CHAIRMAN. OK, I will yield to the Senator.

Senator FEINGOLD. On this amendment?

The CHAIRMAN. Yes, sir.

Senator FEINGOLD. Thank you, Mr. Chairman.

I normally would probably raise a more active opposition to this amendment at this point, as would Senator Boxer. But the Senator from Missouri had been told through the process here that this amendment had been accepted. We had not had a chance to look at it. But in light of the extremely fair manner in which the Senator from Missouri has always treated me on this committee as

well as the Judiciary Committee, am I going to not actively debate it at this point and leave it to the floor, although if there is a recorded vote I will vote accordingly.

But I am a little concerned about the way in which the language seems to endorse all agricultural biotechnology. I certainly respect the wonderful positive things you are trying to accomplish. But I will leave that to the floor, Mr. Chairman.

The CHAIRMAN. Very well.

I commend the Senator for his amendment. It would require USAID to develop an exchange program to ensure that other countries understand fully the rigorous regulatory process in the United States for ensuring the safety of biotechnology products. As I understand it, it would mandate a long-needed coordinated strategy in the Federal Government for negotiation of international agreements affecting biotech products which will directly impact U.S. farmers and other related shipping and production companies.

So I support the amendment.

Senator BIDEN. Mr. Chairman, I will refrain from saying more, just to suggest that I think this proposal is based on a very sensible premise. As I read it, the premise is we should take advantage of our lead in both food technologies and in regulatory sophistication to make the benefits of biotechnology available where they need it the most. I mean, it is as simple as that to me.

Now, one other point I would like to make, a little red flag. It may be in another context we can come back, not today but in another context. I am a little bit worried that we are adding a new activity and responsibility without making sure we have the funding to handle it.

To do this is going to take some time, effort, and some expertise. I do not know enough to know whether or not—I doubt whether USAID has any objection to this. I do not think they do. But I wonder. At some point we may come back and maybe the Senator and I can inquire of them as to are they in a position. Maybe he knows whether they have the financial wherewithal to do the job.

That is just a point. You do not have to answer now, but at some point I would like to know.

Senator ASHCROFT. May I just say how much I would appreciate the opportunity to work with the ranking member further on this for improvement if we can as we go forward. I would also be pleased to work with the Senator from Wisconsin to accommodate. The intention here is to provide a basis for the United States to help in these distressed areas based on science and to try and help avoid activities based on fear and superstition.

My own judgment is that it is in all of our best interests to do it properly, and I would be glad to work to achieve that.

The CHAIRMAN. Very well.

Senator BIDEN. Mr. Chairman, 5 seconds.

I have no objection to any of the language, I have no objection at all. I do not want to change anything, except at some point we are going to have to go back and review whether or not, whether USAID has enough wherewithal to do what you want to do.

The CHAIRMAN. Is there further comment?

Senator DODD. Could I, Mr. Chairman.

Again, having listened to a couple of seminars on the subject matter, I do not claim any great expertise at all. It is very exciting technology. Two concerns I have, and I am going to let the amendment, obviously, go forward here. The two concerns I have, one are the safety issues. This is a whole new area. It is very exciting and tremendous potential. But as we have seen many times in the past, some of the new and exciting ideas have unanticipated consequences. I am hopeful that as we move forward with this there will be the kind of restraints to make sure that as we come up with genetically engineered products here we are going to make sure they are safe. That is No. 1.

No. 2, as I understand it—and again I can be corrected on this—a lot of times in genetically engineered products they do not produce their own seeds. So there is the requirement that, obviously, with each new harvest, there is a requirement to buy the seeds. One of the advantages has been in Third World countries, of course, is that once they start a product they are able to then produce their own seed products and not have to constantly purchase new product.

So there is an economic factor here which could be beneficial, obviously, to those who produce these products, can raise some serious questions about those who use them in terms of independence, self-sufficiency.

So again, a couple of issues that I just would be interested in being enlightened about at some point. I am not sure I am right about that. I have been told that is the case, but others may have more information. But I just raise those as two potential issues that we ought to keep in mind, at least I would like to keep in mind, as we move forward.

The CHAIRMAN. Is there further comment?

[No response.]

The CHAIRMAN. Hearing none, the question is on the amendment. All in favor will say aye.

[A chorus of ayes.]

The CHAIRMAN. Opposed, no.

[No response.]

Senator FEINGOLD. No. And Mr. Chairman, I would note for the record that Senator Boxer wished to be recorded as in opposition as well.

The CHAIRMAN. I am sorry, I was so busy listening to this conversation.

Senator FEINGOLD. Senator Boxer and I would both like to be listed in the record as being in opposition.

The CHAIRMAN. Being in opposition. Without objection, it will be done.

Senator ASHCROFT. Mr. Chairman, before we leave Title I, if we are ready to depart there, I would like to just thank you for your cooperation in regard to the rules on sanction for food and medicine. I think we take a giant step forward in this measure.

There are other members of this committee who have worked on this for a long time and I will not try to recite them now, but Senator Dodd, obviously Senator Hagel, Senator—well, I will not go around the committee. But I thank you, and I believe that you have helped lead us to a very important decision and I am grateful.

The CHAIRMAN. I have a statement on the Ashcroft amendment that I ask to be printed in the record.

[The statement referred to follows:]

STATEMENT OF SENATOR HELMS ON THE ASHCROFT AMENDMENT

Everyone should be fimiliar with the text of the sanctions reform provision. It's very similar to the Ashcroft amendment which passed in the Senate last summer. It defines the licensing for food-related exports more clearly, and it more clearly defines those crisis situations that would prohibit delivery of food and medicine—namely when we are in military conflict with that nation.

Senator Ashcroft's approach was chosen in large part because it represents the will of the Senate, and indeed of this committee's membership. Last summer 70 Senators opposed tabling it and it later passed by unanimous consent.

The CHAIRMAN. Are there any amendments to Title—any further amendments to Title I?

[No response.]

The CHAIRMAN. Hearing none, how about to Title II?

Senator BROWNBACK. I have one to Title II, Mr. Chairman.

The CHAIRMAN. The Senator is recognized.

Senator BROWNBACK. If we could pass that out, if you have not picked it up. It is a—before I get into it, too, I want to say thanks on the sanctions lifting on food and medicine as well that you put in that Title I provision. That has been something I know my folks back home have been deeply concerned about, I have been concerned about, and as you travel around the world I think that is a very good message, a strong one. That is a good step forward and that is the reason I am supportive of what you have done in that particular provision.

Mr. Chairman, in Title II I have got an amendment. What it would do is allow us to provide non-military education and anti-corruption assistance around the world. The amendment ensures that we are able to provide this sort of educational assistance and anti-corruption training to countries even when we have denied them U.S. assistance in other areas.

I think these are actually primarily for us—they are also for other countries, but it would allow us to provide primary and secondary education into these countries, things such as books, syllabi, training teachers, language training for teachers, and training in other basic skills, education programs as defined in the Foreign Assistance Act. In the anti-corruption training area, it would allow us to provide training in such basic things as formulating laws to combat corruption.

Denying U.S. assistance to a country is a right we should preserve, but we should not be cutting off our ability to influence countries at a basic level such as education or in the anti-corruption field as well. Let me give a couple of examples of what I am talking about. Trafficking in women and children, a root cause of this is a lack of education. I have seen it first-hand in Nepal, taking place there. We see education as a problem in other countries as well.

While we can help in some countries, there are others where all we can do is stand and watch helplessly because of the restrictions on our ability to conduct education programs. In a number of Muslim countries, we find that our not being involved in education actually hurts our security interest. Iran and Saudi Arabia are busy

setting up certain types of schools in some places which often are not much more than training camps for people that would seek to do us harm. The Madrassa school problem is a growing one in large part because the populations have no alternatives for education, none whatsoever.

It is clearly not in the U.S. interest to have large parts of these populations getting only this type of narrow education that seeks to thwart us and to thwart our interests.

Then in the anti-corruption field, we complain about the corruption which is so rampant in some of these countries where we restrict our assistance, but instead of sitting on our hands and watching the corruption spiral out of control I think we should be at very least helping with anti-corruption training.

So this amendment is narrowly focused. It is on education, anti-corruption. It is not military education. It is very specific about this. It is for helping primary and secondary education. I have just seen in too many places where if we would be involved a little bit in education we would not be subjecting ourselves to the types of problems long-term that we do.

I am saying, let us step up. Some of the NGO's do this now. I think we could do more and it really would be in our long-term best interest to do that.

So with that in mind, I submit this amendment, and I would be happy to answer any questions that people might have and would hope for a positive vote.

The CHAIRMAN. Well, for my part, I support the Senator's amendment and I am grateful to him. Anti-corruption is, as he said, a key theme of the bill and I certainly appreciate your contribution, Senator.

Yes, sir.

Senator SARBANES. I have a couple questions I would like to put to my colleague and then I would like to discuss this. I take it anti-corruption programs would embrace police power support?

Senator BROWNBACK. No, no.

Senator SARBANES. Why not? It seems to me obvious.

Senator BROWNBACK. No, we would not, we would not. What we are talking about in the anti-corruption programs are assistance not in developing police forces—is that what you are talking about?

Senator SARBANES. Well, you say for anti-corruption programs and I would presume that an anti-corruption program would embrace police power.

Senator BROWNBACK. It would be training programs——

Senator SARBANES. Training police.

Senator BROWNBACK [continuing]. On dealing with corruption.

Senator SARBANES. Training police?

Senator BROWNBACK. Training forces within there to deal with corruption. It's not developing a police force, if that is what—if that is what you are talking about.

Senator SARBANES. Money for police?

Senator BROWNBACK. For training——

Senator SARBANES. Police, for training police?

Senator BROWNBACK [continuing]. And dealing with corruption.

Well, maybe we are dealing in semantics here, but what I am saying is that you could be able to use this to train them in dealing

with corruption activities in their country, but it is not in the development of a police force. I mean, for instance arming a police force, if that is what you are asking about, it does not do that.

Could you be maybe more specific? Is that what you are concerned about, is providing arms?

Senator SARBANES. No, you are the one who is not being specific, because you are using just this general phrase and clearly under that general phrase, it seems to me, you would encompass the police force.

Well, let me ask another question. I take it from what you said that this would make aid available to Iran for these purposes?

Senator BROWNBACK. We are limited in this. You cannot provide it to terrorist regimes within the amendment or countries that are on the drug list. So that would not—Iran would not be able to qualify for that.

Senator SARBANES. Well, you used Iran as an example when you talked about education.

Senator BROWNBACK. No, I did not use Iran as an example. I said that they are, Iran and Saudi Arabia, are setting up certain schools. They are doing this in other countries. What I am saying is that they are going into other countries and setting up schools that are training camps. But I am not using this for Iran. Iran would not qualify for it.

Senator BIDEN. Would Pakistan—if the Senator would yield, would Pakistan qualify?

Senator BROWNBACK. Pakistan would qualify for it. It is not a terrorist, not a terrorist country, not rated as that.

Senator BIDEN. If Pakistan ends up making that list, which I think they are moving toward being a candidate for——

Senator BROWNBACK. Then they would not qualify for it.

Senator BIDEN [continuing]. And then they would not qualify.

May I ask another question, Senator?

Senator SARBANES. Sure.

Senator BIDEN. In let us say Pakistan, which is not on either the drug list or the terrorist list, does—let me put it this way. I am informed that under the present Glenn amendment, for example, on Pakistan the President would be able to waive the restrictions on governmental aid to non-governmental schools that the Senator is talking about. In other words, my staff, who is very knowledgeable about Pakistan and India, tells me that your characterization of the educational system in Pakistan is accurate.

But as I understand it, the President now has the authority, if he wishes to, to waive the existing sanction legislation for the purpose of aiding those alternative educational, those alternative educational institutions. Is that correct?

Senator BROWNBACK. I am being informed by my staff that section 508 prohibits this from taking place on that specific.

Senator BIDEN. So we cannot?

Senator BROWNBACK. On that specific one.

Senator BIDEN. With regard to the anti-corruption piece, which is the part that, quite frankly, burdens, worries me, let us take Colombia for example. There is a major aid package to Colombia we are debating now. But assume there was not; all the factors still pertain. Colombia has a military, it has a police force both, that is

overwhelmed, but also portions of which have been corrupt and engaged in activities that are—now, I happen to, by the way, support the aid package to Colombia.

But under this proposal, if there was a circumstance in a country—where there is a country not on the terrorist list, not on the narcotics list, where their police forces—where we know there are human rights abuses and human rights problems, that we would be—they would be able to get money to train their police in anti-corruption efforts. The anti-corruption would obviously be to deal with organized drug trafficking.

Senator BROWNBACK. Right.

Senator BIDEN. And yet they are a corrupt operation themselves, theoretically. Would that—I mean, how do you deal with that dilemma? Do you understand my point?

Senator BROWNBACK. Well, I think I understand it. What I was trying to say, and not eloquently, obviously, earlier, is that we are not arming police, we are not setting up a police force to deal with corruption, but we are allowing our people to travel say to Colombia to train people there on dealing with anti-corruption issues or to work there in that country to deal with anti-corruption training, and that is what we are trying to get that training for.

Senator BIDEN. Mr. Chairman, in the interest of time I will not continue this, and I appreciate the Senator's cooperation in explaining his amendment. Correct me if I am wrong, but I have only become recently aware of this in the last couple of hours, this amendment, and I have not really thought it through.

So I would hope the Senator would defer or, if he moves for a vote, I vote no, in part because I am not sure of the consequences of it, not because I am positive he is wrong but I am not sure of the consequences. So when in doubt on legislation, I tend to vote no. So on this one I would vote no if we are going to pursue it, and that is because I do not know.

Senator BROWNBACK. Could I ask of the ranking member?

Senator BIDEN. Surely.

Senator BROWNBACK. Is it the anti-corruption assistance portion that troubles you——

Senator BIDEN. No.

Senator BROWNBACK [continuing]. Or is it the education portion?

Senator BIDEN. It is literally what, what it means. For example, when I first read it I did not even think of what the Senator from Maryland mentioned, would this mean aid to police forces. I am thinking non-military, OK, no problem. And I am thinking anti-corruption, well, that is a good thing. But I am not sure how that plays out.

I just do not know enough to know what this could be used for, and because I am not certain—I would be happy to talk with the Senator about it. I am not asking him to withhold on my account, but if he does move forward, because I am uncertain, I will vote no.

Senator BROWNBACK. Mr. Chairman, if I could, Mr. Lester I am told here is a lawyer with USAID who could answer the anti-corruption question, is here, and could answer this question that the Senator has.

The CHAIRMAN. I am having a little difficulty hearing the Senator.

Senator BROWNBACK. Mr. Lester, who is a lawyer that is in attendance from USAID, could answer the specific question that Senator Biden and Senator Sarbanes has.

The CHAIRMAN. Now, where is Mr. Lester?

Senator BROWNBACK. I believe he is right over here.

Senator BIDEN. From USAID.

Senator BROWNBACK. From USAID.

The CHAIRMAN. Mr. Lester, would you step forward and have a seat, please.

Mr. LESTER. There are two formulations——

The CHAIRMAN. Pull the microphone a little closer to you.

Senator BIDEN. For the record, would you identify yourself.

Mr. LESTER. Bob Lester, Assistant General Counsel at USAID.

There are two formulations that the Congress has used in the past in "notwithstand" provisions of law: "notwithstanding any provision of law," which covers the whole waterfront, and "notwithstanding any provision of law that restricts assistance to foreign countries." It is that formulation that is used in this amendment, and we have interpreted it and there is legislative history to the effect that this deals with country eligibility, not the kinds of assistance that you provide but the eligibility of a country to receive assistance.

So for example, if a country has failed to pay debts owed to the U.S. Government, normally assistance is barred under what we call the Brooke amendment. Well, this provision would allow this kind of assistance, anti-corruption assistance and education assistance, to go forward.

But this formulation——

Senator SARBANES. Can you enumerate for us all the countries that are encompassed within this phrase? Is it an "open sesame"?

Mr. LESTER. I could not right now.

Senator SARBANES. No, you could not. So we do not know, we do not know exactly what we are signing onto.

Mr. LESTER. What this provision would allow to be provided would be assistance notwithstanding country sanction, country prohibitions. It would not get to the issue of and would not allow assistance, for example, for abortion equipment. That is a kind of assistance that you provide, a mode of assistance, if you will, but it does not get to the issue of eligibility of a country to receive assistance, and that is what the phrase "notwithstanding any provision of law" that restricts assistance to foreign countries has been interpreted to mean.

Senator SARBANES. But we do not know what countries are encompassed within this phrase, other than in the generic sense?

Mr. LESTER. That is correct.

Senator SARBANES. Well, I mean, that is asking a lot, is it not?

The CHAIRMAN. Could I ask the Senator, does this amendment include, does it include accounting procedures? If you want to ask your lady, she says it does.

How about tax reform?

Senator BROWNBACK. Yes, I am being informed that it includes both of those.

The CHAIRMAN. Right. Economic transparency?

Senator BROWNBACK. Economic transparency.

The CHAIRMAN. Land ownership registration and other technical assistance programs that are used to fight corruption, it includes all of those?

Senator BROWNBACK. Yes, that is what I am being informed.

The CHAIRMAN. Very well.

Senator BROWNBACK. Mr. Chairman, I thought that this seemed something that clearly was in our best interest to do, to fight terrorism and to provide education at the primary and secondary level. So that is why I think this fits right in with what we are trying to get done here on a narrow basis and in a key area.

The CHAIRMAN. Well, I agree with you, I certainly agree with you, and I favor the amendment.

Any further comment?

Senator SARBANES. Well, Mr. Chairman, I am going to oppose this amendment because we do not begin to know what countries are encompassed, and if we really wanted the amendment we should address the country specific and remove the provisions and law that restrict the assistance and be able to judge on that basis whether the country ought to be able to obtain this aid. This aid could be quite expansive.

Senator DODD. Can I just add something? That is an interesting point. I am attracted to it. But as I understand it now, there are countries that are clearly on the list as terrorist nations or nations—and I happen to think the drug certification law is ludicrous, but my opinions aside, if you are on that list you also do not get this assistance at all.

Senator BROWNBACK. You do not get it.

Senator BIDEN. Where does it say that?

Senator DODD. Well, I am asking the question. I mean, I thought that is what I heard earlier.

The CHAIRMAN. The answer was yes.

Senator DODD. The answer is yes to both of those, right?

Senator BROWNBACK. It is in line 10 of the amendment, Senator Biden. 490(e) and 620(a) are the two sections, other than those, the drug——

Senator DODD. And terrorism.

Senator BROWNBACK. And terrorism.

Senator DODD. Now, but if you are on the list because you have not paid your debts, then that is a different kettle of fish. That one, we are saying that here in that situation, to provide assistance to deal with corruption, which may in fact be part of the reason why they have not paid their debts in a sense, that we are going to try and do something about it.

I just do not have—if this said, look, with terrorist nations we are going to do this, I would have a real problem with it, obviously. I could not do that. But if you are going to—if you are excluding those two and you are getting at the others—it does not require that the aid be spent there, does it?

Senator BROWNBACK. No, it does not.

Senator DODD. So it is not a mandatory provision.

Senator BROWNBACK. It allows it.

Senator DODD. It allows it to be done, which would still require an act of Congress to approve it?

Senator BROWNBACK. And an administration to do it.

Senator DODD. But we would have certainly the right to preclude the aid going to a country if you were going to make that case. So it is not a universal application of the law to every nation that may be on the list.

Senator BROWNBACK. It is not.

Senator DODD. Except that it absolutely excludes those nations that are on the drug and terrorism list?

Senator BROWNBACK. That is correct.

Senator BIDEN. Let me ask one more question, and I do not want to drag this out, Mr. Chairman. How Russia? If we sanction Russia on sale of missile technology to Iran and it is clear Russia has a serious—and that means they do not fall within either one of these lists, right?

Senator BROWNBACK. That is correct.

Senator BIDEN. And Russia is in a circumstance where they obviously have rampant corruption. It is a kleptocracy these days. Now, would we be able to—would the President, notwithstanding the sanctions relative to other aid programs, be able to provide anti-corruption programs to the Russian Government? And the Russian Government, the question is whether or not the people that they have are corrupt.

I am not sure how you keep it—if the police are the ones that are corrupt and if the governmental agencies are the ones that are corrupt, that have been infiltrated and are corrupt, do you still provide the aid to them? Could you still provide?

Senator BROWNBACK. Unless it is in those two lists, which your pulling it out says it would. But that is the situation we are in today, where you have a lot of corruption within police forces, and we try to fight it in a lot of countries around the world. We try to send in people to train on it.

We are saying let us continue to do that except in these two places, and that this is something that is in our interest.

Senator BIDEN. Well, I guess what I am saying is the Congress could pass legislation imposing sanction on a country because of their corrupt police organizations, and this would then allow the President to waive that and go ahead and provide assistance to those very organizations in the name of helping them not be corrupt.

Senator DODD. Well, I would make the case—my colleague raised the issue of Colombia earlier and I appreciate where he is on the issue of Colombia.

The CHAIRMAN. I do not want to lose my quorum here, gentlemen.

Senator DODD. All right, I will be fast. The point is I would make the case to my colleagues that the certification process which precluded us from dealing with Colombia for a period of 4 or 5 or 6 years in fact contributed to the very quagmire that exists today, because we were precluded dealing from it. Now, there were other factors there.

But in a sense what I think my colleague is suggesting here is that sometimes the very problems that exist, we then sanction the

country, we cannot get in and deal with the problem, and so it just gets worse.

Senator BROWNBACK. And we exacerbate it.

Senator DODD. Then by the time we get around to dealing with it, it is a far bigger problem.

Senator BROWNBACK. That is my point.

Senator SARBANES. How many countries are encompassed within your phrase in lines 8 and 9?

Senator BROWNBACK. I am told there are six on the terrorism list.

Senator SARBANES. No. You do not apply your amendment to them. How many countries——

Senator BROWNBACK. I thought that was what you were asking, I thought——

Senator SARBANES. No, I am asking to how many countries and which ones your amendment applies.

Senator BIDEN. To whom does your amendment apply?

Senator BROWNBACK. All but those that are on those two lists.

Senator SARBANES. No, no, because you would have to make some determination of provisions of law that restrict assistance to a foreign country. How many such country are there?

Senator BROWNBACK. Well, it applies to everybody but those that are on those two lists currently. And there is, I am told, six on the terrorism list and two or three that are on the drug list. So it would apply to all other countries.

Senator SARBANES. No, because all other countries do not have restrictions on them.

Senator BROWNBACK. And that would—your question would change depending on if they have problems with debts that they have not paid. But we are saying otherwise it applies to all countries except those two.

Senator SARBANES. How many countries? How many countries who now cannot get assistance would be able to get assistance under this provision, and which countries?

Senator BROWNBACK. I think I have tried to answer it three times. We have got—it would be nine countries that it does not apply to and otherwise it would apply to all other countries from here prospectively forward. If any of them were sanctioned in the future for non-debt payments——

Senator SARBANES. Well, how many currently are sanctioned to which this would apply?

Senator BROWNBACK. I do not know the answer to that question.

The CHAIRMAN. Would you forgive me? May we lay this aside temporarily and let the chair inquire. Is there another proposed amendment to Title II?

Senator DODD. Yes, Mr. Chairman, I have one.

The CHAIRMAN. To Title II?

Senator DODD. Oh, to Title II?

The CHAIRMAN. Yes.

Senator DODD. I am sorry. I have Title III.

Senator FRIST. Mr. Chairman, could I just speak to one section of Title II very briefly?

The CHAIRMAN. Sure.

Senator FRIST. I believe it is C. I do not have it here. It is the Sudan Peace Act. We have discussed and talked about it. It has passed through committee before. I just wanted to re-emphasize how important this particular subtitle is.

The ethnic cleansing and war in the Sudan has gone on for 16 years, 2 million people dead, 4 million people displaced. It is something I have felt very strongly about. The whole intent of the bill is to push the relevant players to the table with a comprehensive negotiated solution. It does address new tools, including humanitarian tools. We use all points of pressure.

Because I have been there, I have spent time there, it is something the Senate has addressed, we have addressed, I just want to re-emphasize. The hospitals that I have had the opportunity to work in there have been bombed 3 times in the last 3 to 4 months, and again I want to emphasize the importance of this bill, and appreciate your support in including this in the underlying bill.

The CHAIRMAN. There being no other amendment to Title II, I am going to lay it aside for the time being and go to Title III.

Senator BIDEN. Mr. Chairman.

Senator BROWNBACK. Mr. Chairman, could I make sure that we do get a vote on this while we have a quorum?

The CHAIRMAN. Oh, yes. We cannot do anything until we do something to Title II one way or another.

Senator BROWNBACK. OK. I just did not want to lose a quorum.

The CHAIRMAN. Yes, sir.

Senator DODD. Thank you, Mr. Chairman.

The CHAIRMAN. I hope you will be as brief as possible.

Senator DODD. I will try and be brief, yes, I will.

First of all, I just want to, before I offer an amendment, Mr. Chairman, I really do want to thank you immensely. There are some wonderful pieces of this bill, the underlying bill. Senator Ashcroft has mentioned on the food and medicine one and I too want to express my gratitude to you for that provision. It is tremendously helpful.

The debt relief provisions in this bill I think are one of the great messages. It may get lost in the news of everything else, but it is a tremendous gift that this country is giving to the world in the 21st century, to a lot of the poorest of the nations, trying to relieve them of that obligation. Obviously, taking the leadership in that is something which I think is worthwhile.

The HIV and AIDS are tremendously helpful and I really commend the chairman for this. This is in your bill and you are to be commended for it.

Senator BIDEN. Why do you always say "the chairman"? What the heck is the deal here?

Senator DODD. Well, I am getting to you in a minute, Joe.

And the microenterprise issue, I appreciate that. The microenterprise issue we talked about last year and I am grateful. You said you would let it be one of the first provisions up and you did, and I appreciate that.

And I thank, obviously, my friend and colleague.

Mr. Chairman, I have an amendment here that would delete language from the committee mark which would abolish the Inter-American Foundation. You all have in front of you here a rather

hefty looseleaf binder that explains the background and the history of the Inter-American Foundation. I am not going to go through all of this, but briefly let me just say to you, this is an organization that was established in 1969. It is over 30 years old.

In the 30 years, Mr. Chairman, this organization has provided over—around 4,500 grants in 38 different nations throughout the hemisphere, the average grant being about $70,000, dealing with the poorest of the poor in this hemisphere. It has made a significant difference. It is a $20 million program. It has been at $20 million for the last 5 years. No particular—no increase in that funding at all.

In anticipation of the arguments, Mr. Chairman, that will be raised, there have been three, four grants in three countries that frankly were bad, and I will go back over each one of the three or four grants in three countries: one in El Salvador, one in Argentina, one in Honduras. But of the 4,500 grants, to have 4 grants in 3 countries over 30 years is not what I would consider—does not warrant zeroing out the program.

I will go through each one of those and explain. One of them I think should not even be listed as part of the four, but the other three I think were, and the agency responded to them by terminating the grantees when it occurred. So it was not as if they sustained it thereafter.

Again, this has been a very worthwhile program. It has made a significant difference. Its purpose is, the mission as it was created, the following: to strengthen the bonds of friendship and understanding among peoples of this hemisphere, support self-help efforts, designed to enlarge the opportunities for individual development, stimulate and assist effective and ever-wider participation of people in the development process, and to encourage the establishment and growth of democratic institutions, private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere.

Some would argue, Mr. Chairman, that because the Foundation was created in the cold war that, given today's new geopolitical realities, it has outlived its usefulness. I could not disagree more. The challenges to governments in our own hemisphere are in many ways greater today than ever before and, while we are fortunate that all but one of the nations in this hemisphere have democratically elected governments, we cannot ignore the fact that many of them are grappling with serious economic, social, and political challenges that are putting enormous pressures on their institutions. And we are seeing that today in Ecuador, Venezuela, Colombia, not to mention in Bolivia, Peru, and there is a long list.

Today governments throughout the region are being asked by their citizens to demonstrate that democracy brings with it tangible economic benefits to all segments of society. And yet, as we all know, poverty and economic inequalities loom very large in nations like Chile, Argentina, and Brazil.

Ironically, at a time when economic development issues are of critical importance to strengthening support for democracy, the United States Agency for International Development, our premier development agency, has virtually no presence in Latin America and the Caribbean. So that was a program that really was there

for many years. It is virtually gone now from these nations, with the exception of a few extremely poor countries with respect to HIV and AIDS health care.

So all the more reason that the Foundation needs to maintain its presence in the region as a signal that we do care about democracy, that these nations that have emerged as democratic nations are fragile in so many cases. And here for us in a sense to cutoff all ties here because of three or four bad cases—and I admit they are bad—but after 4,500 that worked pretty well, I think would be a great retreat for us, and therefore the Foundation I think plays a very, very important role. Through its programs, its strengthening democracy from the ground up, it is critically important to the future of democracy.

In the Dominican Republic—I cite three examples—it established and operated two early childhood centers for 1 to 5 year olds in the little town of Esperanza, working with local civic and business organizations; in Haiti, to work in cooperation with community efforts in the city of Jacmel, drill wells, equipped a high school computer center, and built a bridge. It was in partnership with the local chamber of commerce in that country.

In Brazil, to establish a youth center in the city of Santo Andrea to support teacher training initiatives in five municipalities, working with Federal, state, and local authorities. And the list goes on.

These are the typical grantees of the 4,500. So I would hope that as we listen to the arguments against this that we would understand that this is an institution.

Now, the GAO, based on the chairman's request, is examining the comprehensive analysis of the Foundation's programs. It would seem to me that to terminate the program prior to the GAO giving us a report is a little getting ahead of ourselves here. If the GAO report comes back in and says there are things that need to be changed, then we ought to change it. But here we are going to terminate the program in this bill and we do not even have the benefit of the GAO analysis of the Foundation.

So again, Mr. Chairman, I would urge that we keep this. Now, let me just very briefly respond. There are four cases, and I will very quickly tell you about them, that caused the difficulties.

The case in Ecuador. I said El Salvador; it was Ecuador. Several Americans in the process of conducting an environmental impact study from an oil company were kidnapped by a local indigenous group in Ecuador to contest their protest that oil drilling might cause damage to the ecosystem. An active Foundation grantee who represented a regional indigenous federation and a former grantee which serves as an umbrella organization for all Ecuadorian Amazonian indigenous organizations signed a statement in support of the local group holding the American hostages.

The Americans were released. The Foundation, on learning of the issue, terminated the grant. A foolish thing to issue a letter in support of that.

No. 2, another indigenous group—this is in Ecuador as well—issued a threatening press release against an American citizen, Loren Miller, prohibiting him from entering the Amazonian lands because he was attempting to acquire a U.S. patent on a rare Ecuadorian plant for medicinal purposes. The plants are located and

controlled in one of the indigenous regions. The Foundation's grant had expired in 1997 before Foundation officials became aware of the incident.

In the case of Argentina, a grantee participated in a demonstration protesting a decision by the local government to withdraw from self-help housing in the city of Cordoba that it had originally indicated it would provide. In the course of the protest, roadblocks were set up and a cathedral was occupied. The demonstration ended peacefully when local governments agreed to meet with the protesters. The Foundation terminated the grant upon hearing of the incident.

In the last case, the case of Honduras, a grantee took part in a march to express concern about the possible expulsion of Afro-Hondurans from their coastal homes where they had lived for generations, but had no clear title to the land, as a result of the sale of the land to an American hotel concern.

The organizers of the demonstration obtained all necessary permits for the march. Except for a minor police incident, the march was uneventful. The Foundation in that case took no action. I would argue in that case a peaceful demonstration with permits to allow it should not necessarily have caused the grantees to be terminated.

Those are the four cases out of 4,500 in 30 years. And I do not think you terminate an entire program that is doing good work after that many years, doing that much worthwhile work. The average grants are $70,000. It makes a huge, huge difference.

Democracy does not grow by itself. It has to be nurtured. And without any USAID missions there, with limiting participation, the Inter-American Foundation is about all we have got left. If we abandon it and zero it out, I think we suffer the consequences in some of these fragile countries of seeing them revert to something other than democracy.

So I would hope my colleagues would restore this program. Wait for the GAO report to come out, make changes if they are necessary. But do not terminate an otherwise good program.

The CHAIRMAN. Well, let us hear the other side of the story. Let me make two points on this GAO study since I am the one who reported it. First, the GAO review is narrowly focused. The outcome will not tell us anything about whether it is in the national interest or the taxpayers' interest to keep this agency going. So to pretend that we have got to sit around and wait for that in order to save this outfit that ought to be done away with——

Second, the GAO will have preliminary findings in May or June, so if the GAO surprises me and comes up with a compelling reason for keeping the Foundation, which I am absolutely certain they will not, I promise the Senator we will work with him on the floor or in conference.

Now then, about the Inter-American Foundation. It has provided grants to terrorists and anti-American groups in Latin America who kidnapped American citizens and held them for ransom. Despite my request, the Foundation refuses to vet its list of current grantees with the CIA to ensure that taxpayers' dollars are not going to other terrorists or criminals.

Now, this alone is inexcusable. But to suggest that this is the main reason the Foundation should be abolished is not the case. In fact, it is a smokescreen to hide the real problem, and that is that the majority of Inter-American Foundation projects do not directly help poor people and the projects are not sustainable. This is after being in business for 30 years, costing the taxpayers of the United States more than one billion bucks.

Furthermore, the head of USAID, a man I respect greatly, Brady Anderson, sat right there and suggested that the only difference between Inter-American Foundation and the USAID projects is that the Foundation's projects are smaller in scale. The reality is that there is not one Foundation project that USAID does not already do or could do if asked, and with better oversight.

The Foundation—now get this—the Foundation's administrative expenses are 25 percent of its operating budget. That means all the people who get out the press releases telling how great the Foundation is. And 6.95 percent for USAID of operating budgets.

The Foundation is supposed to help poor people, but I must say that it is becoming a bloated Washington bureaucracy. If the goal is genuine grassroots economic development concentrating on self-help programs for poor people, I trust the Peace Corps will do a better job.

Now, abolishing, I will repeat, the Inter-American Foundation is consistent with this committee's work to streamline and reorganize the foreign affairs apparatus for the 21st century. We could do this without cutting the levels of assistance to Latin America and we can save the taxpayers money by eliminating the expensive operations of the Foundation's bureaucracy.

I am opposed to continuing this Foundation.

Senator DODD. Mr. Chairman, may I just quickly respond to two things? First of all, with regard to the CIA, I am told the CIA has no desire, with limited budgets, to get into a vetting process of the Inter-American Foundation. And in fact what they do do is——

The CHAIRMAN. But it does not make any difference whether they are or not.

Senator DODD. Well, I know, but the point is that to have the CIA do—right now all the grants go through the embassies in the countries where they are. Now, that may not be satisfactory to some, but I think it is certainly a more appropriate use of an agency than it is to have the CIA vet them.

But second, in a sense on the GAO thing, and I appreciate the chairman's comments on this, but what I am basically getting here is I am getting a verdict now and a trial later. All I am suggesting is that can I have—can I wait, can we get a delay on that, rather than terminate the program and then see what happens down the road?

Again, I think three or four cases out of 4,500 grants——

The CHAIRMAN. That is an exaggeration, Senator. I am sorry.

Senator DODD. No, that is a fact number. But anyway, I have made my case.

The CHAIRMAN. Well, you made it.

Senator DODD. I know you want to move along, so I did the best I can.

The CHAIRMAN. All right. What is the pleasure of the committee?

Senator DODD. Can we have a vote?

The CHAIRMAN. All in favor say aye——

Senator BROWNBACK. Mr. Chairman, if I could, because I am truly torn on this, because I hear your arguments and this is something I have not had a chance to really dig into and to study as to whether we should do away with it. I normally, great, let us do away with something, would be the general attitude that I would have here.

On this one, I need to know more, I think, about whether or not they are—what all they are doing with the grants and what they have done over a period of time and if they are reforming their efforts now or not. That is why I am a bit torn about whether to actually do that at this point in time or if we would be better off to look a little bit.

The GAO study, when does it report out? You said it is a narrow report?

The CHAIRMAN. May or June, I am told.

Senator BROWNBACK. May or June, but it is not a broad-based report?

The CHAIRMAN. We did not ask for a broad-based. We asked for specific things. We know about the rest of it.

Senator BIDEN. Mr. Chairman, may I? May or June the findings will be preliminary, but there is no final? When are we likely to get a final report from them, do we know? Some time in the summer, OK. I have got it.

Senator DODD. I said earlier, USAID is basically gone in the Caribbean and Latin America except for a couple of countries. This is it.

The CHAIRMAN. All in favor of the amendment will say aye.

[A chorus of ayes.]

The CHAIRMAN. Opposed, no.

[A chorus of noes.]

Senator DODD. Can we have a rollcall vote on that, Mr. Chairman?

The CHAIRMAN. Pardon?

Senator DODD. Can we have a rollcall vote on that?

The CHAIRMAN. The clerk will call the roll.

Mrs. ALLEM. Mr. Lugar.

The CHAIRMAN. Mr. Lugar, aye by proxy.

Mrs. ALLEM. Mr. Hagel.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Smith.

Senator SMITH. No.

Mrs. ALLEM. Mr. Grams.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Brownback.

Senator BROWNBACK. Aye.

Mrs. ALLEM. Mr. Thomas.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Ashcroft.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Frist.

Senator FRIST. No.

Mrs. ALLEM. Mr. Chafee.

Senator CHAFEE. No.
Mrs. ALLEM. Mr. Biden.
Senator BIDEN. Aye.
Mrs. ALLEM. Mr. Sarbanes.
Senator SARBANES. Aye.
Mrs. ALLEM. Mr. Dodd.
Senator DODD. Aye.
Mrs. ALLEM. Mr. Kerry.
Senator BIDEN. Aye by proxy.
Mrs. ALLEM. Mr. Feingold.
Senator FEINGOLD. Aye.
Mrs. ALLEM. Mr. Wellstone.
Senator BIDEN. Aye by proxy.
Mrs. ALLEM. Mrs. Boxer.
Senator DODD. Aye by proxy.
Mrs. ALLEM. Mr. Torricelli.
Senator BIDEN. Aye by proxy.
Mrs. ALLEM. Mr. Chairman.
The CHAIRMAN. No.
Mrs. ALLEM. Mr. Chairman, there are 10 yeas and 8 nays.
The CHAIRMAN. Ten yeas and 8 nays. The amendment is approved.
Is there further amendment to Title II?
[No response.]
The CHAIRMAN. There being none—I mean Title III, excuse me. Are there amendments to Title III?
[No response.]
The CHAIRMAN. Hearing none, all in favor of Title III will say aye.
[A chorus of ayes.]
The CHAIRMAN. Opposed, no.
[No response.]
The CHAIRMAN. It is approved.
Is there an amendment to Title IV?
[No response.]
The CHAIRMAN. Hearing none, is there a motion to——
Senator BIDEN. I move Title IV, Mr. Chairman.
The CHAIRMAN. I second the motion, and all in favor will say aye.
[A chorus of ayes.]
The CHAIRMAN. Opposed, no.
[No response.]
The CHAIRMAN. Any amendments to Title V?
[No response.]
The CHAIRMAN. Hearing none, is there a motion?
Senator BIDEN. I move Title V, Mr. Chairman.
The CHAIRMAN. I second the motion, and all in favor will say aye.
[A chorus of ayes.]
The CHAIRMAN. Any amendment to Title VI?
[No response.]
The CHAIRMAN. Hearing none, I will entertain a motion to approve Title VI.
Senator BIDEN. I move to approve Title VI.
The CHAIRMAN. You second it this time.
Senator FRIST. Second.

The CHAIRMAN. It has been moved and seconded, and all in favor will say aye.

[A chorus of ayes.]

The CHAIRMAN. Any amendment to Title VII?

[No response.]

The CHAIRMAN. Hearing none——

Senator SARBANES. Mr. Chairman, Mr. Chairman.

The CHAIRMAN. Oh, excuse me. I am sorry.

Senator SARBANES. Mr. Chairman, I have a couple of questions. I may have a significant problem with a couple provisions in Title VII. Section 774, I am not exactly clear what this is intended to accomplish and we have been—it has been very difficult to get information about it, and I really think that it ought not to be in the bill. Our colleagues on the Intelligence Committee have told me that it is not really necessary, and it seems to me the prudent thing to do would be to drop it from this legislation.

The CHAIRMAN. Does the Senator refer to section 774?

Senator SARBANES. Yes.

The CHAIRMAN. Well, let me say that inclusion of this provision was jointly agreed to and recommended by the chairman of the Senate Select Committee on Intelligence and its chairman strongly supports this provision.

Section 774 corrects an oversight in the Freedom Support Act. Customarily, activities conducted pursuant to the Title V of the National Security Act of 1947 are not, are not covered by foreign policy-related limitations or restrictions on assistance. The formulation used in section 774 corresponds directly with that found throughout U.S. law.

For instance, P.L. 106–113, that is to say the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act for Fiscal Year 2001, section 1132 prohibits the U.S. Government from providing assistance to any person who is involved in the research, development, and design, testing, or evaluation of biological weapons for offensive purposes. An exception to this prohibition is made for any activity being conducted pursuant to Title V of the National Security Act of 1947.

Numerous other examples in law are found. The staff provided for me a brief list of just a few of those examples and the list will be circulated at this time, if you will. Has it been circulated?

Mr. BILLINGSLEA. Yes, sir.

The CHAIRMAN. All right. In other words, section 774 merely extends this customary practice of exempting activities reportable under the National Security Act of 1947. And I know, I know it was not the intent of the drafters of the Freedom Support Act to impair or complicate the ability of the U.S. intelligence community to do its work, but unfortunately that has been precisely the result.

This section will rectify the problem and is entirely consistent with longstanding practice, and I oppose any effort to modify or delete this section.

Senator SARBANES. Well, have we heard from the intelligence people on this amendment?

The CHAIRMAN. Well, we heard from the chairman of the committee.

Senator SARBANES. No, from the intelligence agencies?

The CHAIRMAN. I do not know whether we have or not.

Senator BIDEN. Mr. Chairman.

The CHAIRMAN. Go ahead.

Senator SARBANES. What was the answer to that question?

Senator BIDEN. I beg your pardon.

The CHAIRMAN. Give your name and state what they said. In other words, they said they did not oppose the amendment, but they did not have the guts to say so. I expect that is what it amounts to. Go ahead.

Mr. BILLINGSLEA. Marshall Billingslea, staff member with the majority staff of the committee.

Our understanding is that this provision of the bill is something which the intelligence community is comfortable with. It reflects longstanding practice. They did not ask the chairman to include this provision in the bill.

Senator BIDEN. Mr. Chairman, what this section does makes some good sense, at least in principle. But when we limit assistance to another country, we mean foreign aid or military assistance and not the things that intelligence agencies can and do do. If an intelligence agency wants to provide something to Azerbaijan for intelligence collection purposes or if the President authorizes a covert action program to provide something, the intelligence community should learn about it and notify us.

But one of the problems I have with this is again it is something that I think is better discussed in a closed hearing. Senator Kerry, who is a member of the Intelligence Committee, had to leave and as he left he said: Please vote my proxy against this provision, and indicated that this is not something he would like to have to discuss and debate in an open session as to why he thinks that.

Again, I am not suggesting that the chairman is not able to draw his own conclusions without having to defer to the Intelligence Committee. But I—again, I am a little bit uneasy. As I understand it, the CIA is able to do certain things now. They might theoretically like this broader grant of authority, but they are not anxious to have any floor fight about this at this point.

I wonder whether or not—obviously, the chairman has thought this through more than I have—wonder whether it is not better to see if reaching some consensus by getting some briefings here that either does not entail an open debate at this point and does not get us into some of the policy questions.

The CHAIRMAN. Is the Senator recommending that we withhold the vote at this time?

Senator BIDEN. I am. Obviously the chairman, he knows more about this than I do because he is obviously proposing it and, hey, he probably has had the advantage of having these meetings and discussions with the community. But I for one think it would be better for us to withhold this and proceed with the bill, and if in fact it is, as it may be, if in closed session we conclude that this is something that on reflection makes sense, we could probably reach a consensus on including this.

But I am not committing anybody to that, but I just think that may be a wiser way.

Senator SARBANES. We could take it out of the bill now.

Senator BIDEN. That is what I meant, take it out of the bill now and make a judgment, and maybe the Senator or the staff could set up for Senators who have concerns a closed briefing on this issue.

The CHAIRMAN. I would rather just have a vote on it.

Senator BIDEN. OK, fine.

The CHAIRMAN. State what the vote will be on.

Senator SARBANES. The vote is to strike section 774.

The CHAIRMAN. I know that, but I want—where is Steve Biegun? Our vote will take it out?

Mr. BIEGUN. Yes, our vote will take it out.

The CHAIRMAN. OK. Do you understand?

The clerk will call the roll.

Mrs. ALLEM. Mr. Lugar.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Hagel.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Smith.

Senator SMITH. No.

Mrs. ALLEM. Mr. Grams.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Brownback.

Senator BROWNBACK. No.

Mrs. ALLEM. Mr. Thomas.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Ashcroft.

The CHAIRMAN. No by proxy.

Mrs. ALLEM. Mr. Frist.

[No response.]

Mrs. ALLEM. Mr. Chafee.

Senator CHAFEE. Aye.

Mrs. ALLEM. Mr. Biden.

Senator BIDEN. Aye by—aye.

Mrs. ALLEM. Mr. Sarbanes.

Senator SARBANES. Aye.

Mrs. ALLEM. Mr. Dodd.

Senator DODD. Aye.

Mrs. ALLEM. Mr. Kerry.

Senator BIDEN. Aye by proxy.

Mrs. ALLEM. Mr. Feingold.

Senator FEINGOLD. Aye.

Mrs. ALLEM. Mr. Wellstone.

Senator BIDEN. Aye by proxy.

Mrs. ALLEM. Mrs. Boxer.

Senator BIDEN. Aye by proxy.

Mrs. ALLEM. Mr. Torricelli.

Senator BIDEN. Aye by proxy.

Mrs. ALLEM. Do you want me to call Mr. Frist?

The CHAIRMAN. Mr. Frist.

Mrs. ALLEM. Mr. Frist.

Senator FRIST. No.

Mrs. ALLEM. Mr. Chairman.

The CHAIRMAN. No.

Mrs. ALLEM. The vote is 9 to 9.

The CHAIRMAN. It fails. Very well. Thank you.

That finishes Title VII.

Senator SARBANES. Mr. Chairman, I have a question and I need an explanation about section 712. Could someone explain that to me, what this amendment does?

The CHAIRMAN. Certainly.

Identify yourself.

Mr. BILLINGSLEA. Marshall Billingslea with the Senate Foreign Relations Committee majority staff.

Section 712 of the legislation raises the current limitation on law which governs the transportation of excess defense articles. Right now a variety of limitations are imposed on the ability of the United States Department of Defense to transfer excess defense articles, Section 516 of the Foreign Assistance Act. One of those limitations is that defense articles may not be transferred except on a space available basis on U.S. naval vessels and the weight of the items to be transferred may not exceed 25,000 pounds.

This amendment raises the weight that may be transported on a space available basis from 25,000 pounds to 50,000 pounds, for one simple reason. The Department of the Coast Guard has begun a process of phasing out a large number of small self-righting coastal patrol craft. They weigh about 33,000-35,000 pounds. There is going to be about 50 to 54 of these available over the next 4 or 5 years.

If they are not able to transport the vessels on a space available basis, other countries will have to pay for some other means of acquiring the vessels. So the Coast Guard is concerned that they could be forced to absorb the costs of extended periods of storage or demilitarization. This is the purpose of this provision.

This provision was drafted when the Defense Security Cooperation Agency flagged this provision and a difficulty in getting three of these boats to the Seychelles.

Senator SARBANES. Does this provision make it possible for boats to be sent to any country where they could not now be sent?

Mr. BILLINGSLEA. No, sir. This is a straight space available increase. It does not touch any other restrictions in foreign assistance or any other provisions of law. It simply says, as opposed to previously where the Navy could not put an item on one of their aircraft carriers that weighed 25,001 pounds, now they can put up to 50,000 pounds of weight onto that aircraft carrier, provided it is available space, a free ride.

Senator SARBANES. What countries is this designed to benefit, do we know?

Mr. BILLINGSLEA. We do not have a list yet from the Defense Security Cooperation Agency on which countries may seek to acquire these patrol craft. And they will be phased in. We also do not have that timeframe, but these 50-odd vessels will become available over a rolling period of about 4 years.

There have been a number of preliminary indications of interest in patrol craft and coastal vessels, but we understand that many interests do not revolve around these particular vessels.

Senator SARBANES. Now, by raising the weight so that they qualify for the shipment, does it then take them out from a congressional review process?

Mr. BILLINGSLEA. This does not affect the congressional review process under section 516 or any other provision of law. Under section 516, which governs the transportation of excess defense articles, there are a series of provisions which govern how this committee and the Congress is notified of those items being transferred, and then there are other overlapping provisions of law which govern transfers of lethal defense articles, prohibitions on transfers of any form of assistance to various specific countries, as well as in general categories of increase, such as state sponsors of terrorism. This does not affect any of that legislation.

Senator BIDEN. May I make a point? I quite frankly was wondering where. In other words, obviously there is a purpose for this.

Senator SARBANES. I am wondering about that.

Senator BIDEN. And quite frankly, I was wondering whether or not Azerbaijan might be one of the recipients of this. As I am told by State, the boats that are in question that would be of benefit to Azerbaijan here are boats that are too large to get into Azerbaijan by any other means than being shipped by rail lines. They could not be carried on any existing vessel, so I am told. And therefore, since those rail lines go through Russia and since the only purpose that could be rationally suggested for the existence of the boats would not be in the interest of Russia initially, that is a highly unlikely prospect.

The Seychelles are actually the most likely recipient for matters relating to interdiction and drug interdiction, among other things, which I do not quite frankly have a problem with.

Senator DODD. The other two, and I do not know if they are here, but I can note cases specifically. In the case of Colombia, I know as part of a program here down in the Yanos area of Colombia in the flat areas there are just thousands and thousands of miles of rivers, which are a great source where the drug trafficking moves. The ability to patrol those rivers is awesome, literally thousands of miles of navigable waters. I know that part of the plan or program to provide assistance includes I think some of these vessels for that particular effort.

I know Costa Rica also has been, is one of the main transport facilities, their coast. A lot of it comes off the coast of Colombia into Costa Rica, and the patrolling, the ability to patrol out there. Those are two cases I know about, and I think it would be a positive effect.

We had actually questions from my colleague from Maryland.

Senator SARBANES. If these boats went to Azerbaijan, for what purposes could they be used? Do we not have a limitation on that?

The CHAIRMAN. Nowhere in this amendment or in section 516 is Azerbaijan mentioned. I have heard that the administration is interested in giving boats to that country for nonproliferation operations and I think I might support that measure. But that initiative, if it ever happens, must be done in accordance with all applicable committee procedures and laws. If Senators want to object to Azerbaijan receiving Coast Guard vessels, they should do so specifically.

Now, deleting this provision will not affect the fundamental question of whether to give boats for Azerbaijan, but it will hurt the U.S. Coast Guard. It will also hurt small countries who want to re-

ceive some of the boats but cannot afford to pay for the transfer and so are hoping that the Navy can provide them.

Senator SARBANES. Well, that is the question I wanted to get at, is by raising this weight limit is it then possible for these boats to be transferred by the administration, period?

The CHAIRMAN. That is my understanding, but I better check.

Mr. BILLINGSLEA. Senator, two points of observation on this. Raising the threshold would smooth the way for transportation of these particular patrol craft to Azerbaijan or any other country if the administration were legally able to give these boats to Azerbaijan. But there are a series of other legislative requirements that the amendment does not go to, and my understanding as of very late today from the Department of State is that in fact they are talking about other boats that do not fall within this weight limit.

But the other concern which we did seek to address by this amendment was a practice of, in all candor, a practice of ignoring the law by the U.S. Navy engaging in exercises with various countries that utilized the craft in question and then they simply left them behind. So that there would appear to be a variety of legal ways to get excess defense articles from point A to point B that may not be strictly covered by this particular provision of the Foreign Assistance Act.

Senator BIDEN. Mr. Chairman, if I may, again because I was concerned about the very same thing the Senator is suggesting. Any boat that could meet the legal requirements of getting to Azerbaijan is only a boat that could be under 30,000, because I am told by State, not by Defense, I am told by State that the larger boats that are the more desirable boats are physically not able to be transported other than by rail.

If the purpose of the boats is for interdiction, the only way it could get to Azerbaijan is through the very country for whom they might be used to interdict, that is Russia. Therefore the likelihood of any of the kinds of boats we are worrying about getting to Azerbaijan is highly unlikely, because the very nation that they might theoretically be used against would have to provide a flatbed vehicle across their country on their rails.

That is why I am going to vote for the amendment.

The CHAIRMAN. Well, it is not an amendment.

Senator BIDEN. Excuse me. That is why—excuse me. If there was a proposal to strike it. That is why I support the amendment in the bill—the provision in the bill.

Senator SARBANES. No, I am just trying to clear it up. I do not think that our relationship with Azerbaijan ought to rest on the practicalities of Russia because our interests do not coincide, so I do not particularly place much credence in that. I just want to be certain I understand what we are doing here in terms of just taking this weight limit up all of a sudden, and what opportunities does that open up for the executive branch that heretofore have been closed to them in terms of how they interrelate with the Congress.

The CHAIRMAN. Do you want to tackle that one?

Mr. BILLINGSLEA. Yes, sir. There are a variety of restrictions that apply in section 516 of the Foreign Assistance Act. Countries must specifically be made eligible for receipt of excess defense articles in

the first place. So there is a notification process that occurs. We receive a list of countries that may receive these items.

Even if a country is eligible to receive excess defense articles, the Department of Defense is not automatically able to expend any funds in association with the transfer. That authority must be specifically given by this committee, and it is given in a select number of cases. But that list of countries that are eligible to receive crating, packing, and handling from the Department of Defense is much smaller.

For example, the bill before the committee now makes Mongolia eligible for DOD to absorb these transportation costs. Azerbaijan, for instance, is not an entity which has been made eligible for absorption of these costs. Therefore the Department of Defense would not be able to expend any of its funds in association with the transfer of an item.

Several other various restrictions apply, will continue to apply with or without this provision. The country, in order to receive space available transportation, the country in question cannot receive more than, I believe, $10 million in FMF and IMET together. So there are a couple of other requirements. It must be determined that it is in our national interest to do so.

Then the committee also receives notification of EDA transfers. Notification comes up and is subject to the committee hold process.

The CHAIRMAN. All right. Is there an amendment to Title VIII?

[No response.]

The CHAIRMAN. Hearing none, all in favor of Title VIII will say aye.

[A chorus of ayes.]

The CHAIRMAN. That winds us up except for the Senator's amendment. Please let us not lose our quorum.

Senator BROWNBACK. I would like to just go ahead and ask for a vote on my amendment. I think we have had a long enough debate, so I would request, I would move my amendment, Mr. Chairman. I move my amendment.

The CHAIRMAN. Very well. The question is on final passage——

Senator BROWNBACK. I mean, I move my amendment. I am asking for a vote on my amendment.

The CHAIRMAN. Oh, I am sorry.

Senator BROWNBACK. Let us have a rollcall vote on my amendment.

The CHAIRMAN. You want a rollcall vote, OK.

Senator BROWNBACK. Unless we can get it by voice.

The CHAIRMAN. The clerk will call the roll.

Mrs. ALLEM. Mr. Lugar.

Senator LUGAR. Aye.

Mrs. ALLEM. Mr. Hagel.

[No response.]

Mrs. ALLEM. Mr. Smith.

Senator SMITH. Aye.

Mrs. ALLEM. Mr. Grams.

Senator BROWNBACK. Aye by proxy.

Mrs. ALLEM. Mr. Brownback.

Senator BROWNBACK. Aye.

Mrs. ALLEM. Mr. Thomas.

Senator BROWNBACK. Aye by proxy.
Mrs. ALLEM. Mr. Ashcroft.
Senator BROWNBACK. Aye by proxy.
Mrs. ALLEM. Mr. Frist.
Senator FRIST. Aye.
Mrs. ALLEM. Mr. Chafee.
Senator CHAFEE. No.
Mrs. ALLEM. Mr. Biden.
Senator BIDEN. No.
Mrs. ALLEM. Mr. Sarbanes.
Senator SARBANES. No.
Mrs. ALLEM. Mr. Dodd.
Senator DODD. Aye.
Mrs. ALLEM. Mr. Kerry.
Senator BIDEN. No by proxy.
Mrs. ALLEM. Mr. Feingold.
Senator FEINGOLD. No.
Mrs. ALLEM. Mr. Wellstone.
Senator BIDEN. Aye by proxy.
Mrs. ALLEM. Mrs. Boxer.
Senator BIDEN. No by proxy.
You want to change your mind?
Senator BROWNBACK. No.
Mrs. ALLEM. Mr. Torricelli.
Senator BIDEN. No by proxy.
Mrs. ALLEM. Mr. Hagel.
The CHAIRMAN. Mr. Hagel, aye by proxy.
Mrs. ALLEM. Mr. Chairman.
The CHAIRMAN. Aye.
Mrs. ALLEM. Mr. Chairman, it is 11 yeas and 7 nays.
The CHAIRMAN. Very well. I thank the clerk.
Now then, on final passage, do you want a voice vote?
Senator BIDEN. Yes.
The CHAIRMAN. All in favor say aye.
[A chorus of ayes.]
The CHAIRMAN. Opposed, no.
[No response.]

The CHAIRMAN. I ask that a short statement regarding the Ashcroft amendment and a letter from Senator Gorton regarding the same be inserted in the record. Without objection, it is so ordered.

[The material referred to follows:]

STATEMENT BY SENATOR HELMS ON THE ASHCROFT AMENDMENT

Before this mark up concludes, I would like to in particular thank Senator Ashcroft for his leadership in winning the committee's approval of the food and medicine sanctions reforms. His efforts are commendable.

U.S. SENATE,
Washington, DC, March 23, 2000.

The Honorable JESSE HELMS,
Chairman, Senate Foreign Relations Committee,
Dirksen Senate Office Building,
Washington, DC.

DEAR JESSE: As you prepare to mark up the Technical Assistance, Trade Promotion and Anti-Corruption Act, I would like to signify my support for your inclusion of the language contained in the Food and Medicine for the World Act.

Last year, I supported Senator Ashcroft when he attached the original version of his food and medicine sanctions reform legislation onto the Fiscal Year 2000 Agriculture Appropriations bill. As a member of the conference committee on this legislation, I was quite displeased when these provisions were removed. With my delay in signing the report, I was secured a commitment that this subject would be addressed in the future. I am pleased that the future is now.

The Washington state agriculture community stands to benefit with the relaxation of onerous trade sanctions. Washington is arguably the most trade dependent state in the nation, and what with nearly 30% of our commodities being exported, new and expanding markets are essential and welcomed.

Sanctions relief does not only provide positive domestic repercussions, but affords a significant international implication. Food and medicine sanctions do not cripple regimes or dismantle communist governments. Instead, they hurt our family farmers and keep food out of the mouths of those who cannot provide for themselves.

In advance, I thank you for your continued support on this issue, and look forward to working with you to pass this significant legislation.

Sincerely,

SLADE GORTON.

The CHAIRMAN. It is perfunctory that the unanimous consent be made to permit the staff to make corrections as may be necessary.

There being no further business to come before the committee, I am delighted doing this: We stand in recess.

[Whereupon, at 4:35 p.m., the committee was adjourned.]

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