

# מדינת ישראל

משרד הממשלה

19

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מס' תיק

זטיבה: משרד ראש הממשלה

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מס' תיק מקורי

מס' תיק

# NEW SETTLEMENTS DO NOT HELP MIDEAST PEACE, BUSH REPEATS

(Israel knows U.S. policy on occupied territory)

By Alexander M. Sullivan

USIA White House Correspondent

Washington -- President Bush said May 23 that he has appealed to Israel not to build new settlements in the occupied territories because increasing such settlements "do not enhance the prospects for peace."

President Bush, however, denied placing pressure for compromise on Israel, even though he acknowledged Tel Aviv had rebuffed his concerns about building new settlements on the West Bank of the Jordan River.

During a morning news conference, Bush told a questioner Secretary of State Baker was repeating long-standing U.S. policy when he told a congressional committee May 22 that "I don't think that there is any bigger obstacle to peace than the settlement activity that continues not only unabated, but at an enhanced pace."

"I can understand the secretary's concern and perhaps frustration," Bush said, noting that Israel is well aware of U.S. policy. Bush asserted that "Israel is moving in some ways" which he declined to specify, "so I have no reason to be totally pessimistic."

But the settlements, he said, "have been and continue to be a difficult problem for us."

On the question of American aid for the Soviet Union President Bush said he will examine the Soviet requests "positively" but "realistically," refusing again to commit himself to Soviet participation in the July economic summit in London.

The president added that all options remain open and said he will meet this month with a Soviet economic delegation dispatched by Soviet President Gorbachev.

According to news reports, Gorbachev wants \$100,000 million in aid from the West over an unspecified time span, but Bush said he has not yet received any such proposal from Moscow. He said he wants to talk to leaders of the other industrialized democracies to determine how best to handle the request.

Bush said the Soviet delegation will be bringing "what Gorbachev told me would be new ideas on economic reform." He said he wanted to "get together" with other Western leaders "and see what we can do to help genuine reform in the Soviet Union." He added he was not prepared to comment on a proposal not yet brought to his attention.



Asked about his apparent "reservations" concerning Gorbachev's participation in the London summit, he said he didn't want a "negative" outcome for such a meeting. "I want to have it come out positive," he said.

Although Washington has "problems" with the Soviet Union, he pointed out it is in the U.S. interest "to have a reformed Soviet Union, particularly one that's going to prove to be more democratic." Reminded that Gorbachev had said the United States should be willing to commit funds to reform, he noted, "Nobody's talked to me about numbers. Nobody's talked to me about details."

Bush said he feels some optimism that remaining arms control issues can be settled, pointing out that if that happens, "there will be a summit" with Gorbachev. He said he could not predict the timing for such a meeting.

Bush responded to questions about the Soviet Union and the Middle East in a news conference called to announce his reappointment of General Colin Powell for a second two-year term as chairman of the Joint Chiefs of Staff. The president praised the advice Powell had provided during the Persian Gulf war and other military operations.

NNNN

אאא, חוזם: 23611

אל: רהמש/1460

מ-: המשרד, תא: 240591, זח: 1234, דח: מ, סג: בל,

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24134

בלמ'ס/בהול/מידי

אל: וושינגטון, נ'י והקונסוליות - בהול

כל הנציגויות - רגיל

להלן תגובת דובר משה'ח שפורסמה אמש על דברי בייקר בקונגרס:

לאחר עיון בנוסח השלם של עדות המזכיר בייקר בפני ועדת המשנה לפעולות זרות של הקונגרס אמר דובר משה'ח כי עדות המזכיר מורכבת משני חלקים. חלק אחד נוגע להתנחלויות. בנושא זה אנו חלוקים עם ארה"ב כולל עם דברי בייקר בנדרון.

החלק השני מתייחס לתהליך המדיני. בנושא זה הציג המזכיר את ההסכמות ואי ההסכמות כפי שנדונו בשיחות עמו בארץ. חבל רק שלא הצביע על הסרבנות הערבית ובמיוחד הסורית שהיא היא המכשול האמיתי לתהליך השלום.

שה'ח יסקור את פרטי עדות בייקר בישיבת הממשלה ביום ראשון.

הסברה

תפוצה: שהח, סשהח, @ (רהמ), מנכל, ממנכל, סמנכל, אוקיאניה, מצרים, מצפא, אסיה, מאפ, אמלט, מזתים, מזאר, ארבל2, ארבל1, הדרכה, מעת, הסברה, ממד, איר1, איר2, @ (לעמ), מקצב2, אומן, פרנ, מחע, משקוף, מיחשוב/המשרד, חליפה, בטמח, כספים, משפט

סססס

אאא, חוזם: 23304

אל: רהמש/1434

מ-: וושינגטון, נר: 439, תא: 230591, זח: 1751, דח: מ, סג: שמ,

בבב

שמור/מידי

א ל: ארב"ל 2.

ד ע: ז'נוה.

מאת: השגרירות, וושינגטון.

גוס החתומות על אמנת ז'נוה.

ש"ח (22.5) עם ווליאמסון.

1. בעקבות הדיווחים הסותרים שקיבלו לגבי החלטת ה-12 והעלאת הנושא עם ש"ח לוי הנחו נציגויותיהן בבירות ה-12 להבהיר הנושא. כמו-כן ביקשו שגרירם בישראל להתעדכן בנושא מפגש ש"ח ה-12.

2. סיפרה כי בדווח שקבלו מלוקסמבורג עולה שהחלטת המנכל'ים המוכנים להשעות מסירת החלטתם למזכ"ל היתה קשורה בסיור המזכיר באיזורינו ולא בפגישה הצפויה בין ה-12 לש"ח לוי.

3. בשיחות עם ה-12 הונחו נציגיהם בבירות ה-12 להבהיר בין היתר שנכונות ה-12 להשיב בחיוב למזכ"ל אינה עולה בקנה אחד עם רצונם למלא תפקיד פעיל ואחראי בתהליך השלום. יבקשו מהם TO REVISIT עמדתם אם אמנם החליטו כפי שאנו ומקורות נוספים טוענים שהם החליטו.

4. במידה וההבהרות שיקבלו תהיינה חיוביות, יצטרכו לשוב ולבחון עמדתם. השאלה שתעמוד אז תהיה האם להשיב (למזכ"ל) בהקדם.

5. בתשובה לשאלתי לגבי תשובתם ציינה כי להערכתה התשובה תהיה ברוח דברי פיקרינג בדו"ח אשתקד.

שטיין.

תפוצה: שהח, סשהח, @ (רהמ), מנכל, ממנכל, @ (מצב), ביין, ארב"ל 2,  
בנצור, מצפא, הדס, איר, 1, איר, 2, סיבל, משפט,  
סולטן, מזתים

סססס



אאא, חוזם: 23270

אל: רהמש/1431

מ-: ווש, נר: 2212, תא: 230591, זח: 1300, דח: מ, סג: סו,

בבב

סודי/מיידי

אל : סמנכל צפא ופרן

דע : לשכת שהח, לשכת רהמ'

מאת: לשכת השגריר, וושינגטון

עדות המזכיר

1. השגריר שוחח טלפונית עם רוס (23/0900) וציין בעקבות ההדים התקשורתיים שנתנו לעדות המזכיר בביה'נ ששימת הדגש על נושא ההתנחלויות היא COUNTER PRODUCTIVE הוסיף שהרושם שנוצר בעקבות הדברים אינו עולה עם רוח שיחות המזכיר בארץ.

כמו-כן העיר לנתונים המספריים שהמזכיר השתמש בהם. השגריר הציע שהמזכיר ינצל הזדמנות עדותו בסנט לתקן הרושם.

2. בהמשך השיחה התייחס רוס ביוזמתו לפעילות במועביט בנושא הגרושים. הדגיש שהנשיא והמזכיר רואים בנושא ההתנחלויות ובנושא הגירוש עניינים מרכזיים הזוכים לתשומת לב אישית מצידם. השגריר מצידו הדגיש שחשוב לא להפוך הנושא, שנבדק עי ערכאות החוק השונות בישראל, לאמצעי נגוח נוסף נגד ישראל.

3. הציר דבר באותו ענין עם קרצר. קרצר אמר שבימים בהם המזכיר מעיד אין תדרוך של הדוברת ושהאפשרות היחידה לתקן את הרושם של אתמול תהיה בעדות מזכיר בסנט היום, אבל קרצר הוסיף שאפילו אם יחליט המזכיר לאזן היום את דבריו לא יזכו הדברים לאותה הבלטה תקשורתית כמו אתמול ולכן הנזק ישאר בעינו. 'להצדקת' המזכיר אמר קרצר שברור מאליו שכוונתו לא היתה להבליט עד כדי כך את נושא ההתנחלויות שהרי לא הזכיר אותו כלל בהרצאת הפתיחה שלו.

לשכת שגריר

תפוצה: שהח, סשהח, @ (רהמ), @ (שהבט), מנכל, ממנכל, ר/מרכז,  
@ (רם), אמן, @ (מצב), ממד, בנצור, מצפא, סייבל, סולטן

סססס

# MIDEAST PARTIES URGED TO REMOVE BARRIERS TO PEACE

(Baker lists major barriers to peace) (1530)

By Edmund F. Scherr and Davis Brashears  
USIA Diplomatic Correspondents

Washington -- Secretary of State Baker said May 23 that there will be no peace process in the Middle East until both Israel and the Arab parties "take actions" on the obstacles to that effort.

"There is plenty of room for movement by both sides," Baker added in his second day of congressional testimony on the Middle East. The secretary cited as major obstacles to peace the Israeli settlement program in the occupied territories and the Arab states' continued state of belligerency against Israel. The Arab economic boycott of companies doing business with Israel, he said, is another important obstacle to the peace process.

Baker reminded questioners it is the long-held U.S. view that the Israeli settlements are an obstacle to peace. In testimony May 22 to the House Appropriations Subcommittee on Foreign Operations, the secretary said he did not think that there was any bigger obstacle to the peace effort than the settlements.

"I did not say it was the biggest," Baker told the Senate Appropriations Committee hearing May 23. "There are other obstacles that are every bit as big...I do not exclude those others."

"It is equally important, in my view, that the Arab states recognize the obstacle to peace that is presented by the state of belligerency that continues to exist between them and Israel," Baker added.

Baker again emphasized that two unresolved issues delaying the peace process concern a United Nations role at an international peace conference co-sponsored by the United States and the Soviet Union, and questions related to whether such a conference should be reconvened after the opening ceremonial session. Syria and Israel do not agree on these issues.

The secretary said it would be "tragic" if the parties concerned used these two issues as reasons to stay away from the negotiating table. However, he said that if the peace process fails, it will be because of the major obstacles.

Baker noted that "we're talking about a conference that cannot impose a solution, cannot veto results, cannot dictate to the parties." He pointed out that Israel has said that it will negotiate a comprehensive settlement based upon U.N. Security Council Resolutions 242 and 338; Israel and the Arab states



differ in their interpretations of these resolutions. "But we'll never have peace until you get face-to-face negotiations" that will determine what the resolutions require, he stressed.

The secretary said that Syria wants a U.N. involvement in the conference to give it international legitimacy. "I have made the point that there are a number of ways that this conference would have international legitimacy," he noted.

Concerning the trials of persons in Kuwait accused of collaborating with Iraq, Baker emphasized, "We want to see the right of fair trial accorded," adding that "we do take note" of the "very serious and severe atrocities committed during the period of (Iraqi) occupation."

He said some news reporting of the trials was "not accurate or complete." The Kuwaiti government, he noted, is in the process of developing a judicial process and procedure that it did not have before.

Baker again praised as a "major step forward" the decision of the Gulf Cooperation Council states to discuss regional issues with Israel. "They're doing something that Arab governments have been unwilling to do before -- sitting down face-to-face with Israel -- and they're only doing it because we asked them to do it," he said.

Questioned about pledges to help pay for America's operations to liberate Kuwait, he answered, "We did not say that they had to be paid before the first of June." He said that the gulf states, Japan and the Europeans are paying their pledges "as agreed."

Asked about the purpose of the administration's \$57 million aid request for Jordan -- a nation that supported Iraq during the gulf war -- Baker said that "it is not in the national interest of the United States to see a radicalized Jordan."

However he stressed that "this does not excuse in any way, the position that the leadership in Jordan took in the Iraq-Kuwait war. We were very disappointed by that.

"Without Jordan there will be, in my view, little chance of a peace process. I think King Hussein is almost indispensable to a peace process," he added.

He pointed out that in the past Jordan had a fairly close relationship with the United States. "It has been a relatively moderate country. We want to see it continue" to be a stable and moderate country, actively and affirmatively engaged in the peace process, he said.

On other international issues, Baker was asked to comment on



the possibility that Congress would designate a portion of U.S. humanitarian aid directly for the Baltic republics without consulting Moscow. He responded, "We have already channeled some aid to the Baltic republics, humanitarian aid, but we've done so in consultation with the center (the Soviet government)".

Baker noted that the April 23 agreement between Soviet President Gorbachev and the republics indicates that "the path of reform is still being pursued in the Soviet Union, not just by the republic leadership, but by the center.

"It's very important, I think, that we support that effort at enhanced political legitimacy," the secretary told the panel. If additional humanitarian assistance is made available by the United States, he said, it should not be done in a way "designed to stick it in the eye of the center, but to do it in a consultative and cooperative way."

Questioned about the issue of providing humanitarian assistance directly to people in other East European countries, where repression still exists, such as Bulgaria or Albania, Baker replied, "I think a lot would depend on whether or not the center was trying to prevent that aid from reaching the localities as a punitive political measure."

Before attempting to provide such aid, he said, "I think you ought to make some effort to find out" whether the central government would try to impede its distribution. "I don't think that we ought to just step up here and start taking action that would lead to further instability or Balkanization in countries that already have too much of it," the secretary stressed.

In that regard, he noted that the United States has "an interest in seeing...a democratic, but unified, Yugoslavia. That's the policy position of the United States. We ought not to be...working at cross purposes with the policy," he said.

Although the secretary conceded there might be some situations which would justify a direct aid approach, he emphasized, "I don't think that you can answer that just generically across the board."

He said that legislation banning U.S. aid to Yugoslavia because of human rights violations carried out within the Serbian republic "is aimed at the wrong target, and it is hurting the very people that are interested in promoting free market economic reform, and in promoting democracy." Baker described the legislation halting about \$5 million in aid to the central government as "a very crude device."

"In an effort to correct a tragic situation and to right a

wrong," the secretary said, "we are running a serious risk of injuring the wrong party."

Speaking of President Bush's Enterprise for the Americas initiative, a \$410 million proposal for aid to Latin America, Republican Senator Robert Kasten told Baker that Congress made a mistake in not including the provision in the foreign aid bill that was passed last year. "Now I believe we've got to work doubly hard, all of us, in order to include that provision in legislation," he said.

Baker replied. "We have a remarkable record of success in Latin America. And we need to lock that in; that is, success in countries moving toward democracy, moving toward free market economic reforms. We have an almost all-democratic hemisphere, with the exception of Cuba, and that Enterprise for the Americas initiative is very, very important. Thank you for saying so," the secretary said.

Baker noted that the administration also has asked for an increase of \$155 million in the counter-narcotics program; a \$30 million increase in Eastern Europe assistance; a \$66 million increase in contributions to the multilateral development banks; and a \$45 million increase in budget authority for security assistance.

Asked to comment on the idea of linking U.S. foreign assistance to procurement, Baker responded, "We do not think that tied aid is in the long-term economic interests of this country or of other countries, and we would prefer to approach this from the standpoint of trying to get the practice stopped by others."

On another issue, nuclear nonproliferation, as applied to India and Pakistan, Baker told a questioner that "we have had some discussions regarding the possibility of a regional approach to nonproliferation in that area of the world. We have had discussions with those two countries and others, and we will continue to do that."

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CONGRESSIONAL PANEL RECOMMENDS FULL MIDEAST ARMS BAN  
(But measure a long way from law)

Washington -- The House of Representatives Foreign Affairs Committee recommended May 23 that the full Congress mandate a U.S. arms embargo to the Middle East until some other arms supplier breaks the moratorium or until a multilateral arms control pact is achieved for the region.

The measure became part of the foreign assistance authorization bill, which the committee then reported to the full House.

"In our efforts not to repeat past 'business as usual' arms sales practices in the Middle East, the committee has just adopted an important arms control initiative," declared committee chairman Dante Fascell, a Democrat from Florida.

"Our action today is intended to jump-start" the process of winding down the Middle East arms race, he said. "Just as U.S. initiative and leadership followed by international cooperation was decisive in our success against Iraq, it is needed again to create lasting peace in the Middle East."

But the bill is a long way from becoming law. It must first be passed by the full House of Representatives and then be sent on to the Senate, where other committees would examine it before a floor vote. The president would then have to sign the measure for it to take effect. If he vetoes the bill, the Senate is likely to sustain his objections rather than provide the two-thirds majority needed to pass it into law without his signature.

Administration officials oppose arms embargo legislation. They say it leaves the administration no flexibility in conducting that aspect of foreign policy. Moreover, they say, some nations will violate the spirit of the moratorium regardless of the dangers to international stability, and U.S. allies need American arms to maintain that stability.

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## HOUSE VOTE SUPPORTS TWO-YEAR FAST-TRACK EXTENSION

(Close Senate vote expected)

By Bruce Odessey  
USIA Staff Writer

Washington -- A House of Representatives vote supporting a two-year extension of President Bush's fast-track negotiating authority has moved the United States, Mexico and Canada a step closer toward negotiations on a North American Free Trade agreement.

In a key 231-192 vote May 23, the House defeated a resolution by Representative Byron Dorgan that would have rejected fast-track extension until June 1, 1993.

The fast-track issue also neared resolution in the Senate, where a close vote was expected late May 23 or early May 24.

House Democrats were joined by one independent member in voting for the Dorgan amendment 171-91, while Republicans voted against it 140-21.

Fast-track authority requires Congress to accept or reject any negotiated trade agreement within certain time limits and without amendment. The 1988 Trade Act granted fast-track authority through June 1, 1991, with an automatic two-year extension unless either the House or Senate passed a resolution blocking it.

The Bush administration has been fighting hard for extension, arguing that it cannot finish trade negotiations in the four-year-old multilateral Uruguay Round or begin them in the trilateral North American Free Trade Agreement without fast-track.

The Uruguay Round collapsed in December and restarted formally a few months later, but serious negotiations in Geneva have been delayed pending the outcome of the fast-track extension issue in the United States.

Few fast-track opponents in the House even mentioned the Uruguay Round; their focus was on the proposed North American trade agreement.

Organized labor is solidly opposed to fast-track extension, as are some environmental and consumer groups in the United States. One of their arguments is that a free-trade agreement would draw factories and jobs to Mexico to escape high U.S. wages and strict environmental, safety and health

Some fast-track opponents argue that the Bush administration is too willing to make trade concessions with other countries for diplomatic reasons.

# EXPERTS STRESS NEED FOR ARMS CONTROL IN MIDDLE EAST

(Region remains a "dangerous neighborhood")

By Berta Gomez

USIA staff writer

Washington -- Given that the potential for conflict in the Middle East remains high, the United States ought to persist in its efforts to stem the spread of arms in the region, a panel of experts told the Senate Foreign Relations Committee May 23.

"The Middle East will remain a very dangerous neighborhood, but one we cannot walk away from," said Geoffrey Kemp of the Carnegie Endowment for International Peace. "Virtually anything that happens there is going to concern us," he said during the hearing, which focused on the prospects for arms control in the region.

The other witnesses were Barry Blechman, president of Defense Forecast, Inc.; Brad Gordon, an assistant director of the Arms Control and Disarmament Agency; Anthony Cordesman, an aide to Senator John McCain (Republican-New Mexico); and Dov Zakheim of SPC International Corporation.

Gordon told the committee that the "central question" now is finding the right balance between providing for the defense of America's allies, and stimulating arms control in the region.

He also disputed the belief that the Israeli-Palestinian dispute is the major remaining obstacle to comprehensive arms control and peace in the region.

"Solving the Arab-Israeli dispute is not the be-all and end-all of Middle Eastern regional security issues," Gordon declared. Even if that issue were settled there are "any number of intraArab disputes," as well as the question of Arab-Iranian relations left to sort through, he argued.

Despite those complications, he stressed that the Middle East "cries out" for some kind of arms control.

For his part, Kemp stressed the importance for Washington of maintaining some distance from the arms control process, saying that "we must not try to impose an arms control ideology on the Third World." Rather, the emphasis should be on encouraging Middle Eastern countries to talk to one another about the relevant issues.

He suggested that for the United States, restrictions on arms sales should probably depend more on the nature of the recipient regime, that on the character of the weapons systems being sold. It is not inherently dangerous, Kemp said, for reliable allies to have access to sophisticated U.S. technology.

Also at issue is what percent of the export credit must be aid. For the poorest countries, the grant element must be 50 percent. For those middle-income countries with per capita incomes below \$2,335, the proposed grant element would be 80 percent.

Tied-aid credits with a grant element higher than 80 percent would be considered aid and not subject to the rules.

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Regarding the nuclear issue, Kemp said the United States should not call upon Israel to give up its nuclear deterrent, but should work to put ceilings on the Israeli nuclear program. "The reality is no Israeli government will contemplate giving up nuclear weapons probably until there has been a generation of peace in the region," he said.

Moreover, Kemp said it would be "counterproductive" to pressure Israel on the nuclear issue "at the same time we want Israel to be more flexible on giving up land" in exchange for peace with its Arab neighbors.

Cordesman was even stronger in his defense of the Israeli nuclear program, calling it "the only way to deal with threats like Syria's chemical weapons capability."

In other respects, Cordesman gave a grim assessment of the extent of weapons proliferation in the region. "The situation in terms of arms transfers is already much worse than it was in 1989 or (early) 1990," he said.

Specific points of concern include reports that two-thirds of Iraq's military has remained intact, efforts on the part of Syria to obtain accurate, long-range ballistic missiles, and indications that Algeria is building a nuclear reactor, according to Cordesman.

Asked by Committee Chairman Terry Sanford (Democrat-North Carolina) to predict what kind of role the United Nations might play in controlling arms proliferation in the region, the panelists generally agreed that the U.N. ought to begin by repairing its relations with Israel.

Dov Zakheim noted that the U.N. General Assembly "has yet to rescind" a resolution in which it equated Zionism with racism, and suggested that "until something is done about that resolution, the U.N. is a non-starter in the region."

Barry Blechman agreed that the resolution "is obnoxious, and clearly should be rescinded as soon as possible," but suggested that the United Nations has by its recent actions acquired a new stature in the region. "We've...seen an extraordinary renaissance in the U.N.," he said, adding that there would be "lots of advantages to involving it in the Middle East."

"Ultimately," said Kemp, "I think the U.N. does have a role to play...if that resolution is ever reversed." He also noted that "the test case" for the organization will be Iraq, and how its current relief/protection efforts succeed in the aftermath of the war.

The panelists were generally skeptical about the value or wisdom of having Washington sign non-aggression or mutual

assistance treaties with the countries of the region.

Cordesman described non-aggression agreements as "literally scraps of paper," and said existing regional organizations such as the Gulf Cooperation Council (GCC) "had done as much harm as good" by obscuring rivalries and disputes between member states.

It is important, he said, for the United States to know that it must deal with all Middle Eastern states individually as well as collectively.

For his part, Blechman said that while it is important to maintain a U.S. presence in the Gulf, "I wouldn't want a formal treaty commitment," which would restrict U.S. flexibility in "a very volatile region." At the same time, he explained, a limited U.S. presence will demonstrate "that we remain interested, and committed to the area."

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## The Wireless File

inspire Americans by President John F. Kennedy, when he said, "Ask not what your country can do for you; ask what you can do for your country."

"Let no people say that the people of the Middle East are not for peace. We are," said Oakar, who worked tirelessly for years to lead through Congress the legislation that would establish the memorial on federal parkland.

Senator Mitchell (Democrat of Maine), said it was "fitting" that the memorial should be established in the capital city of the nation, one that has "been a haven to people of all nations."

The senator, chief sponsor of the legislation for the memorial in the Senate, said immigrants such as Gibran had "enriched" the United States immeasurably.

As Flip Wilson — a famous actor, longtime devotee of Gibran's works, and tireless worker for the memorial — read a passage of Gibran's poetry, he urged everyone attending the dedication to read the passage in unison.

The United States Marine Corps Band played the hymn "America the Beautiful" as the water rose from the fountain for the first time, and the crowd read Gibran's words: "I love you, my brother, whoever you are... Whether you worship in your church, kneel in your temple, or pray in your mosque.

"You and I are children of one faith... fingers of the loving hand of one Supreme Being, a hand extended to all...."

After the official dedication ceremony, a reception and a luncheon were held on Capitol Hill, to celebrate the fruition of the nine-year endeavor.

Flip Wilson again read from the works of Gibran. His eyes filled with tears and voice breaking, he recited — totally from memory — the poem, "I Spoke with my Soul." Many in the audience were moved to tears, as well.

It was only then that listeners understood how his reading of the Gibran works had so moved the House of Representatives that they had passed the enabling legislation which led to construction of the memorial.

The idea for the memorial garden, which has two fountains of falling water with granite walkways, was conceived nine years ago, and nurtured by the founder of the Kahlil Gibran Centennial Foundation's Sheryl Dekour Ameen. It was she who organized the foundation in 1983, and would not let the concept of a memorial rest until its completion.

William Baroody, chairman of the board and president of the Kahlil Gibran Centennial Foundation and credited with ceaseless, diligent fundraising for the memorial, served as master of ceremonies at the dedication.

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### SETTLEMENTS CALLED "MAJOR ISSUE" IN PEACE PROCESS

(Procedural issues seen "not insurmountable") (990)

by Norma Holmes  
USIA Staff Writer

Washington — The Israeli program to build settlements on the occupied West Bank is "a major problem" obstructing the peace process, according to a panel of noted Middle East analysts who say U.S. policy in the peace process should "emphasize substance."

"The president and secretary of State Baker are correct in identifying the continued Israeli program to build settlements on occupied territory — on confiscated and expropriated land — as a major problem," William Quandt, senior fellow at the Brookings Institute told Congress May 23.

Also testifying in a Senate Foreign Relations hearing — the last in a series of

seven on the Middle East — were Dr. Michael Hudson, professor of International Relations and Government at the Georgetown University School of Foreign Service; Dr. George Moffett III, correspondent and former Jerusalem bureau chief for the Christian Science Monitor; Dr. Bruce Kuniholm, chairman of the Department of Public Policy Studies at Duke University in Durham, North Carolina; and Dr. Marvin Feuerwerker, senior strategic fellow at the Washington Institute for Near East Policy.

Quandt, noting the procedural issues cited by Secretary of State James Baker in congressional testimony this week, said the questions are "not insurmountable," but do not touch on underlying issues in the peace process.

Baker told the House Appropriations Subcommittee on Foreign Operations in a May 22 hearing that only two issues between Syria and Israel are holding up progress on Middle East peace: questions which relate to the United Nations role in an international peace conference, and to the duration of the conference.

The positions of Syria and Israel on these two issues have been "directly opposed," Baker said, noting that Israel says it wants no U.N. role and wants the conference to meet only one time.

"The conflict between Israel and its neighbors touches on key substantive issues," Quandt pointed out, adding that if not addressed, the problem of Israeli settlements "is likely to grow" as large numbers of new immigrants apply to Israel and need to find housing.

Other substantive issues on the table when talks begin, he said also involve the control of the occupied territories: the West Bank and Gaza Strip, the status of Jerusalem, security arrangements, and the credibility of any peace commitments or guarantees by outside powers.

"These issues will be genuinely difficult to resolve," Quandt warned. "For negotiators to do their job, peace talks need to



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begin soon, and in an atmosphere of compromise. I think that is what the administration is trying to achieve."

Hudson, who also suggested that the U.S. should "emphasize substance in the Palestinian-Israeli conflict," said deteriorating economic conditions in the postwar region are a fertile ground for destabilizing elements.

He said the U.S. must continue to monitor and address "the growing economic cleavage between have and have nots" and should encourage the process of democratization now beginning to take root throughout the region.

Moffett said two crushing issues — the problem of population growth, which is now recognized by every leader in the region — and water — "present major threats to stability" of the entire region. He said ways to ease regional tensions need to be found quickly until both problems can be thought through.

"The Middle East is a region living on borrowed time," he warned. Without drastic cooperative efforts, he said the spiral of population growth and diminishing water resources may explode "within 30 years." Moffett cited as examples of what can be done to resolve both problems a Cairo family planning clinic and an agricultural project in Aleppo, Syria which has "dramatically coaxed crops out of the soil" despite the shortage of water.

Moffett said the need for water sharing may become "a catalyst for unprecedented conflict or (unprecedented) cooperation in the region — there is no panacea at hand."

Kuniholm said regional aggression remains the major post-war threat to the region, but "it is possible to put money elsewhere than in arms," he stressed. He said the time may come when Secretary Baker will have to declare the U.S. position "on substantive issues."

He said the involvement of other regions and states may be useful in resolving the

present impasse on procedural issues. A question to examine, he suggested, "is the extent to which European allies and the Soviet Union should now become involved" in the peace process. "We also have natural allies in the region, such as Turkey, Egypt and Israel," which could be instrumental in moving the process along, he said.

Feuerwerger, noting that "the time may come very soon to bring procedural matters to a head," said the Gulf war "did nothing to change substantive positions of the parties to the conflict." He said "an absence of political leadership which can take difficult decisions" may be a major obstacle in the current process, but some tangible gains between Israel and Jordan have been made in resolving border disputes. Counseling patience, he said "public opinion polls consistently demonstrate that Israelis have remained open" to conflict resolution consistent with U.S. policy since 1967.

However, Quandt pointed out that Israeli public opinion polls now show that "the Israeli public is quite evenly divided between hardline and soft line" approaches to conflict resolution. He said about 30 percent of the Israeli public "favors some form of status quo or autonomy" for the territories. "That suggests to me that the Israeli government is considerably more hardline than Israeli public opinion as a whole," Quandt added.

While agreeing that peace cannot be imposed from the outside, participants were divided in views on the extent to which the U.S. should become involved in the peace process. "We cannot force the parties to make peace. But we can help to structure their incentives and clarify their choices," Quandt said.

\*NEA507

EDITORIAL: MARKING MEMORIAL DAY (530)

(Following is an editorial, which will be broadcast by the Voice of America May 27, reflecting the views of the U.S. gov-

ernment.)

Today is Memorial Day in the United States — a time when Americans honor the more than 1.2 million U.S. soldiers, sailors, marines, and airmen who have fallen in battle. In his Memorial Day proclamation, President George Bush noted that "The sacrifices of those who fell in the Persian Gulf are a fresh and vivid memory, but on this occasion we also remember those who died while serving in places such as Panama, Grenada, Beirut, Korea, and Vietnam. We also honor with undiminished pride and gratitude those who served decades ago, during World Wars One and Two." They gave their lives so that, in the words of America's 16th president, Abraham Lincoln, "government of the people, by the people, for the people, shall not perish from the earth."

Most of America's soldiers have been young. William Horsfall was a drummer boy in the Union Army during the American Civil War. During the fierce battle at Corinth, Mississippi, in May 1862, he saw his commander fall in front of Confederate lines. Ignoring the warnings of his comrades, the boy raced through enemy rifle fire and exploding artillery shells to drag the wounded officer to safety. By order of President Lincoln, William Horsfall became the youngest soldier ever to win the Congressional Medal of Honor — America's highest military decoration.

The overwhelming majority of those who have fought for America in war have also been civilians, not professional soldiers. They have had no great liking for military life. Alvin York was a Tennessee farmer. A deeply religious man, York opposed war so strongly that he nearly refused to serve in the First World War. But after much prayer he decided that it was his duty to oppose evil, with force if necessary. In a single afternoon in September 1918, York silenced 35 enemy machine guns, killing 29 German troops and forcing 132 others to surrender.

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SUBJECT: STATEMENT BY SECRETARY OF STATE BAKER - WEDNESDAY, MAY 22, 1991

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THE FOLLOWING IS TEXT OF OPENING STATEMENT BY SECRETARY OF STATE BAKER SUBMITTED TO HOUSE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS, WEDNESDAY, MAY 22, 1991. SUBJECT: FY 92 APPROPRIATIONS.

TEXT FOLLOWS:

MR. CHAIRMAN:

I AM PRIVILEGED TO APPEAR BEFORE THIS SUBCOMMITTEE TO TESTIFY ON BEHALF OF OUR FOREIGN ASSISTANCE FUNDING PROPOSAL FOR FISCAL YEAR 1992. WITH YOUR PERMISSION, I WOULD LIKE TO HAVE MY WRITTEN STATEMENT ENTERED INTO THE RECORD.

WITH YOU NOW, I WOULD LIKE TO REPORT ON MY RECENT TRIPS TO THE MIDDLE EAST, DEVOTING THE BULK OF MY REMARKS TO THE MIDDLE EAST PEACE PROCESS AND TO THE SITUATION IN IRAQ. I WOULD ALSO LIKE TO MAKE SOME BRIEF OBSERVATIONS ABOUT THE SOVIET UNION AND THE NORTH AMERICAN FREE TRADE AGREEMENT.

PEACE PROCESS

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LET ME BEGIN WITH THE PEACE PROCESS.

FOR THE PAST TWO MONTHS, WE'VE BEEN ENGAGED IN AN INTENSIVE EFFORT TO FIND A PATH TO A COMPREHENSIVE SETTLEMENT THROUGH DIRECT NEGOTIATIONS BETWEEN ISRAEL, THE ARAB STATES AND PALESTINIANS. SINCE WE BEGAN THAT EFFORT, I HAVE HAD NO ILLUSIONS ABOUT THE CHALLENGES AND DIFFICULTIES INVOLVED. BUT I HAVE ALSO HAD A STRONG SENSE THAT THE GULF WAR MAY HAVE CREATED SOME NEW POSSIBILITIES FOR PEACEMAKING IN THE REGION AND THAT THE UNITED STATES HAS A UNIQUE OBLIGATION TO HELP EXPLORE THEM. WHILE IT WOULD BE SAD IF IT TURNS OUT THAT OLD OBSTACLES ARE MORE FORMIDABLE THAN NEW OPPORTUNITIES, IT WOULD BE SILLIER STILL IF THE UNITED STATES FAILED TO ENERGETICALLY PURSUE A CHANCE FOR PEACE. THOSE CHANCES DO NOT COME ALONG VERY OFTEN IN THE MIDDLE EAST.

IRAQ'S INVASION OF KUWAIT BROUGHT TOGETHER AN HISTORIC INTERNATIONAL COALITION. THE UNITED STATES, THE SOVIET UNION, EUROPEANS, ARABS, AND OTHERS JOINED TO REVERSE IRAQ'S AGGRESSION. THE UNITED NATIONS PLAYED THE ROLE ITS FOUNDISERS HAD INTENDED. AND THROUGH ITS RESTRAINT IN THE FACE OF IRAQI PROVOCATION, ISRAEL BECAME A SILENT PARTNER IN THE COALITION'S SUCCESS. THE NET RESULT WAS A STAGGERING DEFEAT FOR SADDAM HUSSEIN AND THE PATH OF VIOLENCE AND INTIMIDATION THAT HE REPRESENTED -- AND NEW HOPE FOR THE ALTERNATIVE PATH OF DIPLOMACY AND NEGOTIATIONS.

TO TEST THE MOMENT AND TRANSFORM THE GROUND RULES FOR ARAB-ISRAELI PEACEMAKING, WE FELT IT IMPORTANT TO ENGAGE IN A PROCESS THAT WOULD BREAK THE TABOOS ON DIRECT DIALOGUE. IF THE IMPULSE TO MAKE PEACE WAS DIFFERENT, WE NEEDED TO OVERCOME THE BARRIERS TO ISRAELIS, ARABS, AND PALESTINIANS MEETING DIRECTLY. WE NEEDED TO ESTABLISH THAT DIALOGUE AND DIPLOMACY -- NOT VIOLENCE OR REJECTIONISM -- COULD BECOME THE CURRENCY OF POLITICS IN THE REGION.

THE WAR PROVIDED A GRIM REMINDER OF THE DANGERS OF CONFLICT IN AN ERA OF ESCALATING MILITARY COMPETITION. IT WAS A REMINDER THAT THE DISPUTE BETWEEN ISRAELIS AND PALESTINIANS WAS STILL AT THE CORE OF THE ARAB-ISRAELI PROBLEM -- BUT THAT THE STATE TO STATE DIMENSION ALSO HAD TO BE ADDRESSED. AND IT WAS A HOPEFUL REMINDER THAT ISRAEL AND THE ARAB STATES SOMETIMES FIND COMMON GROUND BETWEEN THEM -- COMMON GROUND WHICH MIGHT PROVIDE ROOM FOR



MANEUVER TO ENCOURAGE ISRAELI-PALESTINIAN ACCOMMODATION.

OUR POSTWAR TASK, THEREFORE, WAS TO TRY TO BLEND WHAT WAS NEW AND PROMISING FOLLOWING THE CRISIS WITH THE ENDURING PRINCIPLES OF ARAB-ISRAELI DIPLOMACY. THAT WAS THE PURPOSE OF MY FIRST THREE TRIPS TO THE REGION AFTER THE WAR. THE RESULT WAS A CONSENSUS AMONG THE PARTIES ON FIVE KEY POINTS:

FIRST, GENERAL AGREEMENT THAT THE OBJECTIVE OF THE PROCESS IS A COMPREHENSIVE SETTLEMENT ACHIEVED THROUGH DIRECT NEGOTIATIONS BASED ON UN SECURITY COUNCIL RESOLUTIONS 242 AND 338.

SECOND, BROAD UNDERSTANDING THAT THE NEGOTIATING PROCESS WOULD PROCEED SIMULTANEOUSLY ALONG TWO TRACKS, INVOLVING DIRECT NEGOTIATIONS BETWEEN ISRAEL AND ARAB STATES AND BETWEEN ISRAEL AND PALESTINIANS FROM THE OCCUPIED TERRITORIES.

THIRD, AGREEMENT THAT THE NEGOTIATIONS BETWEEN ISRAEL AND PALESTINIANS WOULD PROCEED IN PHASES, WITH TALKS ON INTERIM SELF-GOVERNMENT PRECEDING NEGOTIATIONS OVER THE PERMANENT STATUS OF THE OCCUPIED TERRITORIES.

FOURTH, AGREEMENT THAT PALESTINIANS WOULD BE REPRESENTED IN THE PROCESS BY LEADERS FROM THE OCCUPIED TERRITORIES WHO ACCEPT THE TWO-TRACK PROCESS AND PHASED APPROACH TO NEGOTIATIONS AND WHO COMMIT TO LIVING IN PEACE WITH ISRAEL.

FIFTH, GENERAL ACCEPTANCE THAT A CONFERENCE, CO-SPONSORED BY THE UNITED STATES AND THE SOVIET UNION, WOULD BREAK THE OLD TABOOS ABOUT PUBLIC CONTACTS BETWEEN THE PARTIES AND BE THE LAUNCHING PAD FOR DIRECT NEGOTIATIONS BETWEEN THE PARTIES.

THESE ARE NOT INSIGNIFICANT AREAS OF CONSENSUS. AND THEY CERTAINLY PROVIDE A BASELINE FOR PROGRESS. BUT THEY STILL HAVE TO BE TRANSLATED INTO A PRACTICAL PROCESS, AND THAT WAS THE PURPOSE OF MY MOST RECENT TRIP TO THE AREA. LET ME GIVE YOU A SENSE OF THE KEY ISSUES WE ARE STILL TRYING TO RESOLVE.

THE FIRST SET OF ISSUES RELATES TO MODALITIES OF THE PEACE CONFERENCE.

THERE HAS BEEN A GREAT DEAL OF MISUNDERSTANDING ON THIS QUESTION SO LET ME LAY OUT SIMPLY WHAT WE HAVE IN MIND. OUR OBJECTIVE IS TO LAUNCH DIRECT NEGOTIATIONS. THAT'S WHAT THIS EFFORT IS ALL ABOUT. WE BELIEVE THE BEST WAY TO DO THIS IS THROUGH A PEACE CONFERENCE THAT WOULD LEAD DIRECTLY TO BILATERAL NEGOTIATIONS BETWEEN ISRAEL AND ITS ARAB AND PALESTINIAN NEIGHBORS AND MULTILATERAL NEGOTIATIONS ON ISSUES SUCH AS ARMS CONTROL AND REGIONAL SECURITY THE ENVIRONMENT, AND WATER.

LET ME BE CLEAR ABOUT THIS. WE ARE NOT CONSIDERING AN INTERNATIONAL CONFERENCE WITH A PLENARY THAT HAS THE POWER

OR AUTHORITY TO IMPOSE ITS VIEWS, NOR ARE WE CONSIDERING ANY MECHANISM THAT WOULD INTERFERE IN ANY WAY WITH NEGOTIATIONS. IN FACT, AS I'VE TOLD THOSE IN THE REGION, THE CONFERENCE IS NOT A FORUM FOR NEGOTIATIONS. QUITE SIMPLY, IT'S A MEANS TO AN END, A TOOL IN OUR EFFORT TO GET THE PARTIES TO SIT DOWN FACE TO FACE TO SORT OUT THEIR DIFFERENCES AND TO BREAK ANACHRONISTIC TABOOS.

THIS CONFERENCE WOULD BE CO-SPONSORED BY THE UNITED STATES AND THE SOVIET UNION. ISRAEL, EGYPT, SYRIA, LEBANON, JORDAN AND PALESTINIANS FROM THE OCCUPIED TERRITORIES WOULD ATTEND. AS YOU KNOW, THE GULF COOPERATION COUNCIL (GCC) HAS ALREADY TAKEN A VERY IMPORTANT STEP AND AGREED TO SEND ITS SECRETARY GENERAL AS OBSERVER. IN ADDITION, EACH OF THE MEMBER STATES OF THE GCC, THE SIX GULF STATES, HAVE ANNOUNCED THEY WILL PARTICIPATE IN THE DIRECT NEGOTIATIONS ON MULTILATERAL ISSUES.

WE ALSO BELIEVE THE EUROPEAN COMMUNITY COULD PLAY A CONSTRUCTIVE ROLE IN SUPPORT OF THIS PROCESS, AND ESPECIALLY IN THE HARD WORK OF ECONOMIC DEVELOPMENT THAT

WOULD FOLLOW A NEGOTIATED PEACE. THE EC SHOULD BE ABLE TO PARTICIPATE IN THE CONFERENCE. SIMILARLY, THE UNITED NATIONS SHOULD HAVE SOME ROLE; A FORMULA OUGHT TO BE FOUND THAT IS ACCEPTABLE TO ALL THE PARTIES, THAT PREJUDICES NONE, AND THAT CHANNELS THE NEWFOUND POTENTIAL OF THE UN IN WAYS THAT CAN BE HELPFUL IN PROMOTING PEACE AND RECONCILIATION IN THE AREA. THE EXACT NATURE OF EC AND UN INVOLVEMENT IS STILL UNRESOLVED. ANOTHER OPEN QUESTION IS THE ABILITY OF THE CONFERENCE TO RECONVENE. THE U.S. BELIEVES IT SHOULD BE ABLE TO DO SO, IF ALL THE PARTIES AGREE, IN ORDER TO HEAR REPORTS FROM THE BILATERAL AND MULTILATERAL NEGOTIATING GROUPS.

THE POINT IS THAT NONE OF THIS WILL IN ANY WAY INTERFERE WITH DIRECT NEGOTIATIONS. INDEED, FACE TO FACE NEGOTIATIONS OFFER THE ONLY WAY TO MAKE ANY PROGRESS, AND WE WOULD NOT ACCEPT ANY PROPOSAL THAT WOULD LEAD ANY PARTY TO BELIEVE THAT IT COULD AVOID NEGOTIATIONS OR HAVE OTHERS BELIEVE IT OF THE NEED TO NEGOTIATE.

THE OTHER SET OF ISSUES DEALS WITH THE QUESTION OF PALESTINIAN REPRESENTATION IN THE NEGOTIATIONS.

FROM THE BEGINNING OF THIS ADMINISTRATION, WE HAVE MADE IT CLEAR THAT OUR OBJECTIVE IS TO GET ISRAEL AND PALESTINIANS FROM THE OCCUPIED TERRITORIES INTO NEGOTIATIONS. OF COURSE, PALESTINIANS MUST CHOOSE THEIR REPRESENTATIVES, BUT OUR VIEW IS -- AND MANY OTHER PARTIES AGREE -- THAT A JOINT JORDANIAN-PALESTINIAN DELEGATION COULD BE A USEFUL VEHICLE TO GET TO THE CONFERENCE AS WELL AS TO HANDLE ANY NUMBER OF ISSUES THAT MIGHT ARISE DURING THE NEGOTIATIONS.

SO THE PURPOSE OF MY RECENT TRIP TO THE REGION WAS TO CONTINUE TO EXPLORE THESE ISSUES WITH THE PARTIES AND TO DETERMINE WHERE THERE WAS CONSENSUS AND WHICH AREAS REQUIRED MORE WORK. OVERALL, I FOUND THAT THERE IS MORE AGREEMENT THAN DISAGREEMENT ON THE KEY ELEMENTS OF OUR APPROACH. AND I FOUND A WILLINGNESS TO CONTINUE LOOKING FOR WAYS TO RESOLVE THOSE AREAS THAT ARE STILL NOT NAILED DOWN.

I ALSO HAD EXTREMELY USEFUL DISCUSSIONS WITH SOVIET FOREIGN MINISTER BESHMETNYKH IN THE SOVIET UNION AND IN CAIRO. THE SOVIETS HAVE BEEN VERY SUPPORTIVE OF OUR APPROACH. THE FACT THAT THE SOVIET UNION AND THE UNITED STATES ARE IN BASIC AGREEMENT ABOUT HOW TO PROCEED ON THE PEACE PROCESS CREATES A NEW FACTOR -- ONE THAT IMPROVES THE CHANCES OF GETTING THIS PROCESS LAUNCHED.

NEVERTHELESS, WE ARE OBVIOUSLY NOT AT THE POINT I WOULD LIKE TO BE. THERE ARE AREAS OF DISAGREEMENT, PARTICULARLY BETWEEN ISRAEL AND SYRIA OVER THE MODALITIES OF THE CONFERENCE, BOTH ON THE ISSUE OF THE UN ROLE AND OVER THE ISSUE OF RECONVENING THE CONFERENCE. I'M NOT GOING TO PRETEND THAT SORTING THESE OUT WILL BE EASY OR THAT IT WILL BE DONE QUICKLY.

BUT I WILL SAY THAT WE WILL CONTINUE TO TRY SO LONG AS WE



BELIEVE THAT ALL PARTIES ARE WORKING IN GOOD FAITH AND ARE SERIOUS ABOUT FINDING WAYS TO RESOLVE DIFFERENCES. THE PRESIDENT AND I HAVE TALKED ABOUT OUR NEXT STEPS, AND WE BELIEVE WE SHOULD CONTINUE TO PRESS AHEAD AND SEE IF WE CAN OVERCOME THE CAPS AND GET TO NEGOTIATIONS.

FINALLY, LET ME CONCLUDE BY SAYING THAT I BELIEVE THE PARTIES IN THE REGION DO APPRECIATE THAT THERE'S A REAL CHANCE TO LAUNCH A PROCESS. WE'VE DEFINED A WORKABLE PATHWAY TO NEGOTIATIONS THAT WOULD ENABLE ISRAEL, ARAB STATES, AND PALESTINIANS TO CAPTURE THAT CHANCE AND MAKE A REAL BREAK WITH THE PAST IN FAVOR OF PEACE. IT IS THERE FOR THE TAKING, BUT IT WILL NOT LAST FOREVER.

WHAT REMAINS TO BE SEEN IS WHETHER THE PARTIES ARE WILLING TO SEIZE THIS CHANCE. THE UNITED STATES IS THERE, READY AND WILLING TO HELP THEM TRY. BUT WE CANNOT CHEATE THE POLITICAL WILL TO ACT, IF IT DOES NOT EXIST IN THE REGION.

IRAQ

LET ME NOW DISCUSS THE SITUATION IN IRAQ.

WITH HIS AGGRESSION OUTWARD AGAINST KUWAIT DEFEATED, SAIDAM HUSSEIN TURNED HIS TERROR INWARD IN THE AFTERMATH OF THE GULF WAR AND DROVE HUNDREDS OF THOUSANDS OF IRAQIS OUT OF THEIR HOMES AND INTO FOREIGN LANDS. THIS CREATED, AS THE UNITED NATIONS RECOGNIZED IN RESOLUTION 688, A NEW THREAT TO INTERNATIONAL PEACE AND SECURITY. THE ISSUE FOR ALL OF US CAN NO LONGER BE JUST KUWAIT.

TODAY, I WANT TO REVIEW WITH YOU THE THREE-PRONGED STRATEGY THAT WE AND OUR ALLIES HAVE PURSUED TO COPE WITH THIS TERRIBLE SITUATION. FIRST, WE HAVE WORKED TO RELIEVE THE IMMEDIATE SUFFERING OF IRAQI REFUGEES. SECOND, WE ARE WORKING TO PREVENT ANOTHER ROUND OF TERROR BY CREATING SAFE AND SECURE CONDITIONS WITHIN IRAQ SO THAT THE REFUGEES CAN RETURN TO THEIR HOMES AND LIVE IN SAFETY. THIRD, WE WILL CONTINUE TO ISOLATE SADDAM HUSSEIN AS LONG AS HE HOLDS POWER. LET ME DISCUSS EACH OF THESE ASPECTS OF OUR STRATEGY.

THE FIRST HAS BEEN AIMED AT THE IMMEDIATE PROBLEM: SAVING THE LIVES OF REFUGEES BY PROVIDING THEM FOOD, WATER, MEDICINE, BLANKETS, AND HOUSING. THROUGH OPERATION PROVIDE COMFORT, WE HAVE AIRDROPPED AND TRUCKED SUPPLIES TO REFUGEES ON THE MOUNTAINS IN NORTHERN IRAQ AND SOUTHERN TURKEY, HAVE BUILT REFUGEE CAMPS IN BOTH IRAQ AND TURKEY, AND HAVE RE-SECURED PORTIONS OF NORTHERN IRAQ SO THAT THEY COULD BEGIN TO RETURN TO THEIR HOMES.

THE PRESIDENT HAS CONTACTED THE LEADERS OF THE MAJOR INDUSTRIAL COUNTRIES AND OUR COALITION PARTNERS FROM THE ARAB WORLD AND URGED THEM TO MAKE GENEROUS PLEDGES TO THE VARIOUS UNITED NATIONS APPEALS. WE APPRECIATE THE CONFERENCE COMMITTEE'S ACTION ON TUESDAY, AND WE HOPE THE CONGRESS WILL ACT EXPEDITIOUSLY ON OUR SUPPLEMENTAL REFUGEE REQUEST.

AS A RESULT OF OUR EFFORTS, THE SITUATION HAS IMPROVED CONSIDERABLY. DEATH RATES AMONG THE REFUGEES HAVE DROPPED MARKEDLY, AND WELL OVER HALF THE REFUGEES HAVE COME DOWN FROM THE MOUNTAINS.

IT HAS NOT BEEN ENOUGH, HOWEVER, TO PROVIDE ONLY FOR THE IMMEDIATE NEEDS OF THE REFUGEES. WE ALSO HAVE A DUTY TO TRY TO PREVENT A GREATER TRAGEDY: A SITUATION WHERE SADDAM COULD EXERCISE HIS TERROR ONCE AGAIN.

THIS SECOND ASPECT OF OUR STRATEGY REQUIRES UNITING THE WORLD COMMUNITY TO ENSURE INTERNATIONAL ACCESS TO THE AFFECTED REGIONS THROUGHOUT IRAQ IN STRICT CONFORMITY WITH SECURITY COUNCIL RESOLUTION 688, WHICH CALLS FOR RESPECT FOR THE HUMANITARIAN AND POLITICAL RIGHTS OF THE IRAQI PEOPLE.

SAIDAM'S RUTHLESS SUPPRESSION OF HIS OWN PEOPLE IS YET ANOTHER REMINDER THAT HE CANNOT BE TRUSTED. WE REMAIN CONCERNED THAT SADDAM WOULD, IF CONDITIONS ALTERED, RESUME

A SYSTEMATIC EXTERMINATION OF REGIME OPPONENTS AND INNOCENT IRAQI CIVILIANS. THE WORLD COMMUNITY IS NOT MOVING TO SAVE THESE POOR, INNOCENT PEOPLE NOW, SO THAT THEY CAN BE SLAUGHTERED BY SADDAM HUSSEIN LATER.

THAT IS WHY WE WARNED IRAQ NOT TO INTERFERE WITH HUMANITARIAN RELIEF EFFORTS UNDERWAY IN IRAQ. THAT IS WHY IN SUPPORT OF RESOLUTION 688, WE HAVE URGED THE UNITED NATIONS TO MOVE QUICKLY TO PROVIDE PERSONNEL TO ENSURE THE SAFETY OF THOSE REFUGEES RETURNING TO IRAQ. THE UNITED STATES DOES NOT SEEK TO KEEP ITS FORCES IN NORTHERN IRAQ ANY LONGER THAN IS ABSOLUTELY NECESSARY; WE LOOK FORWARD TO THEIR EARLY REPLACEMENT BY AN EFFECTIVE INTERNATIONAL PRESENCE.

IT IS OUR FIRM CONVICTION THAT SOME KIND OF INTERNATIONAL PRESENCE, HOWEVER ORGANIZED, MUST TAKE OVER FOR THE JOB NOW BEING DONE BY AMERICAN AND COALITION FORCES. WE HOPE THAT THIS INTERNATIONAL PRESENCE WILL SERVE AS THE INTERNATIONAL COMMUNITY'S WATCHDOG TO INHIBIT SADDAM FROM REPEATING HIS MOST RECENT ATROCITIES.



IN THE FUTURE, WE HOPE THAT IRAQ CAN FULLY REJOIN THE COMMUNITY OF NATIONS. IRAQ HAS A TREMENDOUSLY TALENTED, CREATIVE, AND DIVERSE POPULATION. I BELIEVE THAT A NEW IRAQI POLITICAL COMPACT WHICH REFLECTS THE PLURALISTIC MAKE-UP OF ITS POPULATION AND ITS RICH HISTORICAL AND CULTURAL TRADITIONS IS POSSIBLE. AND SUCH A COMPACT MUST BE ARRIVED AT BY NEGOTIATIONS AMONG ALL IRAQIS, NOT BY FORCE.

WE RESPECT IRAQ'S SOVEREIGNTY AND TERRITORIAL INTEGRITY AND DO NOT WISH TO SEE A FRAGMENTED STATE. WE HAVE SAID REPEATEDLY THAT WE HAVE NO QUARREL WITH THE PEOPLE OF IRAQ. AND OUR ACTIONS REINFORCE OUR WORDS. WHILE OUR SOLDIERS HAVE BEEN FEEDING AND CARING FOR REFUGEES, SAIDAM'S SOLDIERS WERE STRAFING AND SHELLING THEM.

THUS, I CAN SAY WITHOUT EQUIVOCATION OR DOUBT: SADDAM HUSSEIN HIMSELF IS THE SINGLE GREATEST OBSTACLE TO ANY HOPEFUL FUTURE FOR THE PEOPLE OF IRAQ -- WHETHER IN TERMS OF THEIR OWN DEVELOPMENT AS A SOCIETY OR THEIR REINTEGRATION INTO THE INTERNATIONAL COMMUNITY. LEFT ALONE, FREE TO RECONSOLIDATE HIS BRUTAL DICTATORSHIP AND MILITARY MACHINE, WE KNOW SADDAM WILL ACT AGAIN TO BRUTALIZE HIS OWN PEOPLE AND THREATEN HIS NEIGHBORS. WITHOUT CONSTANT INTERNATIONAL MONITORING OF AND PRESSURE AGAINST SADDAM, THIS IRAQI GOVERNMENT WILL CONTINUE TO POSE A DANGER TO THE PEACE AND SECURITY OF THE MIDDLE EAST.

THAT'S WHY WE CAN HAVE A FORMAL CEASE-FIRE BUT NO GENUINE PEACE WITH THE GOVERNMENT OF IRAQ SO LONG AS SADDAM HUSSEIN REMAINS IN POWER.

LET ME BE ABSOLUTELY CLEAR ABOUT THIS THIRD ASPECT OF OUR STRATEGY: SADDAM HUSSEIN IS A PARIAS WHOSE ACTIONS PUT HIM BEYOND THE PALE OF CIVILIZED INTERNATIONAL SOCIETY. THEREFORE, WE WILL ACT WITH OTHERS TO CONTINUE TO ISOLATE SADDAM'S REGIME.

THAT MEANS WE WILL NEVER NORMALIZE RELATIONS WITH IRAQ SO LONG AS SADDAM HUSSEIN REMAINS IN POWER.

THAT MEANS MAINTAINING UN SANCTIONS IN PLACE SO LONG AS SADDAM REMAINS IN POWER.

AND THAT MEANS IRAQIS WILL NOT PARTICIPATE IN POST-CRISIS POLITICAL, ECONOMIC, AND SECURITY ARRANGEMENTS UNTIL THERE IS A CHANGE IN REGIME.

WITH A NEW GOVERNMENT, HOWEVER, NEW POSSIBILITIES WILL EMERGE FOR IRAQ TO REJOIN THE INTERNATIONAL COMMUNITY. WITH A NEW GOVERNMENT, WE MAY WELL BE ABLE TO LIFT MOST SANCTIONS, SAVE THOSE THAT CONSTRAIN IRAQ'S MILITARY POTENTIAL. AND IN THAT NEW IRAQ, TOLERANCE MUST REPLACE TERROR, AND THE FEAR THAT SO LONG HAS GRIPPED THE IRAQI PEOPLE MUST GIVE WAY TO PEACEFUL REALIZATION OF THE VAST POTENTIAL OF THE IRAQI PEOPLE AND THEIR HOMELAND.

SOVIET UNION

I'D NOW LIKE TO MAKE THREE OBSERVATIONS ABOUT OUR RELATIONS WITH THE SOVIET UNION.

FIRST, THE PRESIDENT AND I FEEL IT IS IMPORTANT TO STRESS THAT SOVIET NEW THINKING CONTINUES TO GUIDE SOVIET BEHAVIOR IN MANY ASPECTS OF OUR RELATIONS. IN THE MIDDLE EAST, FOREIGN MINISTER BESSMERTNYKH'S HELP HAS BEEN INVALUABLE TO OUR ATTEMPTS TO REINVIGORATE THE PEACE PROCESS. SOVIET COOPERATION HAS ALSO BEEN CRITICAL TO THE HISTORIC AGREEMENT THAT WILL END THE ANGOLAN CIVIL WAR -- AN AGREEMENT THAT I WILL JOIN IN SIGNING IN LISBON NEXT WEEK. THE SOVIETS HAVE ALSO BEEN HELPFUL IN OTHER REGIONAL AREAS -- MOST NOTABLY, CENTRAL AMERICA AND CAMBODIA.

AND IN ARMS CONTROL, WE HOPE TO RESOLVE OUR DIFFERENCES OVER THE CFE TREATY, PREPARE CFE FOR RATIFICATION, AND MOVE FORWARD WITH START AND PREPARATIONS FOR A MOSCOW SUMMIT.

SECOND, THE SO-CALLED "ONE-PLUS-NINE" AGREEMENT OF APRIL 23 BETWEEN GORBACHEV AND THE REPUBLICS CREATES AN OPPORTUNITY FOR A POSITIVE SHIFT TOWARD NEW POLITICAL ARRANGEMENTS IN THE SOVIET UNION. IF GORBACHEV AND THE NINE FOLLOW UP THIS AGREEMENT IN THE WAY THEY HAVE SUGGESTED -- THROUGH AN ALL-UNION TREATY AND A NEW CONSTITUTION -- THEN THIS WOULD BE AN IMPORTANT STEP TOWARD ESTABLISHING A NEW POLITICAL LEGITIMACY IN THE SOVIET UNION. THESE STEPS, ALONG WITH THE ON-GOING TALKS BETWEEN MOSCOW AND THE BALTICS, CREATE NEW OPPORTUNITIES FOR RECONCILIATION TO REPLACE THE POLITICAL POLARIZATION THAT HAS CHARACTERIZED SOVIET POLITICS SINCE LAST SEPTEMBER.

WE ALSO WELCOME ENACTMENT OF NEW EMIGRATION LEGISLATION. FOR ALMOST TWO DECADES, WE HAVE MADE THE RIGHT OF EMIGRATION A CENTRAL PART OF US-SOVIET RELATIONS. WE REGARD PASSAGE OF THE NEW LAW AS A MAJOR STEP IN SOVIET REFORM AND IN FULFILLMENT OF SOVIET CSCE COMMITMENTS.

FOR OUR PART, WE CONTINUE TO EXPAND OUR CONTACTS WITH ALL LEVELS AND SEGMENTS OF SOVIET SOCIETY, RANGING FROM REFORMERS AND DEMOCRATS TO TRADITIONALISTS AND THE MILITARY. NOT ONLY WILL THIS INCREASE OUR UNDERSTANDING OF SOVIET SOCIETY, BUT IT WILL ALLOW US - THROUGH WHAT I HAVE CALLED A "DEMOCRATIC DIALOGUE" - TO HELP PROMOTE POLITICAL PLURALISM AND ECONOMIC FREEDOM AND THE SUCCESS OF SOVIET REFORM. AND AS THE PRESIDENT AND I HAVE MADE ABUNDANTLY CLEAR BY NOW, THE CONTINUATION AND SUCCESS OF SOVIET REFORM IS IN EVERYONE'S INTEREST.

THIRD, EVEN WITH THE TENTATIVE STEPS TOWARD POLITICAL ACCOMMODATION, SOVIET ECONOMIC REFORM STILL HAS A LONG WAY TO GO. WE AND ALMOST EVERYONE ELSE WHO HAS LOOKED AT IT ARE CONVINCED THAT PRIME MINISTER PAVLOV'S ANTI-CRISIS PROGRAM WILL NOT WORK. WE BELIEVE THE SOVIET LEADERSHIP URGENTLY NEEDS TO EMBRACE FUNDAMENTAL MARKET ECONOMIC REFORM.

WITHOUT A COMMITMENT TO FUNDAMENTAL REFORM, WE EXPECT THE SOVIET ECONOMY TO CONTINUE ITS SEVERE DECLINE -- AND THAT IS IN NO ONE'S INTEREST. WE CONTINUE TO STUDY VARIOUS WAYS WE CAN ASSIST SOVIET ECONOMIC REFORM, BUT THE USEFULNESS OF OUR EFFORTS STILL DEPENDS ABOVE ALL ON THE CHOICES THE SOVIETS THEMSELVES MAKE.

#### NAPTA AND FAST TRACK

LET ME CLOSE MY ORAL STATEMENT WITH A FEW WORDS ABOUT THE NAPTA AND FAST TRACK. WE ARE SEEKING A NORTH AMERICAN FREE TRADE AGREEMENT WITH MEXICO AND CANADA BECAUSE WE ARE CONVINCED SUCH AN AGREEMENT PROMISES IMPORTANT ECONOMIC BENEFITS FOR ALL THREE COUNTRIES. SINCE THE PRESIDENT'S ANNOUNCEMENT LAST JUNE OF HIS DESIRE TO SEEK A FREE TRADE AGREEMENT WITH MEXICO, WE HAVE ENGAGED IN EXTENSIVE CONSULTATIONS WITH CONGRESS AND THE PRIVATE SECTOR.



MR. CHAIRMAN, I BELIEVE THERE IS A TREMENDOUS AMOUNT AT STAKE HERE -- IN TERMS OF BOTH FOREIGN AND ECONOMIC POLICY AND IN TERMS OF OUR GROWING COOPERATIVE WORK WITH MEXICO ON IMPORTANT REGIONAL AND TRANSNATIONAL ISSUES. IT WILL ALSO ENHANCE AMERICAN EXPORTS, JOB OPPORTUNITIES AS WELL AS GLOBAL COMPETITIVENESS. IN ORDER TO ACHIEVE GLOBAL MARKETS AND HEMISPHERIC TRADE COOPERATION, IT IS CRITICAL THAT FAST-TRACK NEGOTIATING AUTHORITY BE EXTENDED BY THE CONGRESS. WITHOUT THIS STEP, OUR FOREIGN AND ECONOMIC LEADERSHIP POSITION WILL BE SERIOUSLY IMPAIRED.

#### OVERVIEW OF OUR FUNDING REQUEST

LET ME TURN TO OUR FOREIGN ASSISTANCE FUNDING REQUEST. FOR FY 1992, WE SEEK DOLS. 21.9 BILLION IN DISCRETIONARY BUDGET AUTHORITY FOR INTERNATIONAL AFFAIRS BUDGET FUNCTION 150, AN INCREASE OF DOLS. 1.7 BILLION OVER LEVELS APPROPRIATED FOR FY 1991. IN ADDITION, WE ARE REQUESTING A ONE-TIME APPROPRIATION OF DOLS. 12.2 BILLION AS THE U.S. SHARE OF A GLOBAL QUOTA INCREASE FOR THE INTERNATIONAL MONETARY FUND.

FOR THE ACCOUNTS UNDER THE JURISDICTION OF THIS SUBCOMMITTEE, WE ARE REQUESTING DOLS. 15.2 BILLION IN FY 92 DISCRETIONARY BUDGET AUTHORITY, A DOLS. 455 MILLION INCREASE OVER FY 1991 APPROPRIATIONS.

IN ACCORDANCE WITH THE TERMS OF THE BUDGET ENFORCEMENT ACT, OUR REQUEST FALLS WITHIN SPECIFIC, STRINGENT LIMITS ON OUR SPENDING LEVELS, DESPITE UNPRECEDENTED DEMANDS FOR U.S. LEADERSHIP ACROSS THE GLOBE.

IN ORDER TO ACHIEVE OUR WORLDWIDE OBJECTIVES WITHIN THESE RESOURCE CONSTRAINTS, ADDITIONAL FLEXIBILITY IS NEEDED. LAST YEAR, I APPEALED TO THIS SUBCOMMITTEE TO MAKE CONSTRUCTIVE CONSULTATION -- NOT EARMARKING -- THE PRIMARY VEHICLE FOR ACHIEVING CONSENSUS ON PROGRAM OBJECTIVES. I AM PLEASED TO NOTE THAT WITH THE COOPERATION OF THIS SUBCOMMITTEE, WE MADE SOME PROGRESS TOWARD THAT GOAL LAST SESSION.

EARMARKING IN OUR ECONOMIC SUPPORT FUND (ESF) DECLINED FROM 82 PERCENT IN FY 1990 TO JUST OVER 68 PERCENT IN FY 1991. IN OUR FOREIGN MILITARY FINANCING (FMF) ACCOUNT, THE DECLINE WAS LESS DRAMATIC BUT STILL SIGNIFICANT, FROM 92 PERCENT TO 87 PERCENT. THIS IS A WELCOME TREND, ONE THAT WE WANT TO ENCOURAGE AND PROMOTE.

BUT WE STILL HAVE A LONG WAY TO GO. TO SUPPORT OUR REQUEST THIS YEAR, LET ME EXPRESS THE ADMINISTRATION'S WILLINGNESS TO WORK IN PARTNERSHIP WITH CONGRESS TO DEVELOP GREATER FLEXIBILITY IN OUR FOREIGN ASSISTANCE AUTHORIZATION AND APPROPRIATIONS LEGISLATION. TO GUIDE THIS EFFORT, LET ME SUGGEST FIVE BROAD OBJECTIVES FOR OUR INTERNATIONAL COOPERATION PROGRAMS, BUILT AROUND THE FIVE FOREIGN POLICY CHALLENGES WHICH I OUTLINED TO CONGRESS LAST YEAR.

FIRST, PROMOTING AND CONSOLIDATING DEMOCRATIC VALUES, INCLUDING FREE AND FAIR ELECTIONS AND RESPECT FOR HUMAN RIGHTS. AS THE PRESIDENT NOTED IN HIS STATE OF THE UNION ADDRESS, THIS FUNDAMENTAL AMERICAN PRINCIPLE HAS STOOD AS A BEACON TO PEOPLES ACROSS THE GLOBE FOR MORE THAN TWO CENTURIES.

TRANSITIONS TOWARD DEMOCRACY, HOWEVER DIFFICULT, CANNOT BE ACCOMPLISHED IN ISOLATION FROM THE REST OF THE WORLD. THE ESSENTIAL INGREDIENTS OF DEMOCRACY -- RESPECT FOR HUMAN RIGHTS, THE RULE OF LAW, FREE AND FAIR ELECTIONS, AND POLITICAL AND ECONOMIC FREEDOM -- ARE ALSO THE BASIC BUILDING BLOCKS OF THE NEW WORLD ORDER.

SECOND, PROMOTING FREE MARKET PRINCIPLES AND STRENGTHENING U.S. COMPETITIVENESS. SUSTAINABLE ECONOMIC DEVELOPMENT CANNOT BE SEPARATED FROM THE PURSUIT OF SOUND, GROWTH-ORIENTED POLICIES; TOGETHER, THESE CAN PROMOTE U.S. ECONOMIC INTERESTS ABROAD. BY FOSTERING MARKET FORCES THROUGH DEREGULATION, PRIVATIZATION, AND PROMOTION OF FREE TRADE AND INVESTMENT, REFORM-MINDED

COUNTRIES CAN ESTABLISH AN APPROPRIATE COMPLEMENT TO BUILDING AND SECURING DEMOCRACY. THEY ALSO CAN DEVELOP INTO THRIVING MARKETS FOR U.S. EXPORTS AND THE JOBS THEY REPRESENT. INDEED, U.S. EXPORTS TO RECENT AID GRADUATES -- CHILE, TAIWAN, AND KOREA -- TOTAL MORE THAN TWICE THE VALUE OF OUR ENTIRE WORLDWIDE FOREIGN ASSISTANCE BUDGET. OUR LONG-RUN GOAL SHOULD BE TO GRADUATE MORE COUNTRIES FROM FOREIGN ASSISTANCE TOWARD MUTUALLY BENEFICIAL TRADE AND INVESTMENT RELATIONSHIPS WITH THE UNITED STATES.

THIRD, PROMOTING PEACE BY HELPING TO DEFUSE REGIONAL CONFLICTS, STRENGTHENING THE SECURITY OF OUR REGIONAL PARTNERS, AND PURSUING ARMS CONTROL AND NONPROLIFERATION EFFORTS.

AS THE CRISIS IN THE PERSIAN GULF HAS DEMONSTRATED, THERE IS NO SUBSTITUTE FOR STRONG U.S. LEADERSHIP. WE CONTINUE TO PLAY A VITAL ROLE IN BOLSTERING THE SECURITY OF REGIONAL ALLIES AROUND THE WORLD. EGYPT AND TURKEY -- TWO LONG-STANDING BENEFICIARIES OF U.S. SECURITY ASSISTANCE -- HAVE BEEN BULWARKS OF THE COALITION AGAINST SADDAM HUSSEIN.



NATIONAL AND REGIONAL SECURITY ARE PRECONDITIONS FOR DEMOCRACY AND FREE ENTERPRISE TO FLOURISH. SADDAM HUSSEIN'S AGGRESSION IS A DRAMATIC REMINDER OF THE CONTINUING NEED TO PROTECT THE SECURITY OF REGIONAL STATES OF VITAL INTEREST TO THE UNITED STATES AND OUR ALLIES. THE PROLIFERATION OF MISSILE SYSTEMS AND NUCLEAR, CHEMICAL AND BIOLOGICAL WEAPONS TECHNOLOGY FURTHER SHARPENS OUR INTEREST IN PROMOTING REGIONAL STABILITY.

FOURTH, PROTECTING AGAINST TRANSNATIONAL THREATS, ESPECIALLY TO THE ENVIRONMENT AND FROM NARCOTICS AND TERRORISM.

AS I NOTED IN MY FIRST STATEMENT TO CONGRESS TWO YEARS AGO, "THE FUTURE OF OUR CIVILIZATION DEMANDS THAT WE ACT IN CONCERT TO DEAL WITH A NEW CLASS OF PROBLEMS, TRANSNATIONAL IN NATURE." THIS INCLUDES CURBING PROLIFERATION, PROTECTING THE ENVIRONMENT, AND COUNTERING TERRORISM AND NARCOTICS.

WE HAVE MADE PROGRESS IN ALL OF THESE AREAS. WE HAVE LED THE INTERNATIONAL EFFORT TO TIGHTEN NONPROLIFERATION EXPORT CONTROLS ON A GLOBAL BASIS. WE CONTINUE TO WORK TO ADVANCE OUR ENVIRONMENTAL AGENDA. WE ARE ACTIVELY PRESSING STATE SPONSORS OF TERRORISM IN AN EFFORT TO THWART TERRORISM AROUND THE GLOBE. AND OUR INTERNATIONAL NARCOTICS EFFORTS TO COUNTER SUPPLY ARE COMPLEMENTED BY REPORTS OF DECLINING DEMAND AT HOME.

BUT PROGRESS IS SOMETIMES SLOW, UNHERALDED, AND HARD WON. IRAQ'S CONDUCT FOLLOWING ITS INVASION OF KUWAIT IS A BRUTAL REMINDER OF THE DANGER POSED BY THE INTERACTION OF THESE TRANSNATIONAL THREATS. SADDAM HUSSEIN'S ACTIONS DURING THE GULF WAR ILLUSTRATE HOW TRADITIONAL CONCEPTS OF THREATS TO NATIONAL SECURITY NEED TO BE EXTENDED. INDEED, IRAQ HAS COMBINED:

A CREDIBLE THREAT OF THE USE OF CHEMICAL AND BIOLOGICAL WEAPONS;

A CONTEMPTIBLE USE OF MISSILE TECHNOLOGY AS A WEAPON OF TERROR AGAINST INNOCENT CIVILIAN POPULATIONS;

PERHAPS THE WORLD'S FIRST DELIBERATE USE OF AN ENVIRONMENTAL DISASTER AS A WARTIME WEAPON, WITH UNKNOWN CONSEQUENCES FOR THE ENTIRE REGION FOR YEARS TO COME; AND

A WORLDWIDE CALL FOR TERRORIST ACTIONS, SOMETIMES SUPPORTED BY EMBASSIES ABROAD IN FLAGRANT VIOLATION OF THE BASIC PRINCIPLES OF DIPLOMACY.

THESE CHALLENGES TO INTERNATIONAL ORDER CAN ALL BE DEFEATED BY A COMMITTED WORLD COMMUNITY, SUPPORTED BY FIRM U.S. LEADERSHIP AND APPROPRIATE RESOURCES AS NEEDED.

FINALLY, MEETING URGENT HUMANITARIAN NEEDS WILL CONTINUE TO REFLECT DEEP AND ABIDING CONCERNS OF THE AMERICAN PEOPLE. AMERICA'S RECORD FOR RESPONDING QUICKLY AND SUBSTANTIALLY TO ALLEVIATE SEVERE SUFFERING CAUSED BY NATURAL AND MAN-MADE DISASTERS IS UNEQUALED. WE SALUTE THE ROLE PLAYED BY AMERICAN PRIVATE VOLUNTARY AGENCIES AND PRIVATE AMERICAN CITIZENS IN THIS REGARD. MEETING THE MOST PRESSING HUMANITARIAN NEEDS WITH FOOD AID, DISASTER RELIEF, AND REFUGEE ASSISTANCE WILL ALWAYS

BE AN ESSENTIAL COMPONENT OF U.S. ASSISTANCE POLICIES. INDEED, OUR CURRENT EFFORT TO MOBILIZE A BROAD INTERNATIONAL RESPONSE TO ALLEVIATE THE SUFFERING OF IRAQI REFUGEES IS ANOTHER ILLUSTRATION OF U.S. LEADERSHIP IN THIS AREA.

WE HAVE SUBMITTED LEGISLATION TO CONGRESS THAT BUILDS ON THESE BASIC OBJECTIVES TO PROVIDE MORE FLEXIBILITY AND SIMPLICITY TO OUR ECONOMIC COOPERATION EFFORTS. WORKING WITH OUR GLOBAL PARTNERS, WE ENVISION THE USE OF FIVE PRINCIPAL MECHANISMS TO ADVANCE THIS AGENDA WORLDWIDE:

ONE, MORE FLEXIBLE AND INTEGRATED BILATERAL ASSISTANCE AUTHORITIES. IN AUTHORIZATION LEGISLATION WHICH WE RECENTLY SUBMITTED TO CONGRESS, WE SEEK MORE FLEXIBLE ACCOUNT STRUCTURES AND GREATER ABILITY TO TRANSFER FUNDS BOTH WITHIN AND AMONG ACCOUNTS TO MEET PRESSING, UNEXPECTED NEEDS. WE HOPE TO MOVE TOWARD AN ASSISTANCE PROGRAM UNIFIED AROUND A SINGLE SET OF CORE OBJECTIVES, ALONG THE LINES OF THOSE OUTLINED ABOVE. AS A FIRST STEP TOWARD THIS GOAL, WE HAVE PROPOSED A MCDEST DOLS. 20 MILLION PRESIDENTIAL CONTINGENCY FUND IN OUR FY 1992 BUDGET REQUEST.

THE NEED FOR FLEXIBILITY IS ESPECIALLY URGENT AT A MOMENT WHEN DEVELOPMENTS IN THE WORLD ARE MOVING SO QUICKLY AND UNPREDICTABLY, WHILE OUR ABILITY TO RESPOND WITH ADDITIONAL RESOURCES IS SEVERELY CONSTRAINED BY BUDGETARY REALITIES. THE GULF CRISIS, THE RESTORATION OF DEMOCRATIC RULE IN NICARAGUA AND PANAMA, AND THE DRAMATIC DEVELOPMENTS IN EASTERN EUROPE, THE SOVIET UNION, AND SOUTH AFRICA OVER THE PAST YEAR ILLUSTRATE THAT WHEN UNPRECEDENTED DEMANDS FOR AMERICAN LEADERSHIP ARE COMBINED WITH LIMITED RESOURCES, OUR NEED FOR FLEXIBILITY BECOMES ALL THE MORE URGENT.

TWC, WE SEE SCOPE FOR MORE CREATIVE USE OF MULTILATERAL MECHANISMS TO ADVANCE OUR OBJECTIVES, THROUGH BOTH THE INTERNATIONAL FINANCIAL INSTITUTIONS AND THE UNITED NATIONS SYSTEM.

THE FRETTON WOODS INSTITUTIONS MOVED QUICKLY TO LIBERALIZE AND EXPAND THEIR PROGRAMS TO ASSIST COUNTRIES SERIOUSLY AFFECTED BY THE GULF CRISIS. THE IMF AND WORLD BANK HAVE NOW ADMITTED ALL THE EASTERN EUROPEAN COUNTRIES EXCEPT ALBANIA AND ARE PLAYING A CENTRAL ROLE IN STRUCTURING SOUND, ADEQUATELY FINANCED PROGRAMS TO EASE THEIR TRANSITION TO MARKET ECONOMIES BASED ON PRIVATE INITIATIVE. SHOULD THE SOVIET UNION MOVE FURTHER ALONG THE PATH OF STRUCTURAL ECONOMIC AND POLITICAL REFORM, WE WOULD EXPECT THE IMF AND THE WORLD BANK TO PLAY A ROLE IN FACILITATING ITS TRANSFORMATION AS WELL. THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT WILL PROMOTE THE DEVELOPMENT OF THE PRIVATE SECTOR, AS WELL AS INFRASTRUCTURE AND ENVIRONMENTAL PROGRAMS, IN THE REFORMING COUNTRIES OF CENTRAL AND EASTERN EUROPE. MEANWHILE, THROUGH OUR ENTERPRISE FOR THE AMERICAS INITIATIVE, THE INTER-AMERICAN DEVELOPMENT BANK IS EXPECTED TO PLAY A MAJOR ROLE IN PROMOTING SOUND INVESTMENT POLICY IN OUR OWN HEMISPHERE.

TO SUPPORT THESE EFFORTS, WE ARE AGAIN PROPOSING FULL FUNDING FOR THE MULTILATERAL DEVELOPMENT BANKS -- INCLUDING ALL ARREARS -- PLUS A PERIODIC QUOTA INCREASE FOR THE IMF. THIS FUNDING WILL ALLOW THESE INSTITUTIONS TO LEVERAGE OTHER CONTRIBUTIONS IN SUPPORT OF OUR OBJECTIVE OF PROMOTING SOUND, GROWTH-ORIENTED ECONOMIC POLICIES IN THE DEVELOPING WORLD.

AS PRESIDENT BUSH NOTED IN HIS STATE OF THE UNION ADDRESS, THE UNITED NATIONS HAS PLAYED A HISTORIC ROLE IN THE GULF CRISIS, ONE THAT IS CLOSE TO FULFILLING THE VISION OF ITS FOUNDERS. THE SECURITY COUNCIL'S FOURTEEN RESOLUTIONS, WHICH LAID THE BASIS FOR ENDING THE CRISIS, SYMBOLIZE THE UNITY OF THE INTERNATIONAL COMMUNITY AGAINST IRAQ'S AGGRESSION AND ESTABLISHED THE PRINCIPLE OF COLLECTIVE SECURITY AS A CORNERSTONE OF THE POST-COLD WAR ERA.

AT THE SAME TIME, THE HUMANITARIAN ORGANIZATIONS OF THE U.N. SYSTEM -- TOGETHER WITH THE INTERNATIONAL COMMITTEE OF THE RED CROSS AND THE INTERNATIONAL ORGANIZATION FOR MIGRATION -- ARE COORDINATING A BROAD INTERNATIONAL EFFORT TO ASSIST THE HUNDREDS OF THOUSANDS OF REFUGEES FLEEING FROM IRAQI AGGRESSION.

THE UNITED STATES HAS A VITAL INTEREST IN STRENGTHENING THIS



NEW, REVITALIZED UNITED NATIONS AS A FULL PARTNER IN THE BUILDING OF A POST-COLD WAR WORLD WHERE PEACE, STABILITY, AND PROSPERITY PREVAIL.

THREE, WE FORESEE GREATER RELIANCE ON CREATIVE RESPONSIBILITY SHARING AS WE STRENGTHEN OUR GLOBAL PARTNERSHIPS, ESPECIALLY WITH THE EUROPEAN COMMUNITY AND ITS MEMBERS AND WITH JAPAN. AS MANY IN CONGRESS HAVE NOTED, OUR OWN DIFFICULT BUDGETARY SITUATION MAKES SUCH EFFORTS ESPECIALLY IMPORTANT FOR THE ADVANCEMENT OF A COMMON AGENDA WITH PARTNERS WHO SHARE OUR VALUES AND INTERESTS.

NO EFFORT SO WELL ILLUSTRATES THE COLLECTIVE RESPONSE OF THE WORLD COMMUNITY TO DEFEND WORLD PEACE AS OUR SUCCESSFUL EFFORTS TO ENLIST WORLDWIDE SUPPORT FOR OPERATIONS DESERT SHIELD AND DESERT STORM, AND FOR THE FRONT-LINE STATES WHOSE ECONOMIES HAVE BEEN SET BACK BY THE EFFECTS OF SADDAM HUSSEIN'S AGGRESSION.

IN 1990, OUR COALITION PARTNERS PLEDGED DOLS. 9.7 BILLION TO MEET DESERT SHIELD COSTS, REPRESENTING 73PERCENT OF THE

ROUGHLY DOLS. 13.2 BILLION IN TOTAL INCREMENTAL EXPENSES WE INCURRED. AS SOON AS HOSTILITIES BROKE OUT, OUR ALLIES AGAIN RESPONDED PROMPTLY AND GENEROUSLY TO SHOULDER THEIR FAIR SHARE OF COALITION MILITARY EXPENSES UNDER OPERATION DESERT STORM. INDEED, WE HAVE RECEIVED UNPRECEDENTED PLEDGES TOTALING IN EXCESS OF DOLS. 44 BILLION FROM SAUDI ARABIA, KUWAIT, THE UAE, JAPAN, GERMANY, AND KOREA, TO OFFSET DESERT SHIELD/STORM EXPENSES FOR 1991.

THE WORLD COMMUNITY HAS ALSO RESPONDED SWIFTLY AND GENEROUSLY TO THE NEEDS OF THE FRONT-LINE STATES, ESPECIALLY EGYPT AND TURKEY, AS THEY INCURRED SUBSTANTIAL COSTS IN STANDING UP TO SAIDAM HUSSEIN'S AGGRESSION. THROUGH THE U.S.-CHAIRLED GULF CRISIS FINANCIAL COORDINATION GROUP, OVER DOLS. 16 BILLION HAS BEEN PLEDGED BY THE GULF STATES, EUROPE, JAPAN, KOREA, AND OTHER COUNTRIES TO ENSURE THAT THE ECONOMIES OF AFFECTED REGIONAL STATES ARE STABILIZED. THE UNITED STATES HAS PLAYED ITS PART IN THIS EFFORT, SUPPORTED BY CONGRESS, BY CANCELLING EGYPT'S DOLS. 6.7 BILLION MILITARY DEBT, THEREBY RELIEVING A HEAVY BURDEN ON A CRITICAL REGIONAL ALLY. OTHER COUNTRIES HAVE FOLLOWED SUIT AND CANCELED AN ADDITIONAL DOLS. 8 BILLION IN EGYPTIAN DEBT.

SIMILARLY, IN RESPONDING TO THE URGENT NEEDS OF IRAQI REFUGEES AND DISPLACED PERSONS, THE INTERNATIONAL COMMUNITY IS IN THE PROCESS OF MOBILIZING MORE THAN DOLS. 500 MILLION, UNDER U.N. AND ICRC AUSPICES, FOR URGENT HUMANITARIAN RELIEF EFFORTS.

MEANWHILE, IN EASTERN EUROPE, THE SUCCESSFUL G-24 PROCESS CHAIRED BY THE EUROPEAN COMMUNITY COMMISSION HAS MOBILIZED MORE THAN DOLS. 18 BILLION IN PLEDGES FOR POLAND AND HUNGARY TO EASE THEIR TRANSITION TO MARKET ECONOMIES. AND IN THE PHILIPPINES, THE MULTILATERAL ASSISTANCE INITIATIVE (MAI) HAS BEEN RESPONSIBLE FOR NEARLY DOUBLING THE LEVEL OF INTERNATIONAL ASSISTANCE TO THIS STRUGGLING DEMOCRACY.

IN OUR OWN HEMISPHERE, WE ARE WORKING WITH OUR WORLDWIDE PARTNERS TO ASSIST IN CLEARING ARREARAGES OF PANAMA AND NICARAGUA TO THE INTERNATIONAL FINANCIAL INSTITUTIONS, AND TO HELP FINANCE THE ENHANCED DEBT STRATEGY. AND JUST LAST MONTH, THE UNITED STATES AND THE OECD COUNTRIES JOINED TOGETHER WITH CENTRAL AMERICA, MEXICO, COLOMBIA, AND VENEZUELA TO CREATE THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA, A NEW MULTILATERAL GROUPING DESIGNED TO SUPPORT REGIONAL DEMOCRATIZATION AND ECONOMIC DEVELOPMENT. FINALLY, WE ARE ENCOURAGING EUROPE AND JAPAN TO JOIN US IN PLEDGING DOLS. 100 MILLION A YEAR OVER FIVE YEARS TO CREATE A MULTILATERAL INVESTMENT FUND FOR LATIN AMERICA AND THE CARIBBEAN. THIS FUND IS A KEY PART OF THE PRESIDENT'S ENTERPRISE FOR THE AMERICAS INITIATIVE AND WILL PLAY A CRUCIAL ROLE IN ENABLING COUNTRIES TO MOVE FROM AID TO TRADE AND PRIVATE INVESTMENT AS THE PRINCIPAL ENGINES OF ECONOMIC GROWTH.

IN EACH CASE, BOTH STRONG U.S. LEADERSHIP AND A COMMUNITY OF INTERESTS ARE ESSENTIAL TO CATALYZE A BROAD WORLDWIDE RESPONSE.

FOUR, WE ENVISION MORE CREATIVE USE OF TRADE AND INVESTMENT POLICIES AS VEHICLES TO PROMOTE U.S. INTERESTS IN WORLD

ECONOMIC GROWTH, AS WELL AS TO ENHANCE OUR OWN ECONOMIC STRENGTH.

CENTRAL TO THESE EFFORTS OVER THE PAST FOUR YEARS HAS BEEN OUR DETERMINATION TO PURSUE A SUCCESSFUL CONCLUSION TO THE URUGUAY ROUND OF TRADE NEGOTIATIONS. WE CONTINUE TO BELIEVE THAT THE URUGUAY ROUND HAS PROFOUND POLITICAL AS WELL AS ECONOMIC IMPLICATIONS FOR THE SHAPE OF THE WORLD IN THE NEXT CENTURY. SUCCESSFUL CONCLUSION OF THE ROUND IS ESSENTIAL FOR THE ECONOMIC GROWTH AND STABILITY OF THE EMERGING EASTERN EUROPEAN DEMOCRACIES, AS WELL AS THE WIDE RANGE OF DEVELOPING COUNTRIES WHO WILL ULTIMATELY RELY ON EXPANSION OF WORLD TRADE -- NOT AIL -- AS THE PRIMARY VEHICLE TO GENERATE EMPLOYMENT OPPORTUNITIES AND SUSTAINABLE ECONOMIC GROWTH.

IN OUR OWN HEMISPHERE, THE PRESIDENT'S ENTERPRISE FOR THE AMERICAS INITIATIVE REPRESENTS A COMPREHENSIVE EFFORT TO PROMOTE ECONOMIC GROWTH AND STABILITY IN THE REGION, COMBINING FREE TRADE AND INVESTMENT -- THE PRIMARY VEHICLES FOR GROWTH -- WITH DEBT RELIEF AND ENVIRONMENTAL INITIATIVES.



AS I NOTED ABOVE, AS AN IMPORTANT STEP TOWARD THE EVENTUAL GOAL OF HEMISPHERIC FREE TRADE, THE ADMINISTRATION IS SEEKING A NORTH AMERICAN FREE TRADE AGREEMENT WITH MEXICO AND CANADA, WHICH WE ARE CONVINCED PROMISES IMPORTANT ECONOMIC BENEFITS FOR ALL THREE COUNTRIES. A NORTH AMERICAN FREE TRADE AGREEMENT WILL CREATE THE WORLD'S LARGEST MARKET, WORTH OVER DOLS. 6 TRILLION A YEAR AND INCLUDING MORE THAN 360 MILLION CONSUMERS. THERE IS A TREMENDOUS AMOUNT AT STAKE FOR OUR ECONOMIC FUTURE, FOREIGN POLICY, TRADE POLICY, AND HISTORIC RECONCILIATION WITH MEXICO.

MEANWHILE, THE UNITED STATES HAS WORKED ACTIVELY WITH OUR ASIAN PARTNERS IN THE ASIA PACIFIC ECONOMIC COOPERATION (APEC), TO ADVANCE MARKET-ORIENTED COOPERATION AMONG MEMBER STATES.

OUR BILATERAL INVESTMENT TREATY PROGRAM HAS BEEN AN IMPORTANT VEHICLE IN ENSURING AN OPEN AND LIBERAL INVESTMENT CLIMATE FOR U.S. INVESTORS AND EXPORTERS. OVER THE PAST YEAR, WE COMPLETED NEGOTIATIONS WITH POLAND AND CZECHOSLOVAKIA AND ARE ACTIVELY NEGOTIATING WITH NINE OTHER COUNTRIES WHICH ARE IN THE PROCESS OF UNDERTAKING ECONOMIC RESTRUCTURING PROGRAMS.

FINALLY, WE WILL BE CHALLENGED TO PURSUE MORE VIGOROUS U.S. DIPLOMACY, AND WILL SEEK A STATE DEPARTMENT OPERATIONS BUDGET THAT REFLECTS AN ACTIVIST APPROACH TO THE DIPLOMATIC CHALLENGES OF A CHANGING WORLD.

#### BILATERAL ASSISTANCE:

BILATERAL MILITARY AND ECONOMIC ASSISTANCE WILL REMAIN AN ESSENTIAL TOOL IN ADVANCING U.S. INTERESTS THROUGH THE 1990'S, ASSUMING THE NECESSARY FLEXIBILITY CAN BE PROVIDED TO MEET EMERGING NEEDS. NO OTHER VEHICLE AT OUR DISPOSAL IS AS WELL SUITED TO PROVIDE TIMELY SUPPORT TO OUR ALLIES AND FRIENDS AROUND THE WORLD. OUR INTERESTS IN POLITICAL PLURALISM, MARKET-DRIVEN ECONOMIC DEVELOPMENT, PEACE-MAKING, AND STRENGTHENING ALLIANCES -- CAN ALL BE ADVANCED BY PRUDENT USE OF BILATERAL ASSISTANCE RESOURCES.

FOR FY 1992, OUR REQUEST FOR DISCRETIONARY BUDGET AUTHORITY FOR BILATERAL ASSISTANCE PROGRAMS TOTALS DOLS. 13.1 BILLION. THAT MAKES A 6.5PERCENT INCREASE OVER THE DOLS. 12.3 BILLION APPROPRIATED BY CONGRESS FOR FY 1991. HIGHLIGHTS OF THIS REQUEST BY CATEGORY ARE AS FOLLOWS:

- DOLS. 4.65 BILLION IN FOREIGN MILITARY FINANCING (FMF), SUPPORTING A PROGRAM LEVEL OF DOLS. 4.92 BILLION.
- DOLS. 3.24 BILLION IN ECONOMIC SUPPORT FUNDING, UP FROM DOLS. 3.14 BILLION.
- DOLS. 1.3 BILLION IN DEVELOPMENT ASSISTANCE, THE SAME AS THE PRIOR YEAR.
- DOLS. 800 MILLION FOR THE DEVELOPMENT FUND FOR AFRICA.
- DOLS. 400 MILLION FOR CENTRAL AND EASTERN EUROPE, A SLIGHT INCREASE OVER THE FY 91 APPROPRIATION.

-- DOLS. 160 MILLION FOR THE MULTILATERAL ASSISTANCE INITIATIVE FOR THE PHILIPPINES.

-- DOLS. 1.3 BILLION FOR BILATERAL PL-480 FOOD AID, SUPPORTING THE EXPORT OF 5.9 MILLION METRIC TONS OF U.S. COMMODITIES.

-- DOLS. 172 MILLION FOR THAT PORTION OF THE ADMINISTRATION'S INTERNATIONAL COUNTERNARCOTICS PROGRAM IMPLEMENTED BY THE STATE DEPARTMENT.

NEAR EAST AND SOUTH ASIA (DOLS. 6.2 BILLION):

THE MIDDLE EAST HAS BEEN PROFOUNDLY AFFECTED BY THE GULF WAR AND THE ECONOMIC TURMOIL ASSOCIATED WITH THE CONFLICT. ALTHOUGH THE WAR IS NOW OVER, THE ECONOMIC DISLOCATIONS AND HARDSHIPS CONTINUE. IN OUR BILATERAL ASSISTANCE REQUEST, WE CONTINUE TO FOCUS OUR EFFORTS TO PROMOTE PEACE AND STABILITY ON OUR TRADITIONAL PARTNERS, ISRAEL (DOLS. 3.0 BILLION) AND EGYPT (DOLS. 2.3 BILLION). ADDITIONAL COSTS WHICH REGIONAL STATES HAVE INCURRED AS A RESULT OF THE CRISIS ARE BEING COMPENSATED

THROUGH EFFORTS OF THE GULF CRISIS FINANCIAL COORDINATION GROUP, BILATERAL DONORS, AND THE INTERNATIONAL FINANCIAL INSTITUTIONS. IN PARTNERSHIP WITH OUR FRIENDS AND ALLIES, WE ARE WORKING ON DEVELOPING MECHANISMS TO CATALYZE THE RESOURCES NEEDED TO SUPPORT THE EFFORTS OF THESE COUNTRIES TO ACHIEVE SUSTAINED ECONOMIC GROWTH.

REFLECTING DEVELOPMENTS ASSOCIATED WITH THE CRISIS AND OUR OWN BUDGETARY LIMITATIONS, ASSISTANCE LEVELS FOR JORDAN AND YEMEN HAVE BEEN SET AT DOLS. 57 MILLION AND DOLS. 3 MILLION RESPECTIVELY. WE ARE ALSO REQUESTING DOLS. 24 MILLION IN ASSISTANCE FOR TUNISIA FOR FY 92. WE HOPE TO BE ABLE TO SUPPORT PAKISTAN'S DEVELOPMENT AND SECURITY NEEDS WITH A SUBSTANTIAL ASSISTANCE PROGRAM, AND HAVE SET ASIDE DOLS. 200 MILLION IN TOTAL FY 92 RESOURCES FOR THIS PURPOSE. PROVISION OF THIS ASSISTANCE, HOWEVER, WILL BE CONTINGENT ON THE ABILITY OF PAKISTAN TO SATISFY THE STANDARDS SET IN THE PRESSLER AMENDMENT.

#### EAST ASIA AND PACIFIC (DOLS. 702 MILLION):

IN ASIA, OUR PRINCIPAL ASSISTANCE REQUEST IS FOR THE PHILIPPINES, FOR WHICH WE SEEK A TOTAL OF DOLS. 556 MILLION IN TOTAL FY 1992 BILATERAL FUNDING, INCLUDING A COMMITMENT OF DOLS. 100 MILLION TOWARD THE MULTILATERAL ASSISTANCE INITIATIVE. THIS FUNDING IS DESIGNED TO STRENGTHEN A FRAGILE DEMOCRACY AND PROMOTE ECONOMIC REFORM. WE ARE ALSO NEARING CONCLUSION OF NEGOTIATIONS THAT WE HOPE WILL MAKE POSSIBLE OUR CONTINUED USE OF PHILIPPINES MILITARY FACILITIES AND HELP BUILD A NEW, MORE BALANCED RELATIONSHIP.

OTHER HIGHLIGHTS OF OUR REQUEST FOR EAST ASIA INCLUDE DOLS. 27.5 MILLION FOR CAMBODIA TO SUPPORT THE ACHIEVEMENT OF A COMPREHENSIVE SETTLEMENT BASED ON A U.N. SUPERVISED FREE ELECTION. WE EXPECT TO SUPPORT COMMUNITY DEVELOPMENT, LEADERSHIP AND HUMAN RIGHTS TRAINING, AND ELECTION EFFORTS -- AS WELL AS CONTINUING TO MEET THE VERY SPECIAL NEEDS OF THE CHILDREN OF CAMBODIA.

#### EUROPE (DOLS. 1.6 BILLION):

THE ADMINISTRATION'S FY 1992 REQUEST FOR EUROPE INCLUDES DOLS. 400 MILLION FOR THE SPECIAL ASSISTANCE INITIATIVE FOR CENTRAL AND EASTERN EUROPE, A SLIGHT INCREASE OVER OUR FY 91 APPROPRIATION. IN ACCORDANCE WITH AUTHORIZING LEGISLATION, THESE FUNDS SUPPORT A BROAD SPECTRUM OF ACTIVITIES, INCLUDING DEMOCRATIC INITIATIVES TO ASSIST WITH POLITICAL AND SOCIAL REFORM, AND SUPPORT FOR ECONOMIC REFORM, INCLUDING ENVIRONMENTAL AND ENERGY PROJECTS, ENTERPRISE FUNDS, AND TECHNICAL ASSISTANCE.

CONTRIBUTING TO THE MILITARY CAPABILITIES OF OUR NATO ALLIES IN THE SOUTHERN FLANK REMAINS A CENTRAL CONCERN FOR U.S. POLICY IN THE MEDITERRANEAN. RECOGNIZING THE PIVOTAL ROLE PLAYED BY TURKEY IN THE PERSIAN GULF CRISIS, WE SEEK DOLS. 825 MILLION IN FME AND DOLS. 75 MILLION IN ESF FUNDING FOR FY 92, A COMBINED INCREASE OF DOLS. 150 MILLION OVER FY 1991 LEVELS. TURKEY TOOK THE LEAD IN THE ENFORCEMENT OF ECONOMIC SANCTIONS AGAINST IRAQ,



AND HAS TAKEN A COURAGEOUS POSITION IN SUPPORT OF THE UNITED NATIONS RESOLUTIONS DESPITE SEVERE DOMESTIC ECONOMIC COSTS. THIS CRISIS HAS DEMONSTRATED TURKEY'S ONGOING NEED FOR AIR DEFENSE SUPPORT AND OTHER MILITARY EQUIPMENT TO BOLSTER ITS ROLE AS A KEY REGIONAL PARTNER, BOTH IN EUROPE AND THE MIDDLE EAST.

FOR GREECE, WE SEEK DOLS. 350 MILLION IN FMF TO ASSIST WITH GREEK FORCE MODERNIZATION. WE ALSO SEEK DOLS. 125 MILLION IN FMF AND DOLS. 40 MILLION IN ESF FOR PORTUGAL TO SUPPORT FORCE MODERNIZATION EFFORTS AND ASSIST IN THE DEVELOPMENT OF THE AZORES REGION WHERE U.S. FORCES ARE BASED.

LATIN AMERICA AND THE CARIBBEAN (DOLS. 2.1 BILLION):

FOR FOREIGN ASSISTANCE PROGRAMS IN LATIN AMERICA AND THE CARIBBEAN, WE SEEK DOLS. 2.1 BILLION IN TOTAL FUNDING, THE BULK OF WHICH WILL BE USED TO SUPPORT THE ANDEAN NARCOTICS INITIATIVE AND THE EMERGING DEMOCRACIES OF CENTRAL AMERICA.

TO IMPLEMENT THE PRESIDENT'S ANDEAN STRATEGY, WE ARE SEEKING A

TOTAL OF DOLS. 481 MILLION IN COMBINED NARCOTICS CONTROL, DEVELOPMENT ASSISTANCE, AND SECURITY ASSISTANCE FUNDING. THESE PROGRAMS PROVIDE FUNDING FOR BILATERAL COUNTER-NARCOTICS EFFORTS, COORDINATED MILITARY ASSISTANCE, AND ECONOMIC AID TO OFFSET THE DISLOCATIONS OF SUCCESSFUL COUNTERNARCOTICS OPERATIONS AND PROVIDE ALTERNATIVES TO NARCOTICS PRODUCTION.

TO SUPPORT DEMOCRATIZATION AND ECONOMIC GROWTH IN CENTRAL AMERICA, WE ARE SEEKING DOLS. 783 MILLION IN TOTAL BILATERAL ASSISTANCE, DOWN FROM DOLS. 906 MILLION THE PRIOR YEAR. AS IN PRIOR YEARS, OVER THREE FOURTHS OF THIS AMOUNT WILL SUPPORT ECONOMIC AS OPPOSED TO MILITARY ASSISTANCE. WE BELIEVE THAT SUSTAINING THESE PROGRAMS IS CRUCIAL TO THE OPPORTUNITY TO END THE CONFLICTS IN BOTH EL SALVADOR AND GUATEMALA THIS YEAR.

WE ARE ALSO SEEKING DOLS. 310 MILLION IN BUDGET AUTHORITY TO COVER THE DEBT REDUCTION PROVISIONS OF THE PRESIDENT'S ENTERPRISE FOR THE AMERICAS INITIATIVE, AND, AS DISCUSSED ABOVE, DOLS. 100 MILLION FOR THE PROPOSED MULTILATERAL INVESTMENT FUND.

AFRICA (DOLS. 1.0 BILLION):

FOR FY 1992, THE FIFTH YEAR OF THE DEVELOPMENT FUND FOR AFRICA, WE SEEK DOLS. 600 MILLION IN RESOURCES TO PROMOTE BROADLY BASED AND SUSTAINABLE ECONOMIC GROWTH. PRIORITY ATTENTION WILL CONTINUE TO BE GIVEN TO THOSE COUNTRIES PURSUING SOUND ECONOMIC POLICIES. WE ARE ALSO PROPOSING MODEST AMOUNTS OF ECONOMIC SUPPORT FUNDS FOR AFRICA (DOLS. 29.3 MILLION), INCLUDING A NEW REGIONAL "SUPPORT FOR AFRICAN DEMOCRACY FUND". OUR DOLS. 34 MILLION REQUEST FOR FOREIGN MILITARY FINANCING REQUEST SUPPORTS MAINTAINING AND REPLACING EQUIPMENT SUPPLIED TO OUR FRIENDS IN PAST YEARS AND IS ALMOST EXCLUSIVELY NON-LETHAL. IN ADDITION WE ARE SEEKING ALMOST DOLS. 150 MILLION IN PL 480 FOOD ASSISTANCE.

THE U.S. HAS ALREADY PROVIDED APPROXIMATELY DOLS. 550 MILLION IN DEBT FORGIVENESS FOR QUALIFYING AFRICAN COUNTRIES. IN ADDITION TO BILATERAL ASSISTANCE, THE U.S. ALSO PROVIDES IMPORTANT FINANCIAL RESOURCES TO AFRICA THROUGH INSTITUTIONS SUCH AS THE IMF, THE WORLD BANK (ABOUT HALF OF CONCESSIONAL DISBURSEMENTS), THE AFRICAN DEVELOPMENT BANK AND FUND, AND MANY U.N. AGENCIES.

OUR FY 92 REQUEST FOR AFRICA IS DESIGNED TO ENCOURAGE THE GROWING MOVEMENT TOWARD RESPONSIBLE GOVERNANCE IN AFRICA, PARTICULARLY THE TREND TOWARD PLURALISTIC DEMOCRACY

MULTILATERAL ASSISTANCE

FOR THE MULTILATERAL DEVELOPMENT BANKS, WE ARE REQUESTING DOLS. 1.7 BILLION IN FY 1992 BUDGET AUTHORITY, UP FROM DOLS. 1.6 BILLION IN FY 1991. THIS INCLUDES DOLS. 1.1 BILLION IN FUNDING FOR THE INTERNATIONAL DEVELOPMENT ASSOCIATION, THE SOFT-LOAN WINDOW OF THE WORLD BANK, WHICH PROVIDES CONCESSIONARY FINANCING TO THE WORLD'S POOREST COUNTRIES, AS WELL AS FULL FUNDING FOR THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE OTHER REGIONAL DEVELOPMENT BANKS.

CUR FY 1992 BUDGET REQUEST ALSO CONTAINS DOLS. 12.2 BILLION IN BUDGET AUTHORITY FOR THE PROPOSED INCREASE IN THE U.S. QUOTA IN THE INTERNATIONAL MONETARY FUND (IMF), AS PROVIDED FOR IN THE BUDGET ENFORCEMENT ACT. THIS IS TO ENSURE THAT THE FUND HAS THE RESOURCES NECESSARY TO FULFILL ITS RESPONSIBILITIES AS THE WORLD'S PRINCIPAL MONETARY INSTITUTION. IN THE THIRD WORLD, IMF ARRANGEMENTS SUPPORT MARKET-ORIENTED ADJUSTMENT AND UNDERPIN DEBT REDUCTION OPERATIONS IN SUPPORT OF THE BRADY PLAN. THE FUND HAS ALSO SPEARHEADED ECONOMIC REFORM IN EASTERN EUROPE, AND RESPONDED VIGOROUSLY TO ASSIST COUNTRIES SERIOUSLY AFFECTED BY THE PERSIAN GULF CRISIS.

IN ADDITION, WE ARE SEEKING DOLS. 250 MILLION FOR VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS INCLUDING THE U.N. DEVELOPMENT PROGRAM (DOLS. 115 MILLION) AND UNICEF (DOLS. 55 MILLION).

#### COUNTERNARCOTICS ASSISTANCE

FOR THE INTERNATIONAL NARCOTICS CONTROL PROGRAMS ADMINISTERED



BY THE STATE DEPARTMENT, WE ARE SEEKING DOLS. 172 MILLION, AN INCREASE OF DOLS. 22 MILLION OVER FY 1991 LEVELS. THESE FUNDS SERVE AS A CRITICAL ELEMENT IN MOTIVATING AND ASSISTING COOPERATIVE FOREIGN GOVERNMENTS TO FULFILL THEIR NARCOTICS CONTROL RESPONSIBILITIES.

OVER TWO THIRDS OF THE INCREASED FUNDING REQUESTED FOR FY 1992 WILL SUPPORT EXPANDED PROGRAMS IN LATIN AMERICA, WITH AN EMPHASIS ON HELICOPTERS. INDEED, LATIN AMERICAN AND REGIONAL AVIATION PROGRAMS WILL ABSORB FULLY 80PERCENT OF OUR TOTAL FY 1992 REQUEST.

#### REFUGEES AND OTHER ASSISTANCE PROGRAMS:

THE UNITED STATES CONTINUES TO PLAY A PREEMINENT ROLE IN ADDRESSING THE FLIGHT OF THE WORLD'S REFUGEES -- THROUGH OUR INTERNATIONAL ASSISTANCE AND DOMESTIC RESETTLEMENT PROGRAMS, AS WELL AS OUR DIPLOMATIC EFFORTS IN SUPPORT OF PERMANENT SOLUTIONS TO REFUGEE SITUATIONS.

FOR FY 1992, WE ARE REQUESTING DOLS. 491 MILLION FOR MIGRATION AND REFUGEE ASSISTANCE, UP FROM DOLS. 486 MILLION IN FY 1991.

FOR OUR REFUGEE ASSISTANCE PROGRAMS OVERSEAS, WE SEEK DOLS. 233 MILLION IN FY 1992 FUNDING, A DOLS. 20 MILLION INCREASE OVER THE FY 1991 LEVEL. THESE PROGRAMS WILL CONTINUE TO FOCUS ON BASIC LIFE-SUSTAINING ACTIVITIES FOR THE MOST VULNERABLE GROUPS AND SUPPORT LASTING SOLUTIONS THROUGH OPPORTUNITIES FOR VOLUNTARY REPATRIATION AND LOCAL INTEGRATION.

TO FINANCE REFUGEE ADMISSION AND RESETTLEMENT, WE SEEK DOLS. 192 MILLION IN FY 1992 FUNDING. THIS WILL COVER THE EXPENSES OF AN ESTIMATED 120,000 REFUGEES -- ABOUT THE SAME NUMBER AS LAST YEAR. MOST REFUGEE ADMISSIONS WILL BE FROM THE SOVIET UNION AND VIETNAM, BUT THERE WILL ALSO BE ADMISSIONS FROM EASTERN EUROPE, AFRICA, LATIN AMERICA, AND THE NEAR EAST. FAMILY REUNIFICATION WILL CONTINUE TO BE A PRIORITY, AS WILL THE RESETTLEMENT OF PERSECUTED RELIGIOUS MINORITIES AND FORMER POLITICAL PRISONERS.

IN ADDITION, WE REQUEST DOLS. 20 MILLION TO REPLENISH THE PRESIDENT'S EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND, TO ENABLE US TO RESPOND TO UNFORESEEN REFUGEE AND MIGRATION NEEDS WORLDWIDE.

ANOTHER IMPORTANT COMPONENT OF OUR INTERNATIONAL DEVELOPMENT ASSISTANCE REQUEST IS OUR DOLS. 200 MILLION REQUEST FOR PEACE CORPS OPERATING EXPENSES.

#### CONCLUSION

THANK YOU, MR. CHAIRMAN. WE LOOK FORWARD TO WORKING WITH YOU AND THE MEMBERS OF THIS SUBCOMMITTEE IN THE COMING MONTHS TO MOBILIZE THE FLEXIBLE RESOURCES WE NEED TO CARRY OUT OUR AMBITIOUS FOREIGN AFFAIRS AGENDA.

MINIMIZE CONSIDERED: BEIRUT, DOHA, KARACHI, ISLAMABAD, LAHORE, PESHAWAR.

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# BUSH SAYS ISRAEL SHOULD END SETTLEMENTS ON WEST BANK

(Cites support for Baker's statements)

By Alexander M. Sullivan

USIA White House Correspondent

Washington -- The United States wants an end to Israeli settlements on the West Bank, President Bush asserted May 23, adding his strong support for Secretary of State Baker's criticism of Israeli settlement policy.

"We would like to see those settlements stopped," Bush said in his second question-and-answer session of the day with reporters. "I strongly support" Baker's exposition of longstanding U.S. policy, he added, referring to the secretary's May 22 congressional testimony on the Middle East.

Rejecting an interpretation of his remarks earlier May 23 as softening Baker's critique of Tel Aviv's stance, the president told reporters, "I strongly support what he said ... Secretary Baker was speaking for this administration."

The president added that it "would make a big contribution to peace if these settlements would stop." Declaring Baker was going the extra mile for peace, Bush said one way to achieve peace "is to have the settlement policy under control. We don't want it standing like this."

Bush elaborated on his view that Soviet participation in the London economic summit needs more study. He said he discussed the matter in a May 23 telephone call with British Prime Minister Major, the host for the July session of the industrialized democracies.

"The prime minister and I," the president told questioners, "are in exact sync (synchronization) on this. We both want to look at it and consider it and not leave the door closed nor open, but see what these proposals are." (Bush was apparently referring to Soviet President Gorbachev's plea for \$100,000 million in economic assistance from Western nations.)

Declaring the United States would "not pull the rug out from under" Gorbachev, Bush said there are "limitations in what we can do. When we do something, we want it to be meaningful. We don't want to just have it (be) some gesture that doesn't help the struggling Soviet economy."

Bush said he is convinced that Gorbachev is "working the reform path" to restructure Soviet society. He said he is "anxious to hear from" Gorbachev's special emissary, Yevgeny Primakov, who is expected in Washington this month.

The president said that if the plan Primakov brings "makes sense, we'll encourage it. If we have some reservations about



(it), we owe Mr. Gorbachev, who is a friend (the courtesy of saying)'...look, I have some difficulty' (with the plan). I don't want to prejudge it before we've even heard from the guy."

On the Middle East, Bush said he had seen an interpretative report suggesting his remarks in an earlier meeting May 23 with reporters represented a softening of Baker's criticism of Israel. Noting that he rejected that view, Bush declared, "I'm backing the man."

Baker told a House subcommittee May 22 he doesn't "think that there is any bigger obstacle to peace than the settlement activity that continues not only unabated but at an enhanced pace."

The secretary complained that "every time I have gone to Israel in connection with the peace process, I have been met with the announcement of new settlement activity" on the West Bank of the Jordan River.

Baker said he is on the verge of concluding that "we're not going to get any movement on settlement activity before we have an active peace process going, and it's going to be just that much more difficult to get a peace process if we can't get any action on settlements."

In his comments earlier May 23, Bush stressed there was nothing new in Baker's comments, noting opposition to settlements has been the policy of the U.S. government for years. He added that Israel was making moves in private that he would not reveal and said he was not "totally pessimistic."

Bush said in his second meeting with reporters May 23 that the aim of the peace process is that "everybody has to give...The goal is to get people talking who have been shouting at each other and arming against each other." He said he supports "100 percent" Baker's effort "to have...compromise. Everybody has to give and listen and talk -- come to the table."

Asked if the parties are being more "intransigent" than he had expected, the president replied, "I don't know (if it's been more) than I expected....We have a ways to go before I can tell the American people 'we're there; they're all coming to the table; all those that we've invited.'"

The president turned aside questions about halting loan guarantees for Israel, saying he intended to concentrate on more positive aspects of "how you get the peace process started. Yes, I'll be talking to anyone who's willing to talk about it." Bush suggested "there's a lot going on behind the scenes."

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אל: מצפ"א, חסבר

מאח: ק. לקונגרס

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חידון ביה"ב - עדות בייקר בפני ועדת החשנה לפעולות זרות (22/5)

1. בנסד התמליל חמלא.

2. במהלך עדותו התייחס בייקר לנושאים הבאים :-

- תהליך השלום - רוב השימועים. עיקר חסבר 2 נושאים נותרו פתוחים - נושא השתתפות נציג האו"ם ואופי הועידה. אם ישראל וסוריה תסכמנה בשני נושאים אלה, ניתן יהיה לפתוח בדיאלוג - ראו התמליל.

- התנהלויות - רצ"ב קטע חילופי השאלות והתשובות בין הקונגרסמן אובי לבין המזכיר בייקר. הייתה זו כמעט השאלה האחרונה והשובתו של בייקר בלטה בתרסותה בחשואה לשאר השובותיו במהלך השימועים.

תשובת ליבנס:

א. להצעתו של בייקר בסוף דבריו להגיש דו"ח לאובי בנושא תפיסת התקעות ע"י ישראל בשטחים.

ב. לתשובתו של אובי כי אם הוא היה ישראל, לא היה מחזיר אינץ' אחד מהשטחים ללא הכרה מפורשת ברורה וחרוטה באותיות של זהב מצד מדינות ערב. כמו כן הביקורת שתעביר אובי, בהקשר זה, על מדינות ערב.

- פירוק נשק - המחשל מתנגד ליוזמה חד צדדית ומצדד בגישה המולטילטרלית. יש לאפשר למדינות האיזור להגן על עצמן. לגבי יוזמת הנשיא, הועדה תשמה לשמוע על היוזמה בהקשר לנשק להשמדה המונית, ופחות תשמה בנושא הנשק הקונבנציונלי. (רצ"ב הקטע).

- יהודי סוריה - חלה התקדמות מסוימת (רצ"ב הקטע).

- החום הערבים - חנושא גדון. חלו מספר שינויים והתקדמות אצל כוויית (רצ"ב הקטע).

- תשלום פיצויים לישראל ע"י עיראק -

- חוק סיוע חוץ/הקצבות -

לדברי אובי הוא מוכן לתת למחשל גמישות לפעולה במזה"ת עד חודש ספטמבר (נשטו על החוק) ואפילו לדחות הטיפול בחוק. (רצ"ב הקטע).

ישראל/כנא/בן צור  
יהודית ורנאי דונג

Handwritten notes and signatures at the bottom of the page, including names like "ישראל/כנא/בן צור" and "יהודית ורנאי דונג".



STORY JERUSALEM

With respect to -- I have to raise, because our committee asked the State Department last year to provide a report on the issue of Israeli settlements. And that report indicated to us that there are now over 200,000 settlers in some 20 settlements in the occupied territories, including East Jerusalem; in the West Bank, about 90,000 settlers, an increase of 9,000 to 10,000 during the past year; perhaps as many as 40,000 since '84. According to that

report, West Bank settlements are growing at a rate of 10 percent a year, and last year it suggested the government of Israel spend at least 93 million [dollars] in identifiable allocations for settlements.

On April 3th, the Post reported that Israeli Minister said 14,000 new housing units would be placed in the settlements outside of Jerusalem in the next two years. We then have a number of other newspapers articles, including one by Jackson Diehl which says "Israel Boosts Land Seizures." And it says -- and I have no idea whether this is accurate. I want to ask you if it is. But it says while the Palestinians of Artis (ph) waited out a 40-day curfew after January 15, teams of Israeli land agents began staking out tracts on the hillside outside the village. Then, two weeks after the war ended, a notice arrived. Israel's government had decided to seize 360 acres of traditional village land, wiping out much of the agriculture on which the community depends.

The confiscation was one of a sudden rash of land takeovers initiated by Israel in the West Bank in the two months after the Persian Gulf War, amounting to at least 7,500 acres so far that appears linked to a vast new program for construction of Jewish settlements. It then goes on to suggest the rationale under which Israel allegedly takes the land, saying that Israel bases their land seizures on an interpretation of 19th century Ottoman Turkish law, which required villages and families who wanted to register their ownership of land to prove they had cultivated the property for 10 consecutive years. And because it's difficult for a number of reasons for them to do so it sets it up for confiscation. So alleges the article.

I would like to know, number one, whether this is true, and secondly, if it is, in concert with the other reports that -- the other report you sent us -- frankly, it gets under my skin, because I guess my question is this: What specifically is US policy with respect to settlements? Because my understanding is that this activity is in violation of US policy. What bothers me is the Israeli government says that the desperately need funds for other purposes, including bringing Soviet Jews to Israel for resettlement. But then they appear to be spending money like this, which I don't think they ought to be spending. It seems to me that if in fact this article is true, it also represents significant human rights violations.

I would simply like to have your assessment of what the situation is. Can we expect to see action on the part of the Israeli government that will reflect -- let me put it another way, I think we have a moral obligation to try to help Israel resettle every Soviet Jew who wants to leave Israel (sic -- probably means the Soviet Union). But I think Israel has an obligation to us and to their own future security not to settle them in such a way that it proves either an obstacle to the peace process or it proves to be a major embarrassment to you and to the United States.



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And my question is, how in God's name do you tell what Israeli policy is when you've got six different stories coming out of the same government on their policy, and what can we do about it to achieve a constructive result?

SEC. BAKER: Mr. Chairman, every time I have gone to Israel in connection with the peace process on each of my four trips, I have been met with the announcement of new settlement activity. This does violate United States policy. It's the first thing that Arabs -- Arab governments, the first thing the Palestinians in the territories -- whose situation is really quite desperate -- the first thing they raise with us when we talk to them. I don't think that there is any bigger obstacle to peace than the settlement activity that continues not only unabated but at an enhanced pace. And nothing has made my job of trying to find Arab and Palestinian partners for Israel more difficult than being greeted by a new settlement every time I arrive.

The Arabs and the Palestinians, of course, argue that this proves that the Israeli government is not interested in creating -- in negotiating outcomes, but it's really interesting in creating (fact on the ground?). And it substantially weakens our hand in trying to bring about a peace process, and creates quite a predicament.

Now, I've raised the issue on any number of occasions with the leadership of the government of Israel, to no avail. I've even raised it in the context of perhaps a tradeoff for a suspension of the state of belligerency or suspension of the boycott, as I've mentioned to you. And I haven't gotten any takers on that, either. So, it makes it tough.

I have about decided that we're not going to get any movement on settlement activity before us -- at least before we have an active peace process going, and it's going to be just that much more difficult to get a peace process going if we can't get any action on settlement activity.

Someone told me, and I don't want to -- I don't want to say this as being an absolute fact, because I haven't checked it, but I believe that there's only about 35 percent of the occupied territories that has not been in one way or another utilized, or is being utilized, by Israel, either through settlement activities or appropriation in the manner that the article you just mentioned outlines. I can't tell you that everything in that article is accurate, because I don't know whether it is or not. I suppose we could have it analyzed and send you a report.

REP. OBEY: I would like you to do that.

Let me simply say that if I were Israel, I would not give back one square inch of any of the territory without explicit, clear, emblazoned in gold letters -- recognition.



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REP. OBEY: Well, Mr. Secretary, I'll get back to that because I have two other brief questions I want to ask before I ask other members here their questions.

With respect to arms sales in the region, as I said, I know that the administration is planning shortly to announce its own policies and proposals. I'd like to lobby you again. As you know, Mr. Hamilton, and I, and Mr. Fastell, and Mr. Gephardt, sent you a letter -- sent the administration a letter, I should say -- asking the administration to consider in its package a unilateral announcement of our own to suspend all arms deliveries to the region for a short period of time in order to try to dramatize our concern about the problem and force other trading countries and selling countries to publicly confront the issue. What would be wrong with the administration including that kind of proposal in whatever it is that the President is going to be putting together?

SEC. BAKER: Mr. Chairman, the United States will not be able to regulate arms sales in the region by acting unilaterally, it won't happen.

REP. OBEY: Well, I understand that. But I'm not suggesting we act unilaterally. I'm suggesting that we take a unilateral action for a short duration to set an example to the rest of the world. I can't believe that we're going to lose any serious advantage in four months' time.

SEC. BAKER: Well, it might not send a signal that would be the most appropriate signal, Mr. Chairman. I mean, all I can do -- without pre-announcing the President's decisions it's pretty hard for me to debate this particular issue with you, except to say that we do believe it's important that our friends in the region have the ability to maintain and enhance their own capabilities, the ability to defend themselves. And we think that it is much better to work in a multilateral context in connection with restraint, whether it's conventional or whether it's weapons of mass destruction.

Again, I don't want to make an announcement here this morning but I think that I will be very surprised if you're not reasonably pleased with the administration's initiative regarding weapons of mass destruction. You may not be as pleased with respect to the administration's initiative on conventional weapons, but I don't think that the suggestion that you've made would move us in the direction that we should go. And I will be pleased to come up and discuss it with you after the President's announced his initiative, when I'm a little bit more free to speak.

REP. OBEY: Well, I'm afraid that will be too late, but I -- (laughter) -- I wish -- I wish you'd reconsider, because I -- I agree with you; we need to approach this in a multilateral fashion, but it seems to me that we provided some single leadership on the Kuwaiti situation, and it seems to me that in leading by example we could force others to focus on their responsibilities.



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REP. OBEY: All right. One last pitch, and then two questions with respect to the content of this bill.

You indicated that you thought when the administration came out with its announced arms policy, that I would be happy about its position on weapons of mass destruction, perhaps not so happy about the conventional weapons. I'd simply make the point -- I've got a cartoon here which shows a road, on one side troops coming out, cops standing in the middle, and there's a sign here pointing in the other direction saying, "The Middle East." And the cop is saying, "Homeward-bound troops to the left, new arms sales to the right," going in opposite directions.

And I'd simply suggest that these are all conventional weapons, and so I would hope again that the administration would really take a look at the possibility of trying to jump start a policy of arms denial to the region on the conventional level by the moratorium that we've suggested.

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L. SMITH: The discussions that you've had with the Syrians you've indicated that some of the mutual interests that we have in discussing have been discussed. You've said that a number of times. And there is -- in the midst of the discussions that I have had there when I was in Syria, understanding that six Syrian people; two couples, a two year old baby and a three month old baby were arrested at the Syrian-Turkish border -- Syrian Jews -- as they were trying to leave. These people haven't been seen since they were arrested, which was back in the -- late 1990.

Do you have any knowledge of the condition of these people?  
None at all? Does the United States --

SEC. BAKER: The -- I don't know that we have any knowledge of the condition, Mr. Smith. We raise this question when we go there.

REP. SMITH: You do?

SEC. BAKER: Yeah.

REP. SMITH: What kind of response do you get?

SEC. BAKER: Well, I'll have to check with the -- I'll just have to check with the embassy. A response came back to the embassy.

REP. SMITH: I think that on this particular issue, if the United States raised these specific issues, we might get a forthcoming reply. And I'd appreciate it.

SEC. BAKER: You know, we also raised the question of permitting some Syrian Jews to --

REP. SMITH: Immigration.

SEC. BAKER: -- immigrate to the United States.

REP. SMITH: That's what this relates to.

SEC. BAKER: And we got some -- again, let me just say, you know, I know people here sometimes are critical of the fact that we even have any dialogue with Syria, but not only have we seen movement on the question of terrorism, we've have also seen some movement on the question of immigration of Syrian Jews. Not as much as we would have liked, but a willingness to permit certainly some single women to come.

REP. OBEY: Mr. Secretary, if you could get back to the committee giving us your understanding about the whereabouts and the conditions of the people Mr. Smith is talking about --

SEC. BAKER: Give me the names, Mr. Chairman, because there are a number of different cases, and I'll need to know which ones you're talking about.



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REP. PORTER: Thank you, Mr. Chairman. Mr. Secretary of State, you must be absolutely exhausted. The American people and the members of Congress very much appreciate your tremendous efforts to find the key to peace in the Middle East, and we hope you get a chance to get some rest.

I've been informed I'm now under the five-minute rule, even though we haven't observed it up to this point, and so I'm going to ask my questions as quickly as I can.

I want to -- I want to go back to something my colleague from Illinois raised, and that is the -- the Kuwaiti adherence to the boycott of Israel -- the Arab boycott of Israel. Prior to the -- to the war, they were one of the most strict adherents to the boycott and -- and to the secondary boycott, that is, refusing to do business with companies that traded at all with Israel. Have you had any discussions with the Kuwaiti leaders regarding this -- the boycott and secondary boycott? And aren't US firms put at a competitive disadvantage because US law forbids them from complying with the Arab boycott?

SEC. BAKER: The -- the issue has been discussed, Mr. Porter, and -- and there has been, in my view, some change in the attitude and approach of the government of Kuwait, particularly with respect to the question of negative certification, and we would -- we would have to see that as a positive result.

REP. PORTER: Just last week, the Arab League's Boycott of Israel Office added 110 companies to the black list of companies that do business with Israel. What reaction -- was there any official reaction by the State Department to that list, and has that -- that issue been raised in meeting with Arab leaders?

SEC. BAKER: I don't think we had any -- any reaction from the podium at the State Department.

REP. PORTER: Well, if I could --

SEC. BAKER: Let me -- let me -- let me reserve on that, Mr. Porter. I was out -- I was in -- out of the country, so let me check and see. It may very well have been.

Obviously, we do not -- we do not support the idea of the boycott, and adding 100 companies is not something that we would look on with any favor whatsoever. At the same time that that announcement was made, if I recall correctly, there was a delation of a major company or two. But that doesn't excuse adding a whole host of other countries. We do not support the boycott and --

REP. PORTER: And we -- and we raised this in our discussions with the Arab leaders as often as possible.

SEC. BAKER: We raised it all the time.



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With respect to the Middle East, let me simply say I fully support everything that you are trying to do. I think it's an admirable pursuit, and as you know, I have told you that since you've indicated that the administration wants until after Labor Day maximum freedom to be able to pursue progress in the Middle East, I have told you that I would during that period give you what I regard as an effective veto on anything this committee does with respect to the Middle East. And I have told you that I would be -- that if it appeared to me that any action were about to be taken by this committee, or any amendment about to be adopted by this committee that would get in the way of the administration's ability to pursue those efforts, that I would simply adjourn the markup and delay it until after Labor Day to give you that time, simply moving to a continuing resolution rather than a foreign aid bill. I would hate to do that, but I think the Congress has a responsibility to cooperate in assuring that the two branches of government are marching down absolutely the same road, and I am deeply committed to that.

Having said that, I just have to express skepticism with the results of your recent trip. As I said many times, my favorite philosopher is Archie the cockroach. And Archie said once that "an optimist is a guy who ain't had much experience." And when it comes to the Middle East, I've had enough experience to be skeptical of everything that anybody says in that region.

And what it appears to me is this, and I'd like you to argue with me and please prove that I'm wrong. I want to be wrong on this. What it appears to me is this. The administration was after the Gulf War in hot pursuit of a different set of arrangements in the Middle East. They were sending signals that they were going to be very insistent in their efforts, they were going to press very hard. But then it seems to me that Mr. Scowcroft went to the Middle East, talked to the Saudis, the Saudis, in effect, indicated to him and to you that we ought to lower our expectations in terms of their willingness to participate in any -- in any public way in peace discussions. And it seems to me that that gave the rejectionists within the Israeli government an opportunity to talk about progress without having to actually confront much else. And so it seems to me that we are dangerously close at this point to stepping into the old practice of talking about talks to create the atmosphere of progress without any real likelihood that any of the parties are going to be significantly forthcoming, or at least sufficiently forthcoming to actually get discussions going. I hope I'm wrong. I don't mean by that question to in any way argue with anything you've done. My argument is with the parties in the region. I'm especially concerned, frankly, at this point about what appears to be the inability of the Saudis to take the same kind of actions to any significant degree that Mr. Sadat did a number of years ago. And I'd like your response on that.



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With respect to -- I have to raise, because our committee asked the State Department last year to provide a report on the issue of Israeli settlements. And that report indicated to us that there are now over 200,000 settlers in some 20 settlements in the occupied territories, including East Jerusalem; in the West Bank, about 90,000 settlers, an increase of 9,000 to 10,000 during the past year; perhaps as many as 40,000 since '84. According to that

report, West Bank settlements are growing at a rate of 10 percent a year, and last year it suggested the government of Israel spend at least \$3 million [dollars] in identifiable allocations for settlements.

On April 5th, the Post reported that Israeli Minister said 14,000 new housing units would be placed in the settlements outside of Jerusalem in the next two years. We then have a number of other newspapers articles, including one by Jackson Diehl which says "Israel Boosts Land Seizures." And it says -- and I have no idea whether this is accurate. I want to ask you if it is. But it says while the Palestinians of Artis (ph) waited out a 40-day curfew after January 15, teams of Israeli land agents began staking out tracts on the hillside outside the village. Then, two weeks after the war ended, a notice arrived. Israel's government had decided to seize 360 acres of traditional village land, wiping out much of the agriculture on which the community depends.

The confiscation was one of a sudden rash of land takeovers initiated by Israel in the West Bank in the two months after the Persian Gulf War, amounting to at least 7,500 acres so far that appears linked to a vast new program for construction of Jewish settlements. It then goes on to suggest the rationale under which Israel allegedly takes the land, saying that Israel bases their land seizures on an interpretation of 19th century Ottoman Turkish law, which required villages and families who wanted to register their ownership of land to prove they had cultivated the property for 10 consecutive years. And because it's difficult for a number of reasons for them to do so it sets it up for confiscation. So alleges the article.

I would like to know, number one, whether this is true, and secondly, if it is, in concert with the other reports that -- the other report you sent us -- frankly, it gets under my skin, because I guess my question is this: What specifically is US policy with respect to settlements? Because my understanding is that this activity is in violation of US policy. What bothers me is the Israeli government says that the desperately need funds for other purposes, including bringing Soviet Jews to Israel for resettlement. But then they appear to be spending money like this, which I don't think they ought to be spending. It seems to me that if in fact this article is true, it also represents significant human rights violations.

I would simply like to have your assessment of what the situation is. Can we expect to see action on the part of the Israeli government that will reflect -- let me put it another way. I think we have a moral obligation to try to help Israel resettle every Soviet Jew who wants to leave Israel (sic -- probably means the Soviet Union). But I think Israel has an obligation to us and to their own future security not to settle them in such a way that it proves either an obstacle to the peace process or it proves to be a major embarrassment to



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And my question is, how in God's name do you tell what Israeli policy is when you've got six different stories coming out of the same government on their policy, and what can we do about it to achieve a constructive result?

SEC. BAKER: Mr. Chairman, every time I have gone to Israel in connection with the peace process on each of my four trips, I have been met with the announcement of new settlement activity. This does violate United States policy. It's the first thing that Arabs -- Arab governments, the first thing the Palestinians in the territories -- whose situation is really quite desperate -- the first thing they raise with us when we talk to them. I don't think that there is any bigger obstacle to peace than the settlement activity that continues not only unabated but at an enhanced pace. And nothing has made my job of trying to find Arab and Palestinian partners for Israel more difficult than being greeted by a new settlement every time I arrive.

The Arabs and the Palestinians, of course, argue that this proves that the Israeli government is not interested in creating -- in negotiating outcomes, but it's really interesting in creating (facts on the ground?). And it substantially weakens our hand in trying to bring about a peace process, and creates quite a predicament.

Now, I've raised the issue on any number of occasions with the leadership of the government of Israel, to no avail. I've even raised it in the context of perhaps a tradeoff for a suspension of the state of belligerency or suspension of the boycott, as I've mentioned to you. And I haven't gotten any takers on that, either. So, it makes it tough.

I have about decided that we're not going to get any movement on settlement activity before us -- at least before we have an active peace process going, and it's going to be just that much more difficult to get a peace process going if we can't get any action on settlement activity.

Someone told me, and I don't want to -- I don't want to say this as being an absolute fact, because I haven't checked it, but I believe that there's only about 35 percent of the occupied territories that has not been in one way or another utilized, or is being utilized, by Israel, either through settlement activities or appropriation in the manner that the article you just mentioned outlines. I can't tell you that everything in that article is accurate, because I don't know whether it is or not. I suppose we could have it analyzed and send you a report.

REP. OBEY: I would like you to do that.

Let me simply say that if I were Israel, I would not give back one square inch of any of the territory without explicit, clear, emblazoned in gold letters -- recognition

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REP. OBEY: Well, Mr. Secretary, I'll get back to that because I have two other brief questions I want to ask before I ask other members here their questions.

With respect to arms sales in the region, as I said, I know that the administration is planning shortly to announce its own policies and proposals. I'd like to lobby you again. As you know, Mr. Hamilton, and I, and Mr. Fascell, and Mr. Gephardt, sent you a letter -- sent the administration a letter, I should say -- asking the administration to consider in its package a unilateral announcement of our own to suspend all arms deliveries to the region for a short period of time in order to try to dramatize our concern about the problem and force other trading countries and selling countries to publicly confront the issue. What would be wrong with the administration including that kind of proposal in whatever it is that the President is going to be putting together?

SEC. BAKER: Mr. Chairman, the United States will not be able to regulate arms sales in the region by acting unilaterally, it won't happen.

REP. OBEY: Well, I understand that. But I'm not suggesting we act unilaterally. I'm suggesting that we take a unilateral action for a short duration to set an example to the rest of the world. I can't believe that we're going to lose any serious advantage in four months' time.

SEC. BAKER: Well, it might not send a signal that would be the most appropriate signal, Mr. Chairman. I mean, all I can do -- without pre-announcing the President's decisions it's pretty hard for me to debate this particular issue with you, except to say that we do believe it's important that our friends in the region have the ability to maintain and enhance their own capabilities, the ability to defend themselves. And we think that it is much better to work in a multilateral context in connection with restraint, whether it's conventional or whether its weapons of mass destruction.

Again, I don't want to make an announcement here this morning but I think that I will be very surprised if you're not reasonably pleased with the administration's initiative regarding weapons of mass destruction. You may not be as pleased with respect to the administration's initiative on conventional weapons, but I don't think that the suggestion that you've made would move us in the direction that we should go. And I will be pleased to come up and discuss it with you after the President's announced his initiative, when I'm a little bit more free to speak.

REP. OBEY: Well, I'm afraid that will be too late, but I -- (laughter) -- I wish -- I wish you'd reconsider, because I -- I agree with you; we need to approach this in a multilateral fashion, but it seems to me that we provided some single leadership on the Kuwaiti situation, and it seems to me that in leading by example we could force others to focus on their responsibilities.



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REP. OBEY: All right. One last pitch, and then two questions with respect to the content of this bill.

You indicated that you thought when the administration came out with its announced arms policy, that I would be happy about its position on weapons of mass destruction, perhaps not so happy about the conventional weapons. I'd simply make the point -- I've got a cartoon here which shows a road, on one side troops coming out, cops standing in the middle, and there's a sign here pointing in the other direction saying, "The Middle East." And the cop is saying, "Homeward-bound troops to the left, new arms sales to the right," going in opposite directions.

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SMITH: The discussions that you've had with the Syrians you've indicated that some of the mutual interests that we have in discussing have been discussed. You've said that a number of times. And there is -- in the midst of the discussions that I have had there when I was in Syria, understanding that six Syrian people; two couples, a two year old baby and a three month old baby were arrested at the Syrian-Turkish border -- Syrian Jews -- as they were trying to leave. These people haven't been seen since they were arrested, which was back in the -- late 1990.

Do you have any knowledge of the condition of these people? None at all? Does the United States --

SEC. BAKER: The -- I don't know that we have any knowledge of the condition, Mr. Smith. We raise this question when we go there.

REP. SMITH: You do?

SEC. BAKER: Yeah.

REP. SMITH: What kind of response do you get?

SEC. BAKER: Well, I'll have to check with the -- I'll just have to check with the embassy. A response came back to the embassy.

REP. SMITH: I think that on this particular issue, if the United States raised these specific issues, we might get a forthcoming reply. And I'd appreciate it.

SEC. BAKER: You know, we also raised the question of permitting some Syrian Jews to --

REP. SMITH: Immigration.

SEC. BAKER: -- immigrate to the United States.

REP. SMITH: That's what this relates to.

SEC. BAKER: And we get some -- again, let me just say, you know, I know people here sometimes are critical of the fact that we even have any dialogue with Syria, but not only have we seen movement on the question of terrorism, we've have also seen some movement on the question of immigration of Syrian Jews. Not as much as we would have liked, but a willingness to permit certainly some single women to come.

REP. DBEY: Mr. Secretary, if you could get back to the committee giving us your understandings about the whereabouts and the conditions of the people Mr. Smith is talking about --

SEC. BAKER: Give me the names, Mr. Chairman, because there are a number of different cases, and I'll need to know which ones you're talking about.



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REP. PORTER: Thank you, Mr. Chairman. Mr. Secretary of State, you must be absolutely exhausted. The American people and the members of Congress very much appreciate your tremendous efforts to find the key to peace in the Middle East, and we hope you get a chance to get some rest.

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I've been informed I'm now under the five-minute rule, even though we haven't observed it up to this point, and so I'm going to ask my questions as quickly as I can.

I want to -- I want to go back to something my colleague from Illinois raised, and that is the -- the Kuwaiti adherence to the boycott of Israel -- the Arab boycott of Israel. Prior to the -- to the war, they were one of the most strict adherents to the boycott and -- and to the secondary boycott, that is, refusing to do business with companies that traded at all with Israel. Have you had any discussions with the Kuwaiti leaders regarding this -- the boycott and secondary boycott? And aren't US firms put at a competitive disadvantage because US law forbids them from complying with the Arab boycott?

SEC. BAKER: The -- the issue has been discussed, Mr. Porter, and -- and there has been, in my view, some change in the attitude and approach of the government of Kuwait, particularly with respect to the question of negative certification, and we would -- we would have to see that as a positive result.

REP. PORTER: Just last week, the Arab League's Boycott of Israel Office added 110 companies to the black list of companies that do business with Israel. What reaction -- was there any official reaction by the State Department to that list, and has that -- that issue been raised in meeting with Arab leaders?

SEC. BAKER: I don't think we had any -- any reaction from the podium at the State Department.

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REP. PORTER: And we -- and we raised this in our discussions with the Arab leaders as often as possible.

SEC. BAKER: We raised it all the time.



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With respect to the Middle East, let me simply say I fully support everything that you are trying to do. I think it's an admirable pursuit, and as you know, I have told you that since you've indicated that the administration wants until after Labor Day maximum freedom to be able to pursue progress in the Middle East, I have told you that I would during that period give you what I regard as an effective veto on anything this committee does with respect to the Middle East. And I have told you that I would be -- that if it appeared to me that any action were about to be taken by this committee, or any amendment about to be adopted by this committee that would get in the way of the administration's ability to pursue those efforts, that I would simply adjourn the markup and delay it until after Labor Day to give you that time, simply moving to a continuing resolution rather than a foreign aid bill. I would hate to do that, but I think the Congress has a responsibility to cooperate in assuring that the two branches of government are marching down absolutely the same road, and I am deeply committed to that.

Having said that, I just have to express skepticism with the results of your recent trip. As I said many times, my favorite philosopher is Archie the cockroach. And Archie said once that "an optimist is a guy who ain't had much experience." And when it comes to the Middle East, I've had enough experience to be skeptical of everything that anybody says in that region.

And what it appears to me is this, and I'd like you to argue with me and please prove that I'm wrong. I want to be wrong on this. What it appears to me is this. The administration was after the Gulf War in hot pursuit of a different set of arrangements in the Middle East. They were sending signals that they were going to be very insistent in their efforts, they were going to press very hard. But then it seems to me that Mr. Scowcroft went to the Middle East, talked to the Saudis, the Saudis, in effect, indicated to him and to you that we ought to lower our expectations in terms of their willingness to participate in any -- in any public way in peace discussions. And it seems to me that that gave the rejectionists within the Israeli government an opportunity to talk about peace without having to actually confront much else. And so it seems to me that we are dangerously close at this point to stepping into the old practice of talking about talks to create the atmosphere of progress without any real likelihood that any of the parties are going to be significantly forthcoming, or at least sufficiently forthcoming to actually get discussions going. I hope I'm wrong. I don't mean by that question to in any way argue with anything you've done. My argument is with the parties in the region. I'm especially concerned, frankly, at this point about what appears to be the inability of the Saudis to take the same kind of actions to any significant degree that Mr. Sadat did a number of years ago. And I'd like your response on that.

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הנדון: ביהמ"ב - עדות המזכיר בייקר בועדת המשנה לפעולות זרות

חיום לפנה"צ (22/5) חופיע המזכיר בייקר בפני ועדת המשנה לפעולות זרות  
שבראשות הקונגרסמן אזבי.

וצ"ב עדותו הכתובה של המזכיר. הקריא ממנה רק חלקים מסויימים.  
בנוסף, תמליל מלא של דברי חפתיחה של הקונגרסמן אובי וחלק השאלות  
והתשובות.

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Opening Statement

by

The Honorable James A. Baker, III

before

House Appropriations Subcommittee on Foreign Operations

May 22, 1991

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Mr. Chairman:

I am privileged to appear before this Subcommittee to testify on behalf of our foreign assistance funding proposal for Fiscal Year 1992. With your permission, I would like to have my written statement entered into the record.

With you now, I would like to report on my recent trips to the Middle East, devoting the bulk of my remarks to the Middle East peace process and to the situation in Iraq. I would also like to make some brief observations about the Soviet Union and the North American Free Trade Agreement.

### Peace Process

Let me begin with the peace process.

For the past two months, we've been engaged in an intensive effort to find a path to a comprehensive settlement through direct negotiations between Israel, the Arab states and Palestinians. Since we began that effort, I have had no illusions about the challenges and difficulties involved. But I have also had a strong sense that the Gulf War may have created some new possibilities for peacemaking in the region and that the United States has a unique obligation to help explore them. While it would be sad if it turns out that old obstacles are more formidable than new opportunities, it would be sadder still if the United States failed to energetically pursue a chance for peace. Those chances do not come along very often in the Middle East.

Iraq's invasion of Kuwait brought together an historic international coalition. The United States, the Soviet Union, Europeans, Arabs, and others joined to reverse Iraq's aggression. The United Nations played the role its founders had intended. And through its restraint in the face of Iraqi provocation, Israel became a silent partner in the coalition's success. The net result was a staggering defeat for Saddam Hussein and the path of violence and intimidation that he represented -- and new hope for the alternative path of diplomacy and negotiations.

To test the moment and transform the ground rules for Arab-Israeli peacemaking, we felt it important to engage in a process that would break the taboos on direct dialogue. If the impulse to make peace was different, we needed to overcome the barriers to Israelis, Arabs, and Palestinians meeting directly. We needed to establish that dialogue and diplomacy -- not violence or rejectionism -- could become the currency of politics in the region.

The war provided a grim reminder of the dangers of conflict in an era of escalating military competition. It was a reminder that the dispute between Israelis and Palestinians was

still at the core of the Arab-Israeli problem -- but that the state to state dimension also had to be addressed. And it was a hopeful reminder that Israel and the Arab states sometimes find common ground between them -- common ground which might provide room for maneuver to encourage Israeli-Palestinian accommodation.

Our postwar task, therefore, was to try to blend what was new and promising following the crisis with the enduring principles of Arab-Israeli diplomacy. That was the purpose of my first three trips to the region after the war. The result was a consensus among the parties on five key points:

- First, general agreement that the objective of the process is a comprehensive settlement achieved through direct negotiations based on UN Security Council Resolutions 242 and 338.
- Second, broad understanding that the negotiating process would proceed simultaneously along two tracks, involving direct negotiations between Israel and Arab states and between Israel and Palestinians from the Occupied Territories.
- Third, agreement that the negotiations between Israel and Palestinians would proceed in phases, with talks on interim self-government preceding negotiations over the permanent status of the Occupied Territories.
- Fourth, agreement that Palestinians would be represented in the process by leaders from the Occupied Territories who accept the two-track process and phased approach to negotiations and who commit to living in peace with Israel.
- Fifth, general acceptance that a conference, co-sponsored by the United States and the Soviet Union, would break the old taboos about public contacts between the parties and be the launching pad for direct negotiations between the parties.

These are not insignificant areas of consensus. And they certainly provide a baseline for progress. But they still have to be translated into a practical process, and that was the purpose of my most recent trip to the area. Let me give you a sense of the key issues we are still trying to resolve.

The first set of issues relates to modalities of the peace conference.

There has been a great deal of misunderstanding on this question so let me lay out simply what we have in mind. Our objective is to launch direct negotiations. That's what this effort is all about. We believe the best way to do this is through a peace conference that would lead directly to bilateral negotiations between Israel and its Arab and Palestinian neighbors and multilateral negotiations on issues such as arms control and regional security, the environment, and water.



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Let me be clear about this. We are not considering an international conference with a plenary that has the power or authority to impose its views, nor are we considering any mechanism that would interfere in any way with negotiations. In fact, as I've told those in the region, the conference is not a forum for negotiations. Quite simply, it's a means to an end, a tool in our effort to get the parties to sit down face to face to sort out their differences and to break anachronistic taboos.

This conference would be co-sponsored by the United States and the Soviet Union. Israel, Egypt, Syria, Lebanon, Jordan and Palestinians from the Occupied Territories would attend. As you know, the Gulf Cooperation Council (GCC) has already taken a very important step and agreed to send its Secretary General as observer. In addition, each of the member states of the GCC, the six Gulf states, have announced they will participate in the direct negotiations on multilateral issues.

We also believe the European Community could play a constructive role in support of this process, and especially in the hard work of economic development that would follow a negotiated peace. The EC should be able to participate in the conference. Similarly, the United Nations should have some role; a formula ought to be found that is acceptable to all the parties, that prejudices none, and that channels the newfound potential of the UN in ways that can be helpful in promoting peace and reconciliation in the area. The exact nature of EC and UN involvement is still unresolved. Another open question is the ability of the conference to reconvene. The U.S. believes it should be able to do so, if all the parties agree, in order to hear reports from the bilateral and multilateral negotiating groups.

The point is that none of this will in any way interfere with direct negotiations. Indeed, face to face negotiations offer the only way to make any progress, and we would not accept any proposal that would lead any party to believe that it could avoid negotiations or have others relieve it of the need to negotiate.

The other set of issues deals with the question of Palestinian representation in the negotiations.

From the beginning of this Administration, we have made it clear that our objective is to get Israel and Palestinians from the Occupied Territories into negotiations. Of course, Palestinians must choose their representatives, but our view is -- and many other parties agree -- that a joint Jordanian-Palestinian delegation could be a useful vehicle to get to the conference as well as to handle any number of issues that might arise during the negotiations.

So the purpose of my recent trip to the region was to continue to explore these issues with the parties and to determine where there was consensus and which areas required more work. Overall, I found that there is more agreement than disagreement on the key elements of our approach. And I found a willingness to continue looking for ways to resolve those areas that are still not nailed down.

I also had extremely useful discussions with Soviet Foreign Minister Bessmertnykh in the Soviet Union and in Cairo. The Soviets have been very supportive of our approach. The fact that the Soviet Union and the United States are in basic agreement about how to proceed on the peace process creates a new factor -- one that improves the chances of getting this process launched.

Nonetheless, we are obviously not at the point I would like to be. There are areas of disagreement, particularly between Israel and Syria over the modalities of the conference, both on the issue of the UN role and over the issue of reconvening the conference. I'm not going to pretend that sorting these out will be easy or that it will be done quickly.

But I will say that we will continue to try so long as we believe that all parties are working in good faith and are serious about finding ways to resolve differences. The President and I have talked about our next steps, and we believe we should continue to press ahead and see if we can overcome the gaps and get to negotiations.

Finally, let me conclude by saying that I believe the parties in the region do appreciate that there's a real chance to launch a process. We've defined a workable pathway to negotiations that would enable Israel, Arab states, and Palestinians to capture that chance and make a real break with the past in favor of peace. It is there for the taking, but it will not last forever.

What remains to be seen is whether the parties are willing to seize this chance. The United States is there, ready and willing to help them try. But we cannot create the political will to act, if it does not exist in the region.

### Iraq

Let me now discuss the situation in Iraq.

With his aggression outward against Kuwait defeated, Saddam Hussein turned his terror inward in the aftermath of the Gulf War and drove hundreds of thousands of Iraqis out of their homes and into foreign lands. This created, as the United Nations recognized in Resolution 688, a new threat to international peace and security. The issue for all of us can no longer be just Kuwait.

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Today, I want to review with you the three-pronged strategy that we and our allies have pursued to cope with this terrible situation. First, we have worked to relieve the immediate suffering of Iraqi refugees. Second, we are working to prevent another round of terror by creating safe and secure conditions within Iraq so that the refugees can return to their homes and live in safety. Third, we will continue to isolate Saddam Hussein as long as he holds power. Let me discuss each of these aspects of our strategy.

The first has been aimed at the immediate problem: saving the lives of refugees by providing them food, water, medicine, blankets, and housing. Through Operation Provide Comfort, we have airdropped and trucked supplies to refugees on the mountains in northern Iraq and southern Turkey, have built refugee camps in both Iraq and Turkey, and have re-secured portions of northern Iraq so that they could begin to return to their homes.

The President has contacted the leaders of the major industrial countries and our coalition partners from the Arab world and urged them to make generous pledges to the various United Nations appeals. We appreciate the Conference Committee's action on Tuesday, and we hope the Congress will act expeditiously on our supplemental refugee request.

As a result of our efforts, the situation has improved considerably. Death rates among the refugees have dropped markedly, and well over half the refugees have come down from the mountains.

It has not been enough, however, to provide only for the immediate needs of the refugees. We also have a duty to try to prevent a greater tragedy: a situation where Saddam could exercise his terror once again.

This second aspect of our strategy requires uniting the world community to ensure international access to the affected regions throughout Iraq in strict conformity with Security Council Resolution 688, which calls for respect for the humanitarian and political rights of the Iraqi people.

Saddam's ruthless suppression of his own people is yet another reminder that he cannot be trusted. We remain concerned that Saddam would, if conditions altered, resume a systematic extermination of regime opponents and innocent Iraqi civilians. The world community is not moving to save these poor, innocent people now, so that they can be slaughtered by Saddam Hussein later.

That is why we warned Iraq not to interfere with humanitarian relief efforts underway in Iraq. That is why in support of Resolution 688, we have urged the United Nations to move quickly to provide personnel to ensure the safety of those refugees returning to Iraq. The United States does not seek to keep its forces in northern Iraq any longer than is absolutely necessary; we look forward to their early replacement by an effective international presence.



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It is our firm conviction that some kind of international presence, however organized, must take over for the job now being done by American and coalition forces. We hope that this international presence will serve as the international community's watchdog to inhibit Saddam from repeating his most recent atrocities.

In the future, we hope that Iraq can fully rejoin the community of nations. Iraq has a tremendously talented, creative, and diverse population. I believe that a new Iraqi political compact which reflects the pluralistic make-up of its population and its rich historical and cultural traditions is possible. And such a compact must be arrived at by negotiations among all Iraqis, not by force.

We respect Iraq's sovereignty and territorial integrity and do not wish to see a fragmented state. We have said repeatedly that we have no quarrel with the people of Iraq. And our actions reinforce our words. While our soldiers have been feeding and caring for refugees, Saddam's soldiers were strafing and shelling them.

Thus, I can say without equivocation or doubt: Saddam Hussein himself is the single greatest obstacle to any hopeful future for the people of Iraq -- whether in terms of their own development as a society or their reintegration into the international community. Left alone, free to reconsolidate his brutal dictatorship and military machine, we know Saddam will act again to brutalize his own people and threaten his neighbors. Without constant international monitoring of and pressure against Saddam, this Iraqi government will continue to pose a danger to the peace and security of the Middle East.

That's why we can have a formal cease-fire but no genuine peace with the Government of Iraq so long as Saddam Hussein remains in power.

Let me be absolutely clear about this third aspect of our strategy: Saddam Hussein is a pariah whose actions put him beyond the pale of civilized international society. Therefore, we will act with others to continue to isolate Saddam's regime.

That means we will never normalize relations with Iraq so long as Saddam Hussein remains in power.

That means maintaining UN sanctions in place so long as Saddam remains in power.

And that means Iraqis will not participate in post-crisis political, economic, and security arrangements until there is a change in regime.

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With a new government, however, new possibilities will emerge for Iraq to rejoin the international community. With a new government, we may well be able to lift most sanctions, save those that constrain Iraq's military potential. And in that new Iraq, tolerance must replace terror, and the fear that so long has gripped the Iraqi people must give way to peaceful realization of the vast potential of the Iraqi people and their homeland.

### Soviet Union

I'd now like to make three observations about our relations with the Soviet Union.

First, the President and I feel it is important to stress that Soviet new thinking continues to guide Soviet behavior in many aspects of our relations. In the Middle East, Foreign Minister Bessmertnykh's help has been invaluable to our attempts to reinvigorate the peace process. Soviet cooperation has also been critical to the historic agreement that will end the Angolan civil war -- an agreement that I will join in signing in Lisbon next week. The Soviets have also been helpful in other regional areas -- most notably, Central America and Cambodia.

And in arms control, we hope to resolve our differences over the CFE Treaty, prepare CFE for ratification, and move forward with START and preparations for a Moscow Summit.

Second, the so-called "one-plus-nine" agreement of April 23 between Gorbachev and the republics creates an opportunity for a positive shift toward new political arrangements in the Soviet Union. If Gorbachev and the nine follow up this agreement in the way they have suggested -- through an all-union treaty and a new constitution -- then this would be an important step toward establishing a new political legitimacy in the Soviet Union. These steps, along with the on-going talks between Moscow and the Baltics, create new opportunities for reconciliation to replace the political polarization that has characterized Soviet politics since last September.

We also welcome enactment of new emigration legislation. For almost two decades, we have made the right of emigration a central part of US-Soviet relations. We regard passage of the new law as a major step in Soviet reform and an fulfillment of Soviet CSCE commitments.

For our part, we continue to expand our contacts with all levels and segments of Soviet society, ranging from reformers and democrats to traditionalists and the military. Not only will this increase our understanding of Soviet society, but it will allow us -- through what I have called a "democratic dialogue" -- to help promote political pluralism and economic freedom and the success of Soviet reform. And as the President and I have made abundantly clear by now, the continuation and success of Soviet reform is in everyone's interest.

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Third, even with the tentative steps toward political accommodation, Soviet economic reform still has a long way to go. We and almost everyone else who has looked at it are convinced that Prime Minister Pavlov's anti-crisis program will not work. We believe the Soviet leadership urgently needs to embrace fundamental market economic reform.

Without a commitment to fundamental reform, we expect the Soviet economy to continue its severe decline -- and that is in no one's interest. We continue to study various ways we can assist Soviet economic reform, but the usefulness of our efforts still depends above all on the choices the Soviets themselves make.

### NAFTA and Fast Track

Let me close my oral statement with a few words about the NAFTA and Fast Track. We are seeking a North American Free Trade Agreement with Mexico and Canada because we are convinced such an agreement promises important economic benefits for all three countries. Since the President's announcement last June of his desire to seek a free trade agreement with Mexico, we have engaged in extensive consultations with Congress and the private sector.

Mr. Chairman, I believe there is a tremendous amount at stake here -- in terms of both foreign and economic policy and in terms of our growing cooperative work with Mexico on important regional and transnational issues. It will also enhance American exports, job opportunities as well as global competitiveness. In order to achieve global markets and hemispheric trade cooperation, it is critical that fast-track negotiating authority be extended by the Congress. Without this step, our foreign and economic leadership position will be seriously impaired.

### Overview of our Funding Request

Let me turn to our foreign assistance funding request. For FY 1992, we seek \$21.9 billion in discretionary budget authority for International Affairs Budget Function 150, an increase of \$1.7 billion over levels appropriated for FY 1991. In addition, we are requesting a one-time appropriation of \$12.2 billion as the U.S. share of a global quota increase for the International Monetary Fund.

For the accounts under the jurisdiction of this subcommittee, we are requesting \$15.2 billion in FY 92 discretionary budget authority, a \$455 million increase over FY 1991 appropriations.

In accordance with the terms of the Budget Enforcement Act, our request falls within specific, stringent limits on our spending levels, despite unprecedented demands for U.S. leadership across the globe.



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In order to achieve our worldwide objectives within these resource constraints, additional flexibility is needed. Last year, I appealed to this subcommittee to make constructive consultation -- not earmarking -- the primary vehicle for achieving consensus on program objectives. I am pleased to note that with the cooperation of this subcommittee, we made some progress toward that goal last session.

Earmarking in our Economic Support Fund (ESF) declined from 82 percent in FY 1990 to just over 68 percent in FY 1991. In our Foreign Military Financing (FMF) account, the decline was less dramatic but still significant, from 92 percent to 87 percent. This is a welcome trend, one that we want to encourage and promote.

But we still have a long way to go. To support our request this year, let me express the Administration's willingness to work in partnership with Congress to develop greater flexibility in our foreign assistance authorization and appropriations legislation. To guide this effort, let me suggest five broad objectives for our international cooperation programs, built around the five foreign policy challenges which I outlined to Congress last year.

First, promoting and consolidating democratic values, including free and fair elections and respect for human rights. As the President noted in his State of the Union address, this fundamental American principle has stood as a beacon to peoples across the globe for more than two centuries.

Transitions toward democracy, however difficult, cannot be accomplished in isolation from the rest of the world. The essential ingredients of democracy -- respect for human rights, the rule of law, free and fair elections, and political and economic freedom -- are also the basic building blocks of the new world order.

Second, promoting free market principles and strengthening U.S. competitiveness. Sustainable economic development cannot be separated from the pursuit of sound, growth-oriented policies; together, these can promote U.S. economic interests abroad. By fostering market forces through deregulation, privatization, and promotion of free trade and investment, reform-minded countries can establish an appropriate complement to building and securing democracy. They also can develop into thriving markets for U.S. exports and the jobs they represent. Indeed, U.S. exports to recent aid graduates -- Chile, Taiwan, and Korea -- total more than twice the value of our entire worldwide foreign assistance budget. Our long-run goal should be to graduate more countries from foreign assistance toward mutually beneficial trade and investment relationships with the United States.

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Third, promoting peace by helping to defuse regional conflicts, strengthening the security of our regional partners, and pursuing arms control and nonproliferation efforts.

As the crisis in the Persian Gulf has demonstrated, there is no substitute for strong U.S. leadership. We continue to play a vital role in bolstering the security of regional allies around the world. Egypt and Turkey -- two long-standing beneficiaries of U.S. security assistance -- have been bulwarks of the coalition against Saddam Hussein.

National and regional security are preconditions for democracy and free enterprise to flourish. Saddam Hussein's aggression is a dramatic reminder of the continuing need to protect the security of regional states of vital interest to the United States and our allies. The proliferation of missile systems and nuclear, chemical and biological weapons technology further sharpens our interest in promoting regional stability.

Fourth, protecting against transnational threats, especially to the environment and from narcotics and terrorism.

As I noted in my first statement to Congress two years ago, "The future of our civilization demands that we act in concert to deal with a new class of problems, transnational in nature." This includes curbing proliferation, protecting the environment, and countering terrorism and narcotics.

We have made progress in all of these areas. We have led the international effort to tighten nonproliferation export controls on a global basis. We continue to work to advance our environmental agenda. We are actively pressing state sponsors of terrorism in an effort to thwart terrorism around the globe. And our international narcotics efforts to counter supply are complemented by reports of declining demand at home.

But progress is sometimes slow, unheralded, and hard won. Iraq's conduct following its invasion of Kuwait is a brutal reminder of the danger posed by the interaction of these transnational threats. Saddam Hussein's actions during the Gulf War illustrate how traditional concepts of threats to national security need to be extended. Indeed, Iraq has combined:

- A credible threat of the use of chemical and biological weapons;
- A contemptible use of missile technology as a weapon of terror against innocent civilian populations;
- Perhaps the world's first deliberate use of an environmental disaster as a wartime weapon, with unknown consequences for the entire region for years to come; and
- A worldwide call for terrorist actions, sometimes supported by embassies abroad in flagrant violation of the basic principles of diplomacy.

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are playing a central role in structuring sound, adequately financed programs to ease their transition to market economies based on private initiative. Should the Soviet Union move further along the path of structural economic and political reform, we would expect the IMF and the World Bank to play a role in facilitating its transformation as well. The European Bank for Reconstruction and Development will promote the development of the private sector, as well as infrastructure and environmental programs, in the reforming countries of Central and Eastern Europe. Meanwhile, through our Enterprise for the Americas Initiative, the Inter-American Development Bank is expected to play a major role in promoting sound investment policy in our own hemisphere.

To support these efforts, we are again proposing full funding for the multilateral development banks -- including all arrears -- plus a periodic quota increase for the IMF. This funding will allow these institutions to leverage other contributions in support of our objective of promoting sound, growth-oriented economic policies in the developing world.

As President Bush noted in his State of the Union address, the United Nations has played a historic role in the Gulf crisis, one that is close to fulfilling the vision of its founders. The Security Council's fourteen resolutions, which laid the basis for ending the crisis, symbolize the unity of the international community against Iraq's aggression and established the principle of collective security as a cornerstone of the post-Cold War era.

At the same time, the humanitarian organizations of the U.N. system -- together with the International Committee of the Red Cross and the International Organization for Migration -- are coordinating a broad international effort to assist the hundreds of thousands of refugees fleeing from Iraqi aggression.

The United States has a vital interest in strengthening this new, revitalized United Nations as a full partner in the building of a post-Cold War world where peace, stability, and prosperity prevail.

Three, we foresee greater reliance on creative responsibility sharing as we strengthen our global partnerships, especially with the European Community and its members and with Japan. As many in Congress have noted, our own difficult budgetary situation makes such efforts especially important for the advancement of a common agenda with partners who share our values and interests.

No effort so well illustrates the collective response of the world community to defend world peace as our successful efforts to enlist worldwide support for Operations Desert Shield and Desert Storm, and for the front-line states whose economies have been set back by the effects of Saddam Hussein's aggression.



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In 1990, our coalition partners pledged \$9.7 billion to meet Desert Shield costs, representing 73% of the roughly \$13.2 billion in total incremental expenses we incurred. As soon as hostilities broke out, our allies again responded promptly and generously to shoulder their fair share of coalition military expenses under Operation Desert Storm. Indeed, we have received unprecedented pledges totaling in excess of \$44 billion from Saudi Arabia, Kuwait, the UAE, Japan, Germany, and Korea, to offset Desert Shield/Storm expenses for 1991.

The world community has also responded swiftly and generously to the needs of the front-line states, especially Egypt and Turkey, as they incurred substantial costs in standing up to Saddam Hussein's aggression. Through the U.S.-chaired Gulf Crisis Financial Coordination Group, over \$16 billion has been pledged by the Gulf states, Europe, Japan, Korea, and other countries to ensure that the economies of affected regional states are stabilized. The United States has played its part in this effort, supported by Congress, by cancelling Egypt's \$6.7 billion military debt, thereby relieving a heavy burden on a critical regional ally. Other countries have followed suit and canceled an additional \$8 billion in Egyptian debt.

Similarly, in responding to the urgent needs of Iraqi refugees and displaced persons, the international community is in the process of mobilizing more than \$500 million, under U.N. and ICRC auspices, for urgent humanitarian relief efforts.

Meanwhile, in Eastern Europe, the successful G-24 process chaired by the European Community Commission has mobilized more than \$18 billion in pledges for Poland and Hungary to ease their transition to market economies. And in the Philippines, the Multilateral Assistance Initiative (MAI) has been responsible for nearly doubling the level of international assistance to this struggling democracy.

In our own Hemisphere, we are working with our worldwide partners to assist in clearing arrearages of Panama and Nicaragua to the international financial institutions, and to help finance the enhanced debt strategy. And just last month, the United States and the OECD countries joined together with Central America, Mexico, Colombia, and Venezuela to create the Partnership for Democracy and Development in Central America, a new multilateral grouping designed to support regional democratization and economic development. Finally, we are encouraging Europe and Japan to join us in pledging \$100 million a year over five years to create a Multilateral Investment Fund for Latin America and the Caribbean. This Fund is a key part of the President's Enterprise for the Americas Initiative and will play a crucial role in enabling countries to move from aid to trade and private investment, as the principal engines of economic growth.

In each case, both strong U.S. leadership and a community of interests are essential to catalyze a broad worldwide response.

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Four, we envision more creative use of trade and investment policies as vehicles to promote U.S. interests in world economic growth, as well as to enhance our own economic strength.

Central to these efforts over the past four years has been our determination to pursue a successful conclusion to the Uruguay Round of trade negotiations. We continue to believe that the Uruguay Round has profound political as well as economic implications for the shape of the world in the next century. Successful conclusion of the round is essential for the economic growth and stability of the emerging Eastern European democracies, as well as the wide range of developing countries who will ultimately rely on expansion of world trade -- not aid -- as the primary vehicle to generate employment opportunities and sustainable economic growth.

In our own hemisphere, the President's Enterprise for the Americas Initiative represents a comprehensive effort to promote economic growth and stability in the region, combining free trade and investment -- the primary vehicles for growth -- with debt relief and environmental initiatives.

As I noted above, as an important step toward the eventual goal of hemispheric free trade, the Administration is seeking a North American Free Trade Agreement with Mexico and Canada, which we are convinced promises important economic benefits for all three countries. A North American Free Trade Agreement will create the world's largest market, worth over \$6 trillion a year and including more than 360 million consumers. There is a tremendous amount at stake for our economic future, foreign policy, trade policy, and historic reconciliation with Mexico.

Meanwhile, the United States has worked actively with our Asian partners in the Asia Pacific Economic Cooperation (APEC), to advance market-oriented cooperation among member states.

Our Bilateral Investment Treaty program has been an important vehicle in ensuring an open and liberal investment climate for U.S. investors and exporters. Over the past year, we completed negotiations with Poland and Czechoslovakia and are actively negotiating with nine other countries which are in the process of undertaking economic restructuring programs.

Finally, we will be challenged to pursue more vigorous U.S. diplomacy, and will seek a State Department Operations budget that reflects an activist approach to the diplomatic challenges of a changing world.

#### Bilateral Assistance

Bilateral military and economic assistance will remain an essential tool in advancing U.S. interests through the 1990's, assuming the necessary flexibility can be provided to meet emerging needs. No other vehicle at our disposal is as well

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suited to provide timely support to our allies and friends around the world. Our interests in political pluralism, market-driven economic development, peace-making, and strengthening alliances -- can all be advanced by prudent use of bilateral assistance resources.

For FY 1992, our request for discretionary budget authority for bilateral assistance programs totals \$13.1 billion. That marks a 6.5% increase over the \$12.3 billion appropriated by Congress for FY 1991. Highlights of this request by category are as follows:

- \$4.65 billion in Foreign Military Financing (FMF), supporting a program level of \$4.92 billion.
- \$3.24 billion in Economic Support Funding, up from \$3.14 billion.
- \$1.3 billion in development assistance, the same as the prior year.
- \$800 million for the Development Fund for Africa.
- \$400 million for Central and Eastern Europe, a slight increase over the FY 91 appropriation.
- \$160 million for the Multilateral Assistance Initiative for the Philippines.
- \$1.3 billion for bilateral PL-480 food aid, supporting the export of 5.9 million metric tons of U.S. commodities.
- \$172 million for that portion of the Administration's international counternarcotics program implemented by the State Department.

#### Near East and South Asia (\$6.2 billion)

The Middle East has been profoundly affected by the Gulf war and the economic turmoil associated with the conflict. Although the war is now over, the economic dislocations and hardships continue. In our bilateral assistance request, we continue to focus our efforts to promote peace and stability on our traditional partners, Israel (\$3.0 billion) and Egypt (\$2.3 billion). Additional costs which regional states have incurred as a result of the crisis are being compensated through efforts of the Gulf Crisis Financial Coordination Group, bilateral donors, and the international financial institutions. In partnership with our friends and allies, we are working on developing mechanisms to catalyze the resources needed to support the efforts of these countries to achieve sustained economic growth.

Reflecting developments associated with the crisis and our own budgetary limitations, assistance levels for Jordan and Yemen have been set at \$57 million and \$3 million.



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respectively. We are also requesting \$24 million in assistance for Tunisia for FY 92. We hope to be able to support Pakistan's development and security needs with a substantial assistance program, and have set aside \$260 million in total FY 92 resources for this purpose. Provision of this assistance, however, will be contingent on the ability of Pakistan to satisfy the standards set in the Pressler Amendment.

#### East Asia and the Pacific (\$702 million)

In Asia, our principal assistance request is for the Philippines, for which we seek a total of \$556 million in total FY 1992 bilateral funding, including a commitment of \$160 million toward the Multilateral Assistance Initiative. This funding is designed to strengthen a fragile democracy and promote economic reform. We are also nearing conclusion of negotiations that we hope will make possible our continued use of Philippines military facilities and help build a new, more balanced relationship.

Other highlights of our request for East Asia include \$27.5 million for Cambodia to support the achievement of a comprehensive settlement based on a U.N. supervised free election. We expect to support community development, leadership and human rights training, and election efforts -- as well as continuing to meet the very special needs of the children of Cambodia.

#### Europe (\$1.6 billion)

The Administration's FY 1992 request for Europe includes \$400 million for the Special Assistance Initiative for Central and Eastern Europe, a slight increase over our FY 91 appropriation. In accordance with authorizing legislation, these funds support a broad spectrum of activities, including democratic initiatives to assist with political and social reform, and support for economic reform, including environmental and energy projects, enterprise funds, and technical assistance.

Contributing to the military capabilities of our NATO allies in the Southern Flank remains a central concern for U.S. policy in the Mediterranean. Recognizing the pivotal role played by Turkey in the Persian Gulf crisis, we seek \$625 million in FMF and \$75 million in ESF funding for FY 92, a combined increase of \$150 million over FY 1991 levels. Turkey took the lead in the enforcement of economic sanctions against Iraq, and has taken a courageous position in support of the United Nations resolutions despite severe domestic economic costs. This crisis has demonstrated Turkey's ongoing need for air defense support and other military equipment to bolster its role as a key regional partner, both in Europe and the Middle East.

For Greece, we seek \$350 million in FMF to assist with Greek force modernization. We also seek \$125 million in FMF and \$40 million in ESF for Portugal to support force modernization efforts and assist in the development of the Azores region where U.S. forces are based.

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### Latin America and the Caribbean (\$2.1 billion)

For foreign assistance programs in Latin America and the Caribbean, we seek \$2.1 billion in total funding, the bulk of which will be used to support the Andean Narcotics Initiative and the emerging democracies of Central America.

To implement the President's Andean Strategy, we are seeking a total of \$481 million in combined narcotics control, development assistance, and security assistance funding. These programs provide funding for bilateral counter-narcotics efforts, coordinated military assistance, and economic aid to offset the dislocations of successful counternarcotics operations and provide alternatives to narcotics production.

To support democratization and economic growth in Central America, we are seeking \$783 million in total bilateral assistance, down from \$906 million the prior year. As in prior years, over three fourths of this amount will support economic as opposed to military assistance. We believe that sustaining these programs is crucial to the opportunity to end the conflicts in both El Salvador and Guatemala this year.

We are also seeking \$310 million in budget authority to cover the debt reduction provisions of the President's Enterprise for the Americas Initiative, and, as discussed above, \$100 million for the proposed multilateral investment fund.

### Africa (\$1.0 billion)

For FY 1992, the fifth year of the Development Fund for Africa, we seek \$800 million in resources to promote broadly based and sustainable economic growth. Priority attention will continue to be given to those countries pursuing sound economic policies. We are also proposing modest amounts of Economic Support Funds for Africa (\$29.3 million), including a new regional "Support for African Democracy Fund". Our \$34 million request for Foreign Military Financing request supports maintaining and replacing equipment supplied to our friends in past years and is almost exclusively non-lethal. In addition we are seeking almost \$150 million in PL 480 food assistance.

The U.S. has already provided approximately \$550 million in debt forgiveness for qualifying African countries. In addition to bilateral assistance, the U.S. also provides important financial resources to Africa through institutions such as the IMF, the World Bank (about half of concessional disbursements), the African Development Bank and Fund, and many U.N. agencies.

Our FY 92 request for Africa is designed to encourage the growing movement toward responsible governance in Africa, particularly the trend toward pluralistic democracy.

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### Multilateral Assistance

For the multilateral development banks, we are requesting \$1.7 billion in FY 1992 budget authority, up from \$1.6 billion in FY 1991. This includes \$1.1 billion in funding for the International Development Association, the soft-loan window of the World Bank, which provides concessionary financing to the world's poorest countries, as well as full funding for the European Bank for Reconstruction and Development and the other regional development banks.

Our FY 1992 budget request also contains \$12.2 billion in budget authority for the proposed increase in the U.S. quota in the International Monetary Fund (IMF), as provided for in the Budget Enforcement Act. This is to ensure that the Fund has the resources necessary to fulfill its responsibilities as the world's principal monetary institution. In the Third World, IMF arrangements support market-oriented adjustment and underpin debt reduction operations in support of the Brady Plan. The Fund has also spearheaded economic reform in Eastern Europe, and responded vigorously to assist countries seriously affected by the Persian Gulf crisis.

In addition, we are seeking \$250 million for voluntary contributions to international organizations including the U.N. Development Program (\$115 million) and UNICEF (\$95 million).

### Counternarcotics Assistance

For the international narcotics control programs administered by the State Department, we are seeking \$172 million, an increase of \$22 million over FY 1991 levels. These funds serve as a critical element in motivating and assisting cooperative foreign governments to fulfill their narcotics control responsibilities.

Over two thirds of the increased funding requested for FY 1992 will support expanded programs in Latin America, with an emphasis on helicopters. Indeed, Latin American and regional aviation programs will absorb fully 80% of our total FY 1992 request.

### Refugees and Other Assistance Programs

The United States continues to play a preeminent role in addressing the plight of the world's refugees -- through our international assistance and domestic resettlement programs, as well as our diplomatic efforts in support of permanent solutions to refugee situations.

For FY 1992, we are requesting \$491 million for Migration and Refugee Assistance, up from \$486 million in FY 1991.

For our refugee assistance programs overseas, we seek \$233 million in FY 1992 funding, a \$20 million increase over the FY 1991 level. These programs will continue to focus on basic



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life-sustaining activities for the most vulnerable groups and support lasting solutions through opportunities for voluntary repatriation and local integration.

To finance refugee admission and resettlement, we seek \$192 million in FY 1992 funding. This will cover the expenses of an estimated 120,000 refugees -- about the same number as last year. Most refugee admissions will be from the Soviet Union and Vietnam, but there will also be admissions from Eastern Europe, Africa, Latin America, and the Near East. Family reunification will continue to be a priority, as will the resettlement of persecuted religious minorities and former political prisoners.

In addition, we request \$20 million to replenish the President's Emergency Refugee and Migration Assistance Fund, to enable us to respond to unforeseen refugee and migration needs worldwide.

Another important component of our international development assistance request is our \$200 million request for Peace Corps operating expenses.

#### Conclusion

Thank you, Mr. Chairman. We look forward to working with you and the members of this Subcommittee in the coming months to mobilize the flexible resources we need to carry out our ambitious foreign affairs agenda.

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EDITORIAL: YUGOSLAVIA IN CRISIS

(Following is an editorial, broadcast by the Voice of America May 23, reflecting the views of the U.S. government.)

Since May 15, Yugoslavia has had no federal leader. The annual rotation of the eight-member presidency was blocked by outgoing President Slobodan Milosevic. As a result, Stipe Mesic of the republic of Croatia failed to receive enough votes to assume the leadership within the presidency. The Yugoslav constitution provides for a revolving presidency among the country's six republics and two provinces. Until now, the transfer of power within the presidency has always been smooth. The United States attaches great importance to an orderly transfer of constitutional authority in accordance with accepted Yugoslav practice.

In addition to the crisis over the presidency, some of Yugoslavia's republics are calling for independence. Both Slovenia and Croatia have democratically elected non-communist governments. Several months ago, Slovenia became the first republic to take steps toward secession. On Sunday (May 19), Croatia -- Yugoslavia's second largest republic -- voted to become an independent state with only loose ties to the other republics. More than 90 percent of those who voted favored independence. Meanwhile, on Saturday (May 18), the nearly 600,000 Serbs within Croatia voted in an unofficial plebiscite to unite with Serbia.

Yugoslavia's structure is a matter for the Yugoslav people to decide, through democratic dialogue. The United States and the European Community support a democratic, unified Yugoslavia. The United States strongly opposes the use of force or intimidation to block democratic change or to impose a nondemocratic unity. At the same time, the United States will neither encourage nor reward secession.

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the environmentalists in this country. A more prosperous Mexico, for example, can do a lot more on border problems, environmental problems, and labor wage problems. And so I'm excited about the prospects of being able to negotiate without our hands tied for a Uruguay Round continuation, for a satisfactory conclusion of Uruguay Round and for the Mexican FDA.

Q: Mr. President, given that Secretary Baker portrayed the Israel new settlements every time he went back there is something of an insult, a thumb in the eye, and given the fact that U.S. aid generally props up Israel, are you willing to now use that lever to pressure Israel?

BUSH: I'm not pressuring anybody. What I want to do is get people to talk in that part of the world where they haven't talked before. And what I want to do is take the credibility that I believe the United States has now in Israel and in the Gulf countries and in the other countries in the Middle East to try to be a catalyst for peace. So we're not talking about pressure. And what Secretary Baker was doing was reiterating a long-standing policy of the United States.

Q: Do you agree with Secretary Baker that those settlements were the main impediment to success on his trip?

BUSH: I would want to read his testimony, but new settlements do not enhance the prospects for peace.

(end transcript)

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tried to answer the question vaguely as possible -- until we know more about it. You can't pin me down on it.

Q: Mr. President, do you share Secretary of State Baker's frustration with the new Israeli settlements in the occupied territories? And how much of an impediment to a peace process are these settlements?

BUSH: Secretary Baker reiterated the long-standing policy of the U.S. government. Not just in our administration, but as General Powell and Secretary Cheney know, of previous administrations. And so I didn't see anything particularly new in what he said. I have appealed to the Soviet Union -- I mean, to Israel -- not to move forward with more settlements. They know it's our policy. And I can understand the secretary's concern and perhaps frustration by this. However, Israel's moving in some ways that I will not discuss with you. And so I have no reason to be totally pessimistic. The settlements have been and will continue to be a difficult problem for us.

Q: Mr. President, it was clear that Gorbachev yesterday was moving to press the West for commitments on aid. Is it your concern at this point that without his reforms actually in place and fully implemented that it would be premature or a possible waste for the West to commit large sums of credits or invite him to the summit in London?

BUSH: I just go back to the answer I've given -- about three different answers, same question nicely disguised as a new question. I think I've answered the question -- I honestly believe it. I'm not going to get out there --

Q: It seems there are some reservations on your part. Is that true?

BUSH: My only reservations are, will it help? Will it be true -- will it encourage reform? I'll tell you, there is something that's positive there, and that is that Yeltsin and Gorbachev appear to be in communication. Gorbachev has reiterated to me, which he didn't have to do, his continuing commitment to reform. And you see these agreements that are worked out between the republics -- I think it's called the 9 and 1 agreement. And these are positive things. So I want to look at it positively. But we also have to look at it realistically. And President Gorbachev knows this.

Q: How do you stand this morning about fast track? Do you think it's going to pass in both chambers?

BUSH: That's a slow ball, and the answer is, yes. It's very, very important to us. And not just to the administration; it is important to the workers in this country. It's important to

head of state meeting.

Q: Why would you not favor just doing this at the Economic Summit with Gorbachev? What's the downside to that?

BUSH: I don't want to have something come out of the summit that's negative. What I want to have come out is positive.

Q: Mr. President, President Gorbachev said yesterday that it is in the West's interest to put some significant sums of money behind economic reforms in the Soviet Union -- billions of dollars. Do you think that the West, and the United States in particular, ought to be willing to put some significant sums of money behind that cause?

BUSH: The Soviet Union is a great power. And we deal with them with respect. We have problems with them. But it is in our interest -- it is in the national security interest of the United States, and I think in every other interest, to have a reformed Soviet Union, particularly one that's going to prove to be more democratic. And I've never believed that President Gorbachev had given up on reform. And certainly he's not given up on openness -- glasnost. So my answer would be, let's look at it. But nobody's talked to me about numbers. Nobody's talked to me about details. As I said, we're receiving a delegation at Gorbachev's request, just as he received our agricultural delegation at my request. So it's mutual, and we will work constructively with our allies -- \$100,000 million is a large piece of change still.

Q: Have you made a decision on the question of more grain export credits?

BUSH: No decision.

Q: Mr. President, as far as the London Summit is concerned, is there some possibility that you might consider some kind of an option where Mr. Gorbachev would come in an observer status or perhaps to view in an informal way rather than be a formal participant?

BUSH: I think all options are open. None closed. But, again, what's going to help? What's going to help bring the West closer on terms that are reasonable? I think President Gorbachev knows that we have understandable concerns about credit worthiness. And I think he understands -- I hope he understands that I and the other allied leaders want to move forward.

Q: So you think there's a real possibility still that he might be in London in some way or another?

BUSH: Well, as I said, I'm not going to go into it beyond -- I



million in economic help and would like to come to the London Economic Summit. Are either of those possible? And what share would the United States be willing to take in the \$100,000 million?

BUSH: Well, as I said yesterday, we're still talking to our allies about this. President Gorbachev has not presented me with this proposal. We will be having Mr. Primakov and another gentleman here -- I think it's this week -- to discuss this, or to discuss what Gorbachev told me would be some new ideas on economic reform. But what I want to do -- and I expect this is true of President Mitterrand; I know it's true of Kohl, and certainly of John Major -- is to get together, talk about it, and see what we can do to help genuine reform in the Soviet Union.

So I'm not prepared to comment on a proposal that has not been brought to my attention.

Q: Are we closer to a summit in Moscow after the visit of General Moiseyev here in Washington?

BUSH: Well, I defer to our experts -- Secretary Cheney standing here, Brent Scowcroft there, and the secretary of state. And it is my view -- I think I said this yesterday -- that there is some room for optimism on working out these remaining problems on arms control. And if that's true, there will be a summit.

Q: Before the end of June, sir?

BUSH: Well, I can't help you on the timing. That was our hope, you remember, to have it in the first half of the year. But I have not sat down with our experts to understand what progress they have made. I think they felt progress was made by the Moiseyev visit. You want to add anything to that, Dick?

CHENEY: No, sir.

Q: Mr. President, you said what you ought to do is get together with the allies and sit down and talk about economic reform in the Soviet Union. Are you talking about the forum like an economic summit, or some other kind of forum to have an allied discussion?

BUSH: No, I'm talking about a lot of diplomacy between now and the Economic Summit.

Q: You mean individual --

BUSH: Yes. Not a big meeting of any sort. Although, with the sherpas meeting, I expect this subject will come up. You're asking about me personally, and I don't plan any pre-summit



young men and women who volunteer to serve in their nation's Armed Forces.

The next two years will be full of many challenges, but I'm sure with the great national security team that you have working for you, we will meet these challenges and come out the other end with a strengthened Armed Force ready to discharge any responsibilities and any problems that may come its way and to ensure that the nation continues to be well-defended and that we are a solid arm of your policy team, and that, when called upon, the Armed Forces will acquit themselves as well as they have over the past 20 months.

QUESTION: General, would you care to comment on the recent account of the Gulf war suggesting that you had, at a minimum, serious misgivings about the use of force option, at least at one point, and give us your sense of how that happened?

POWELL: No, I really am not going to start commenting on any accounts or books that are out on the subject. The president knows what advice I gave to him, so does the secretary. It's a pleasure working within a team that you can give advice on all options. We were all together throughout this entire exercise, and efforts to suggest that there was distance between the president and his other advisors are incorrect.

BUSH: And let me add something. We had a lot of meetings. And General Powell leveled with me, and Admiral Jeremiah leveled with us, and Norm Schwarzkopf leveled with us. And to the degree they were not on -- rushing to commit our young men and women to battle, that's exactly the way they should have been. And I wasn't rushing to commit our young men and women to battle. And he gave me sound advice. He gave me straightforward advice. I never had any concern about where he stood. I expect the secretary of defense feels exactly the same way.

And I just want to be on the record as saying that he spoke his mind; he did it openly. And then when we had to get together in meetings and figure the next steps, he was a constructive force all the way along the line. And it was Colin Powell, more than anyone else, who I think deserves the credit for the time we had to -- after all options, in my view, were exhausted -- draw the line in the sand. It was he that suggested to me, sitting right up here in that office.

And so I feel that he did what any general officer should do. He told me the risks; he told me what was at stake in human life; he told me what his view is to how it would go, which was always very positive, if we had to commit forces. And I am unhappy about revisionistic views of things.

Q: President Gorbachev is apparently requesting \$100,000

GENERAL POWELL REAPPOINTED JOINT CHIEFS CHAIRMAN

(Transcript: Bush news conference 5/23/91)

Washington -- President Bush says he is reappointing General Colin Powell for a second two-year term as chairman of the U.S. Joint Chiefs of Staff, calling Powell's military advice "absolutely remarkable."

Bush made the announcement at a May 23 news conference, where he also said he will examine Soviet aid requests positively, but realistically, and he declined to commit himself to Soviet participation at the July economic summit in London.

Following is a transcript of the news conference:

(begin transcript)

BUSH: Well, today I announce with great pleasure my decision to reappoint General Colin Powell as chairman of the joint chiefs for a second two-year term when his term expires.

Look, he has done a fantastic job, and I'm taking this step now to demonstrate my great confidence in his ability and the tremendous respect that I have for him. And it's personal and it's professional. And the military advice that he provided me under pressure for our operations in Panama and Liberia, Somalia and, of course, most important, in the Gulf was absolutely remarkable. And the confidence I have in him is reflected in the confidence the men and women of our Armed Forces have in General Powell. And I've seen it first hand and it has not diminished in any way.

In the years ahead, we're going to be making important changes in the military, in its size, in its structure and in its orientation. And General Powell and I, and Secretary Cheney have been talking about this over the months. These decisions are not easy, but he's been at the forefront of planning for this critical restructuring, and I can think of no one more qualified to lead our Armed Forces as we prepare them for the challenges of the 21st century.

And so, Colin, I am delighted that you are willing to re-up and to take on another term in this very onerous, taxing job. I think of Alma and your family. I think of the alternatives and the options, but your sense of service to country is just unquestioned. And I am delighted that you are willing to undertake this.

POWELL: Thank you, Mr. President. I am very honored and privileged that you would offer me a second term as chairman. I, of course, accept it gladly because it gives me the opportunity to stay in uniform and to continue serving a nation, serving you, but most importantly, serving the great

REP. OBEY: I would ask you to consider one possibility. What is we were to keep roughly the same process that we had last year, provide aid in accordance with the same understandings; half would be made available immediately, the other half to be held in abeyance as it was last year, depending upon what happens. But what if in addition to the uses to which that money can now be put we can also add one other use; potential use for demobilization or resettlement if an agreement is reached with the rebels? Would that be at all useful?

SEC. BAKER: If it was an optional use it would be a very good thing, I think, Mr. Chairman, to monitor a cease-fire, or for reintegration, or what have you, provided it's stated as an optional -- I mean, that the administration has the option.

REP. ?????: Mr. Chairman, may the rest of us also present questions for the record?

REP. OBEY: Surely. Absolutely. Okay?

SEC. BAKER: Thank you, sir.

REP. OBEY: Thank you very much. We appreciate it.

(END TRANSCRIPT)

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I guess I don't understand right now what is the principal military threat to Egypt in light of what just happened in the Iraq war? Why was it necessary to proceed to lock the Congress into a five-year commitment to Egypt in terms of debt by these sales? And why shouldn't the Congress insist on Egyptian economic reform by shifting resources from the military account to the economic account rather than continuing to be locked in when the administration makes a decision on the military side which in effect says, "Boys, for five years you have no flexibility with respect to that aid."

SEC. BAKER: Well, Mr. Chairman, let me say that the F-16s was the fourth of four tranches in a 10-year program that began quite some time ago to modernize the Egyptian air force. We think the program made sense then and we think it makes sense now. The security relationship we have with Egypt as the largest Arab nation, as our ally in the Gulf War, is in both of our national interests. Egypt is a country that has made peace with Israel. The sale that we're talking about is consistent with the Camp David agreements, and it's not going to have any adverse impact on the nations -- I mean on the region's military balance. Now, yes, it does, to the extent that they've got to pay for those airplanes, lock us in with respect to the division of economic and military assistance.

REP. OBEY: But they're not paying for the airplanes. We're paying for the airplanes through a Rube Goldberg program that pretends there's an aid program, when what we're really doing is buying American airplanes.

SEC. BAKER: That same statement could be made, Mr. Chairman, about a whole host of other countries.

REP. OBEY: Absolutely, absolutely.

SEC. BAKER: A whole host of other countries -- and when we get into the business of talking about -- well I won't get into it.

REP. OBEY: Well, again, I would simply urge you to take a look at the possibility of an arms moratorium in the region. I have a couple of other questions that I would like to ask you with respect to Salvador and other countries, but we don't have the time so I'll submit them for the record except to ask this question.

We don't want to rock the boat with respect to what's happening in Salvador. I've talked to a lot of people, including the UN negotiators. We recognize that we would like to keep pressure on both sides.

SEC. BAKER: Yes, sir.

REP. OBEY: I would like you to do that.

Let me simply say that if I were Israel, I would not give back one square inch of any of the territory without explicit, clear, emblazoned in gold letters -- recognition on the part of Arab states. But, I think the Israeli government has an obligation to try to deal with this resettlement issue in such a way that it makes possible US support for Soviet refugees in Israel because I very badly want to see that happen. But, I also have to say, as I said in Milwaukee last week, that I think it is dangerous negligent nonsense for the Arab world itself to continue to play what I regard as a "cat and mouse game" on the entire issue, and it just seems to me that if the Arab world cares about the settlements issue as much as they ought to, that the Arab world as well ought to take some action which makes it very difficult politically for the Israelis to justify continuing their settlement policy on the West Bank. So, I frankly think we've gotten very little out of either side.

Let me -- just one last question. The administration has said, and you said in your testimony and in other statements, that you want flexibility from the Congress. And as Mr. Edwards indicated, we have tried to do that, and I think we've made significant progress. But, there's one area where the administration is in fact totally eliminating congressional flexibility in five-year lumps -- that is with respect to arms sales -- and I refer specifically to Egypt. In '86, Egypt was finally unable to pay the US even within the one-year leeway allowed by the Brooke-Alexander Amendment. So, they were forced to reach an agreement with the IMF on economic reform. They went to the Paris Club, got a rescheduling of their official debt. That rescheduling meant that once again they avoided having to repay foreign aid. They avoided the cutoff required under the amendment by going to the Paris Club. But, the IMF agreement wasn't worth the paper it was written on. Egypt continued to resist reform. Now there's further debt relief negotiation going on again at the Paris Club. Egypt has already been the beneficiary of major forgiveness of its military debt.

I have two questions. What assurance do we have, what assurance does the IMF have that this time around Egypt really means it with respect to economic reform? And with respect to arms sales it seems to me that we are in this box, we forgave Egypt's military debt because they couldn't pay us, then the administration went ahead and essentially provided 46 new F-16s to Egypt. That means that the administration is, in effect, earmarking foreign aid for Egypt for the next five years at at least existing levels because Egypt clearly can't afford to repay us without that aid guarantee. We know Egypt can't afford to pay for those planes without additional aid.



And my question is and to their own future security not to settle them in such a way that it proves either an obstacle to the peace process or proves to be a major embarrassment to you and to anybody trying to jumpstart peace talks. And my question is, how in God's name do you tell what Israeli policy is when you've got six different stories coming out of the same government on their policy, and what can we do about it to achieve a constructive result?

SEC. BAKER: Mr. Chairman, every time I have gone to Israel in connection with the peace process on each of my four trips, I have been met with the announcement of new settlement activity. This does violate United States policy. It's the first thing that Arabs -- Arab governments, the first thing the Palestinians in the territories -- whose situation is really quite desperate -- the first thing they raise with us when we talk to them. I don't think that there is any bigger obstacle to peace than the settlement activity that continues not only unabated but at an enhanced pace. And nothing has made my job of trying to find Arab and Palestinian partners for Israel more difficult than being greeted by a new settlement every time I arrive.

The Arabs and the Palestinians, of course, argue that this proves that the Israeli government is not interested in creating -- in negotiating outcomes, but it's really interesting in creating (facts on the ground?). And it substantially weakens our hand in trying to bring about a peace process, and creates quite a predicament.

Now, I've raised the issue on any number of occasions with the leadership of the government of Israel, to no avail. I've even raised it in the context of perhaps a tradeoff for a suspension of the state of belligerency or suspension of the boycott, as I've mentioned to you. And I haven't gotten any takers on that, either. So, it makes it tough.

I have about decided that we're not going to get any movement on settlement activity before we -- at least before we have an active peace process going, and it's going to be just that much more difficult to get a peace process going if we can't get any action on settlement activity.

Someone told me, and I don't want to -- I don't want to say this as being an absolute fact, because I haven't checked it, but I believe that there's only about 35 percent of the occupied territories that has not been in one way or another utilized, or is being utilized, by Israel, either through settlement activities or appropriation in the manner that the article you just mentioned outlines. I can't tell you that everything in that article is accurate, because I don't know whether it is or not. I suppose we could have it analyzed and send you a report.



identifiable allocations for settlements.

On April 5th, the (Washington) Post reported that Israeli Minister said 14,000 new housing units would be placed in the settlements outside of Jerusalem in the next two years. We then have a number of other newspapers articles, including one by Jackson Diehl which says "Israel Boosts Land Seizures." And it says -- and I have no idea whether this is accurate. I want to ask you if it is. But it says while the Palestinians of Artis (ph) waited out a 40-day curfew after January 15, teams of Israeli land agents began staking out tracts on the hillside outside the village. Then, two weeks after the war ended, a notice arrived. Israel's government had decided to seize 360 acres of traditional village land, wiping out much of the agriculture on which the community depends.

The confiscation was one of a sudden rash of land takeovers initiated by Israel in the West Bank in the two months after the Persian Gulf War, amounting to at least 7,500 acres so far that appears linked to a vast new program for construction of Jewish settlements. It then goes on to suggest the rationale under which Israel allegedly takes the land, saying that Israel bases their land seizures on an interpretation of 19th century Ottoman Turkish law, which required villages and families who wanted to register their ownership of land to prove they had cultivated the property for 10 consecutive years. And because it's difficult for a number of reasons for them to do so it sets it up for confiscation. So alleges the article.

I would like to know, number one, whether this is true, and secondly, if it is, in concert with the other reports that -- the other report you sent us -- frankly, it gets under my skin, because I guess my question is this: What specifically is US policy with respect to settlements? Because my understanding is that this activity is in violation of US policy. What bothers me is the Israeli government says that the desperately need funds for other purposes, including bringing Soviet Jews to Israel for resettlement. But then they appear to be spending money like this, which I don't think they ought to be spending. It seems to me that if in fact this article is true, it also represents significant human rights violations.

I would simply like to have your assessment of what the situation is. Can we expect to see action on the part of the Israeli government that will reflect -- let me put it another way. I think we have a moral obligation to try to help Israel resettle every Soviet Jew who wants to leave Israel. But I think Israel has an obligation to us and to their own future security not to settle them in such a way that it proves either an obstacle to the peace process or it proves to be a major embarrassment to you and to anybody trying to jump start peace talks.

very quick, short questions, if I could. With respect to Mr. Smith's questions, are you therefore saying that -- and I think I heard you say this earlier -- are you suggesting that if Syria and Israel could overcome their differences with respect to the UN role and the issue of reconstitution of the conference, that you think that you could then get on with the peace process? Are you saying that that's the item that's holding things up?

SEC. BAKER: In my opinion, that is the -- those two issues, that difference, those differences are the items that are holding the process up, and if Israel and Syria could resolve those two issues satisfactorily, we could indeed look forward, I think, Mr. Chairman, to a conference that might result in direct negotiations.

Now, there is still the remaining issue of the question of representation, but I think that we've made more progress on that issue than in the past. I cannot give you an absolute guarantee that that would not -- that something might not come up in the detailed discussions that would not present another problem, but if we could get these two issues resolved, I think we have a good chance of perhaps having a conference.

REP. OBEY: All right. One last pitch, and then two questions with respect to the content of this bill.

You indicated that you thought when the administration came out with its announced arms policy, that I would be happy about its position on weapons of mass destruction, perhaps not so happy about the conventional weapons. I'd simply make the point -- I've got a cartoon here which shows a road, on one side troops coming out, cops standing in the middle, and there's a sign here pointing in the other direction saying, "The Middle East." And the cop is saying, "Homeward-bound troops to the left, new arms sales to the right," going in opposite directions.

And I'd simply suggest that these are all conventional weapons, and so I would hope again that the administration would really take a look at the possibility of trying to jump start a policy of arms denial to the region on the conventional level by the moratorium that we've suggested.

With respect to -- I have to raise, because our committee asked the State Department last year to provide a report on the issue of Israeli settlements. And that report indicated to us that there are now over 200,000 settlers in some 20 settlements in the occupied territories, including East Jerusalem; in the West Bank, about 90,000 settlers, an increase of 9,000 to 10,000 during the past year; perhaps as many as 40,000 since '84. According to that report, West Bank settlements are growing at a rate of 10 percent a year, and last year it suggested the government of Israel spend at least 83 million dollars in

month old baby were arrested at the Syrian-Turkish border -- Syrian Jews -- as they were trying to leave. These people haven't been seen since they were arrested, which was back in the -- late 1990.

Do you have any knowledge of the condition of these people? None at all? Does the United States --

SEC. BAKER: The -- I don't know that we have any knowledge of the condition, Mr. Smith. We raise this question when we go there.

REP. SMITH: You do?

SEC. BAKER: Yeah.

REP. SMITH: What kind of response do you get?

SEC. BAKER: Well, I'll have to check with the -- I'll just have to check with the embassy. A response came back to the embassy.

REP. SMITH: I think that on this particular issue, if the United States raised these specific issues, we might get a forthcoming reply. And I'd appreciate it.

SEC. BAKER: You know, we also raised the question of permitting some Syrian Jews to --

REP. SMITH: Immigration.

SEC. BAKER: -- immigrate to the United States.

REP. SMITH: That's what this relates to.

SEC. BAKER: And we got some -- again, let me just say, you know, I know people here sometimes are critical of the fact that we even have any dialogue with Syria, but not only have we seen movement on the question of terrorism, we've have also seen some movement on the question of immigration of Syrian Jews. Not as much as we would have liked, but a willingness to permit certainly some single women to come.

REP. OBEY: Mr. Secretary, if you could get back to the committee giving us your understandings about the whereabouts and the conditions of the people Mr. Smith is talking about --

SEC. BAKER: Give me the names, Mr. Chairman, because there are a number of different cases, and I'll need to know which ones you're talking about.

REP. OBEY: Mr. Secretary, I know you have to leave, but I'd like to try to wrap up what I think we've heard here with some



So I have said that -- you heard me say in my opening remarks, we think it's important that there be some role for the UN. After all, we're talking about implementing UN resolutions.

But the exact nature of that role is not going to, I don't think, affect the process of getting the parties engaged face to face. And we ought not to -- we ought not to let the -- it would be a tragedy, I think, if the whole effort goes down the tube, because the parties cannot agree on what the exact role, if any, for the UN should be.

And, it would be equally tragic if they couldn't agree on this question of whether or not the conference is just a one-time meeting or might perhaps have the ability to reconvene, particularly if all the parties were willing to agree to it.

REP. SMITH: Is Syria the last piece of this puzzle?

SEC. BAKER: I think these two issues, Mr. Smith, are the last pieces of this puzzle.

REP. SMITH: Suppose they are intransigent to the point where you can't get Syria to come; are we prepared to proceed without Syria?

SEC. BAKER: I think we might be, but I don't think the other parties would be.

REP. SMITH: Well, let me ask you one more question?

SEC. BAKER: But we would be, as indicated by the efforts we made two years ago, or a year or so ago to get an Israeli-Palestinian dialogue going.

REP. SMITH: Well, but you'd have Jordan at the table as well. Of course, without Syria, you probably wouldn't have Lebanon, would you?

SEC. BAKER: You wouldn't have -- you wouldn't have Lebanon in my opinion, and I don't know whether you would have Jordan.

REP. SMITH: Would the Chairman permit me a short question, which I believe the Chairman is interested in getting an answer to for the purpose of a possible follow by the Chairman? It's a short question. And I appreciate the gentleman's forbearance.

The discussions that you've had with the Syrians you've indicated that some of the mutual interests that we have in discussing have been discussed. You've said that a number of times. And there is -- in the midst of the discussions that I have had there when I was in Syria, understanding that six Syrian people; two couples, a two year old baby and a three

conference, but not participate in the negotiations between Israel and her Arab neighbors. That was never contemplated. And so, they are attending the conference in an observer role through the GCC, but they're going beyond that. And the real significance of what they're doing is not that observership attendance through the General Secretary of the GCC, but rather through their direct -- as a state -- participation in the negotiations on regional issues.

REP. SMITH: So you're satisfied with what the Saudis are doing at the moment. Is that correct?

SEC. BAKER: I think that the -- if you -- if you measure what they have been willing to step forward here and say they would do against the entrenched positions that have been taken for so long by many countries, it is a very significant thing, yes, sir.

REP. SMITH: Well what about the Syrians now? We have a situation where apparently you have been to some degree rejected even more significantly on this latest visit than you were on the visit before that.

SEC. BAKER: Subjected to what?

REP. SMITH: Rejected even more significantly. Now they may have stepped backwards while you were trying to press them forward. How is the Syrian position at the moment now different than it's been before? I mean, were they at all forthcoming? You're telling us now that there's only those two items as a hang up -- UN participation and --

SEC. BAKER: Well, there are only those two items as a hang up. The Syrians historically have, like most all of the Arabs, said before we will agree to sit with Israel we want them out of the territories and out of the Golan, that's a precondition. That has not been expressed as a precondition to me. The only conditions that are out there that I have -- that we are unable -- that there be a significant UN role, or as they have characterized it on some occasions, an important UN role; and the second requirement that the conference have some degree of continuity. The positions of Syria and Israel on these two issues have been directly opposed. Israel says no UN role, and only a one-time meeting.

So what I keep saying, Mr. Smith, is I see this -- I see these two issues as being primarily symbolic because the purpose of this conference, and everyone agrees to this, is not to impose solutions, or dictate results, or to veto results that the parties might arrive at, but simply to get the parties talking face to face in direct negotiations.

think that a lot people perceive -- I perceive -- that Saudi Arabia is a front line state. It's financed the Jordanians, it's financed the Syrians on and off times, it's financed the PLO and the Palestinians on and off times. It certainly has a great deal to do with everything that happens in that region. It is not Kuwait or Oman or Bahrain, it's an entirely different state. And I think the American people would like to see more of a forthcoming nature by the Saudis.

Is there still by you and others, an attempt to bring them to any peace conference, or do you believe that the best you're going to be able to secure, in the context of what we have done for the Saudis in the last few months, is that they say they'll participate in a regional conference, whether it's on water or arms or some such other -- ecology -- some such other regionally shared interest, but have nothing to do with the peace process?

SEC. BAKER: Mr. Smith, let me say that in addition to what the Saudis have said they're going to do publicly -- which I do think is significant, and I'm glad you recognize it as such, that is, being willing to sit down face to face with Israel and others and talk about these regional issues -- in addition to that, they're doing some things privately that we have asked them to do that I think advanced the peace process.

Secondly, it is the view of the so-called front line states, that is those that border Israel and with whom Israel has these major disputes -- such as with Syria the Golan, with Jordan the territories, and with Lebanon the border there -- it is the view of those countries that they should sit directly with Israel and negotiate out their differences with Israel, without having other states in attendance. So, you shouldn't put that -- you really should not lay that at the feet of the Saudis.

And I still feel that it's valid to say, if you suggest that somehow the Saudis should attend the conference, where do you draw the line?

REP. LARRY SMITH: Well, didn't you ask them to?

SEC. BAKER: Hmm?

REP. LARRY SMITH: Didn't you ask them to originally? Wasn't this one of the original --

SEC. BAKER: No, no sir.

REP. LARRY SMITH: Never?

SEC. BAKER: We have always been of the view that they should attend the regional working groups. We have -- we have had at one time, I think, contemplated that they might attend the



very long term. And I know you've been trying to play down the expectation levels, and I think that's an appropriate thing to do. It's extremely difficult to do it in a high-pressure, dense atmosphere. And it's extremely important that you be given as much time and capability as necessary to bring the diverse interests to some agreement.

And one of the reasons is, when you talk in terms of the context of two sides here, you're really not doing the -- or painting the situation with its appropriate color. You have Israel on one side and you have a number of Arab states on the other side, each of whom is looking for different things out of this. And so each time you go to a different country, you're dealing with a different set of circumstances which have to be taken into account.

And I want to say that it seems to me that, so far at least, it appears that there has been some small measure of success. It's kind of like a Chinese puzzle, you know, 5,000 pieces, and one little piece --

REP. OBEY: The gentleman's time is up.

REP. SMITH: -- one little -- (laughter) -- one little piece at a time. And it's very difficult for you to do it in any rapid significant fashion. I think it's going to take (a piece of time?). But I'd like to put it in some context and get your feelings about the context.

The context of Saudi Arabia -- and the chairman started out with this question and I think it's important to follow up it -- the context of Saudi Arabia is that over the last number of months we basically have to a large degree saved Saudi Arabia from the possibility of a significantly disastrous fate at the hands of Saddam Hussein. Taking what the President and you had to say at the beginning, America sacrificed men and a great deal of money. It appears to me that what you have described as the Gulf Coordinating Council approach -- that is, to send an observer -- and the fact that thereafter Saudis and/or other GCC members may send a participant to a regional conference -- while not to be dismissed, I think it is something very, very different than it had been before, although there were other Arab states that attended the 1973 December peace conference face to face with Israel -- at least Jordan, if not others -- I don't know that in the context of what's happened in the last few months, it's really enough. And I believe that there are a lot of Americans who are extremely disappointed in what they conceive to be the lack of real response on the part of Saudi Arabia.

There was a quote from you about the fact that Saudi Arabia is really not a front line state, and coming out of Aqaba you would say something about where you would draw the line. I

the Chairman, that we detect a new emphasis in the Soviet Union toward reform. President Gorbachev tells us when we meet with him that he is totally committed to this reform process; he is not deviating, will not deviate, will not abandon that and go over to a different approach and different course.

We have believed him when he said that, and now I think in the aftermath of April 23rd, we are beginning to see some things that would indicate that that is certainly the case.

It is very important, though, that we get these arms control agreements concluded if we possibly can. I hope and believe that we made a little progress yesterday in CFE. We've got to conclude CFE, straighten that out, because it is a matter of principle with us; it goes to the very fundamentals of trust and credibility. So we have to resolve that before we can finish the few remaining issues that I think are still out there with respect to START.

I think it would be tragic if after all these years and all this progress we sort of took the position, "Well, these agreements don't really mean anything to us and there's no need to get them locked in while we have a Soviet leadership that's willing to lock in on them." I think -- I agree with you, in other words.

I also agree with you that the action of the House was quite unfortunate, because it flies in the face at least of what we perceive to be the clear security and national political interests of the United States.

REP. LIVINGSTON: Thank you, Mr. Chairman.

REP. OBEY: Mr. Smith.

REP. LAWRENCE SMITH (D-FL): Thank you, Mr. Chairman.

Same span, different seat, Mr. Secretary.

SEC. BAKER: What did you say, Larry?

REP. SMITH: Same span, different seat.

SEC. BAKER: Yeah, but you're way down at the end now, we won't get to you as much. (Laughter.)

Mr. Chairman, watch his time, will you? (Laughter.)

REP. SMITH: You mean I may not get to you as much. (Laughter.)

I want to, with the rest of my colleagues, thank you for the initiative that you've been engaged in. It is extremely important, and it is frustrating and it is difficult and it's



I see that we're really going in the right direction. Obviously, with the collapse of communism and the collapse of the Soviet system, that in the long run will be positive as well. But, there are a lot of problems that are going to crop up and accrue and have already -- problems for the Soviet people and problems for the people that the Soviets have threatened in years past. I'm particularly concerned about those agreements which seem to be stalemated, the arms control and reduction agreements with the Soviets. And I think any thinking human being, any rational human being should want to see the United States and the Soviet Union and all of our respective allies come to the table, reduce conventional arms, reduce strategic arms, and to offer an opportunity for a more peaceful world.

But, I'm just wondering, sir, to what extent do you feel the recent actions of the House of Representatives undercut your position in those negotiations? In the Iraqi war, we saw utilization of ballistic missiles, albeit short-range Scud missiles, they now offer that they're going to be enhanced. Korea's selling -- North Korea is selling additional missiles. We may have some agreements from, for instance, South America not to sell additional missiles. But the range on the Scuds is getting longer, and we can anticipate that ballistic missiles will be used in the future somewhere.

Likewise, we saw the success of Stealth; the 117's worked incredibly well. I'm told that they were utilized in 5 percent of the missions and did as much as 35 to 45 percent of the damage.

And yet in the last three days, the House of Representatives has vote on an armed services bill, and has deleted funding for the B-2, the most advanced stealth potential available to this country, and has halved to the President's request on Strategic Defense Initiative, meaning that if that view prevails, any hope that the American people might defend themselves against incoming ballistic missiles is pushed off at least way into the future.

To what extent do those two actions by the House of Representatives undercut your ability to negotiate a meaningful and lasting arms reduction with the Soviet Union and with others?

SEC. BAKER: Mr. Livingstone, we wouldn't have asked for those programs if we didn't think that they were needed, and needed both from a strict security standpoint and from a political standpoint as well.

Let me take this occasion to thank you for what you said about the importance of proceeding with these arms control agreements. I said in -- earlier in answer to a question from



countries that are friends of ours in the region should be permitted to develop more of a capability and capacity to defend themselves. All of the risks that are inherent in the region have not disappeared. We've talked a lot about security arrangements for the Gulf, and part of those security arrangements, I think, is the ability of some of these countries to do a better job of defending themselves so they are not as dependent as they were in the past upon us.

But having said all that, we do believe that there should be some steps taken with respect to conventional weapons, and the President will be announcing his view of what those steps will be in the not-too-far-distant future. Beyond that, with respect to weapons of mass destruction, we see the need for a much more aggressive nonproliferation policy, and we'll be announcing that as well; again, hoping very much that we'll be able to achieve multilateral consensus, because without it, even with weapons of mass destruction, we will not be successful.

REP. OBEY: Congressman's time is expired. Mr. Livingston.

REP. LIVINGSTON (D-LA): Thank you very much, Mr. Chairman. And Mr. Secretary, I also want to add my accolades to those that have preceded me. I give you a triple E for effort, endurance and excellence in your performance.

SEC. BAKER: Thank you, sir.

REP. LIVINGSTON: I would just add to your answer to Mr. Coleman that if we withdrew, if we unilaterally stopped all arms shipments to our friends around the world, we would not only make them reliant on others for the arms that they're going to buy anyway, but we'd lose the contacts, we'd lose the influence and we'd lose the ability to do much of what you have succeeded in doing over the last couple of years.

I would say, Mr. Secretary, that indeed these must be exciting times to serve in your position -- exciting and frustrating. No doubt but that you've got some difficult problems in the Middle East. I think in order to achieve a lasting peace in the world, a major peace in the world, that the settlement of the problems of the Middle East are paramount. But, both sides, all sides, are going to have to make concessions, and unless they're prepared to do so, I don't think that you're going to be successful, and I certainly hope that you will be. But, I see greater hope for peace, greater hope for success -- in fact, real success -- in the resolution in Angola in Africa, the eviction of Mengistu in Ethiopia, in the agreement between the FMLN and the Salvadoran government, in Latin America, the fact that we've got more democracies in Latin America than ever before in the history of the world.

President's letter that was sent in response to me, and then I saw that -- the general one that was in response to the letter to the Minority Leader of the Congress, I think it addresses exactly what the administration intends to do.

Now we're going to have to do it. And I think that our implementing legislation and the appropriations necessary to carry it out will be something that, once again, maybe Congress and the administration can work together on as we proceed toward an agreement. And I appreciate, Mr. Secretary, your comments with respect to the importance of this agreement to the United States. Certainly, even with just Mexico, if this in fact did not affect all of the Uruguay Round, I think we would see it in our best interest, and certainly from the State Department view I would hope that we can continue to emphasize the importance of this agreement even before we vote on it.

SEC. BAKER: This agreement -- thank you, Mr. Coleman -- has major -- it has implications far beyond the economic and trade implications. It has major foreign policy implications as well.

REP. COLEMAN: I would -- on one other subject, and I know it was lightly touched upon by the Chairman, but one in which I think many of my colleagues on my side of the aisle at least, Mr. Secretary, would agree with -- is the issue of arms and perhaps a sometime partial embargo in the near term to the region that the United States is now attempting to leave. I was -- I would just to say to you that I think that many of the members I've talked with feel that this would not -- that it's just not plain -- it's just not good policy to continue our dealing in arms, our continual placing of arms in countries in the Middle East in the region, and I would just say that I don't really see why we would feel, even unilaterally, that we would be doing something not in our own interest if we were to cease and desist from moving arms back to a region that we are, as I say, just now trying to leave. I know that there is a debate, that a lot of people would say, "Well, it's a good thing that we had done a lot of the arms transfer in the past," or "Other allies wouldn't have been ready or as ready to help us." But then again, we saw a lot of those arms used against us, and I just think that perhaps it would not be wrong for the United States to take the position we can have period of time in which we didn't do that. Would you like to comment any further on --

SEC. BAKER: I'm not sure we saw a lot of those arms used against us, Mr. Coleman. There may have been a few limited instances but not a lot. That's number one. Number two, we cannot -- you cannot have an effective arms restraint initiative that is not multilateral in character, because other countries are not going to restrain their arms sales whether we do or not. And lastly, the argument of course is that these



But I would -- in saying that, Mr. Secretary, address to you one of the issues that is going to come up with respect to that, and that is not just job training, as was mentioned by the Chairman, but infrastructure requirements as well. Those of us who live along the US-Mexico border understand the great difficulty in meeting our current requirements for moving commerce in both directions with Mexico and the United States as it now exists. And to suggest that we're going to do even more commerce and more trading with Mexico certainly will stretch our resources.

In that regard, some of the facilities, some of the bridges, for example, are in fact under your jurisdiction, Mr. Secretary. I know that many people are oftentimes surprised that bridges themselves are sometimes privately owned, sometimes owned and run by the International Boundary and Water Commission, to name the agency that has just recently, Mr. Secretary -- and I thought I should show you a headline in my District from yesterday. It says the Free Bridge is to ban big trucks. Well, the trucks that cross this particular bridge that's on the old Free Bridge, as it's known, the Cordova Island Bridge, the Bridge of the Americas that was dedicated in 1967 by President Johnson and President Dias Ordoz (ph) at that time as a free -- when we gave back some land. It unfortunately, or fortunately, permits the crossing of 700 to 800 trucks per day between our two countries. And to close that bridge for structural repairs is going to be necessary -- at least closing part of it -- and I would only ask you, Mr. Secretary, to see if we can't speed up -- I noticed in your -- in the request that was sent from the administration to the Appropriations Committee this year, a request of only some \$700,000 to do, I guess, some study, and then it'll take the next fiscal year to do that, to get the construction funds necessary to fully repair it.

I would just ask you, Mr. Secretary, to kind of keep an eye on the infrastructure part of the issue because I know that, while you have so many other issues to deal with, I hope you'll provide the kind of assistance that certainly our commissioner will need, the one Commissioner Genadgee (ph) in the International Boundary and Water Commission appointed by President Bush, will need your help, I think, when it comes to fighting for these dollars that do come underneath your agency. So we'd appreciate your help on that down along the US-Mexico border, Mr. Secretary.

SEC. BAKER: All right.

REP. COLEMAN: And as we deal with the North American free trade agreement, as you know and as was pointed out by the Chairman, certainly the job training issue is one and the infrastructure is another that I hope we have a commitment from this administration to help resolve. And I think that the



be funded.

And finally, the 1990 Nuclear Non-Proliferation Treaty Review Conference has had some statements encouraging IAEA to consider new safeguards approaches to enable the agency to detect and call attention to potentially suspicious nuclear activities, and obviously that will require funding also.

So what I would like to find out is, one, what your position is on additional funding for IAEA and whether we're supporting this suggestion that IAEA develop and implement new safeguards approaches.

SEC. BAKER: Mr. Green, I would certainly support additional funding if it became clear that additional funding were needed. That's not something that I can answer for you here this morning. I mean --

REP. GREEN: If you could for the record I'd appreciate it.

SEC. BAKER: We'll sure take a look at it.

REP. GREEN: And the other part of that was, do we support the proposals that IAEA have a larger role by reason of developing and implementing new safeguards approaches so that it can detect and call attention to potentially suspicious nuclear activities?

SEC. BAKER: Well, we'll take a look -- I'll take a look at that and give you an answer for the record as well.

REP. GREEN: Thank you very much, Mr. Chairman.

REP. OBEY: Mr. Coleman?

REP. COLEMAN: Thank you, Mr. Chairman.

Welcome, Mr. Secretary. (Off mike) -- on the committee watched very carefully all that you've done and appreciate all of your efforts and I just wanted to add my voice --

SEC. BAKER: Thank you, Mr. Coleman.

REP. COLEMAN: Let me also disagree if I might for a minute with my own Chairman with respect to a statement he made concerning the North American Free Trade Agreement. I don't feel that we're giving the administration carte blanche at all, Mr. Chairman, when we still will have the opportunity for implementing legislation subsequent to the time we grant the authority of the administration to negotiate on a fast track and prior to the time that we vote on approval or disapproval of an agreement, whenever that may be.

charge against Iraqi oil exports to create a reparations fund.

REP. GREEN: Next on the question of arms sales in the Mideast, I understood that the US has resumed delivery of military equipment to Lebanon. And frankly, I'm puzzled what the purpose is. I'd like to know what the arms are. And with 30 thousand to 35 thousand Syrian troops occupying part of Lebanon, what assurances do we have that we're not just giving arms to the Syrians?

SEC. BAKER: I don't think there are -- I don't think it's arms, first of all, Mr. Green.

REP. GREEN: Well, maybe -- do you want to supply the answer for the record?

SEC. BAKER: Hang on just a minute. Well, let me just see. I think I can help you a little more than that. (Pauses to look through papers.) We've authorized the release of \$3.9 million of non-lethal military equipment, bought in the early 1980's with FMF allocated at that time. This will support the Lebanese government and the armed forces as they attempt to disarm the militias in there pursuant to the Taif Agreement.

REP. GREEN: What are we talking about: Trucks, shoes?

SEC. BAKER: I'll have to find out for you. I don't know. It's 3.9 million dollars of non-lethal military equipment. There may be some transportation equipment.

REP. GREEN: Let me turn now to the issue of nuclear proliferation, which you mention on page 10 of your prepared statement. And my concern is really about our relationship with the International Atomic Energy Agency, and the fact that the funding level of the IAEA has been held to zero real growth since 1984. It seems to me that recent events have led us to place ever increasing reliance on the IAEA, and I support that.

For example, immediately following the political changes in Central and Eastern Europe, several of the governments there asked IAEA for assistance in assessing the safety of their Soviet-built nuclear facilities. And my understanding is that IAEA is currently providing support to those countries and working to upgrade nuclear safety, that funds are being provided by voluntary contributions to support that.

With regard to Iraq, the Security Council Cease-fire Resolution, resolution 687, calls on the IAEA to undertake a number of near and longer-term responsibilities to inspect and monitor Iraq's nuclear activities. And it's my understanding that funding from that is to come from the so-called "Special Commission" established by the Security Council to oversee the destruction of Iraqi weapons. And I'm less clear how that's to

REP. MCHUGH: Yes. (Laughter.) Let me ask you one quick question.

REP. : Especially if you're at the end of the table. (Laughter.)

REP. OBEY: I wouldn't complain, because if we don't limit members, you won't get any time. (Laughter.)

REP. MCHUGH: Mr. Secretary, if I may ask you one quick question about the economic summit. Clearly, Mr. Gorbachev is anxious to have some at least observing role at the economic summit. It raises some significant questions with regard to the issues you covered in your opening remarks in terms of how we in the West will respond to the current circumstances in the Soviet Union, Mr. Gorbachev's role in particular. What is your view with respect to his participation in terms of at least being an observer? And what conditions, if any, should be met in order for him to play that role?

SEC. BAKER: Mr. McHugh, I think that depends in large part on what might happen over the course of the next couple of weeks with respect to the prospects for economic reform in the Soviet Union. Let me say that I had a conversation with the Commander-In-Chief as recently as 9:20 this morning in which he told me, if I have the opportunity to let you know that the story in the New York Times today is not accurate, to let you know that. So I'm pleased to let you know that the Commander-In-Chief doesn't think the story quoting him to the effect that it's a non-starter is an accurate reflection of his views.

REP. MCHUGH: Thank you.

Thank you, Mr. Chairman.

REP. OBEY: Mr. Green.

REP. BILL GREEN (R-NY): Thank you, Mr. Chairman. I have two quick questions and one a little longer.

First, the UN cease-fire resolution calls for Iraqi reparations to, quote, "foreign governments, nationals, and corporations," closed quote, that incurred damage as a result of Iraq's unlawful invasion and occupation of Kuwait. And I believe the Kuwaiti ambassador himself has called for Iraqi reparations to Israel. Do you agree that Iraq should pay reparations to Israel? And, if so, what are we doing to secure those reparations?

SEC. BAKER: Well, we're doing the same thing -- the answer is of course. And we're doing the same thing we are to secure reparations on the part of everyone else, and that is putting a



Now, the issue is whether some UN force could provide the credible security assurances that they need. At the moment, it's my understanding that there are a handful of police -- UN police forces in this safe haven area. On the face of it, I would be surprised if many of the Iraqi Kurds would be satisfied with that kind of security. So my question is: What do you see happening within the next month or two which might provide the kind of security guarantees that the Kurds will need and enable us to withdraw? Or, in the alternative, is it likely that we're going to have to be there for a period longer than a month or two? What do you see happening?

SEC. BAKER: Mr. McHugh, first, let me say that -- let me take this opportunity to compliment you on your mission, because the input from that mission, I think, was very helpful to us in putting together the supplemental request that we put together. I don't think anybody can tell you with any absolute certainty what is going to happen over the course of the next month or so.

Discussions are now ongoing between the United Nations and the government of Iraq with respect to the insertion of a civilian guard force for humanitarian relief workers and for refugees to replace the forces that are now there. We hope that those discussions will move forward productively. We hope that additional UN personnel can be inserted. You're quite right. There are few -- there's a handful there now, but I think the plans are that they would increase the numbers up into the four hundred and five hundred range, assuming these discussions continue to make progress.

Now, if that doesn't work, then there will have to be some consideration given to whether or not another resolution of the council, a) is appropriate, and, b) could be obtained, because it's not at all certain with respect to either a or b at this stage. Right now, I think the best thing is for these discussions to go forward between the United Nations and the government of Iraq that could lead to the insertion of United Nations personnel that would give the necessary assurances to the refugees.

REP. MCHUGH: Do I have time for one more question?

REP. OBEY: If you're short, sure.

REP. MCHUGH: Well, I hope I'm not the villain of this piece, because I've -- the time gets shorter and shorter as we go down the table.

Let me ask you one more question -- (laughter) --

SEC. BAKER: Democracy is messy, isn't it, Mr. McHugh?

SEC. BAKER: No. What I -- the indication from King Hussein is that he thinks this is a very important time. He thinks that having a peace process is very, very important. It is important, and I'm not going to quote him now by saying this, but make this our view -- it is important that there be a peace process if we are going to resist radicalization in the Arab world. The King is willing to come to the conference as part of a joint Palestinian-Jordanian delegation if that's what the Palestinians want. And so far at least, in the discussions that I've had with Palestinians, it would appear that that's an approach that they would be favorably disposed toward. And it would -- it's an approach that others are favorably disposed toward.

REP. MCHUGH: One other question on this, and then I'd like to pass on, given our limited time, to another area. Has the subject in your discussions of participation by Palestinians in East Jerusalem, a very sensitive issue, been raised? Would a Palestinian delegation include or exclude Palestinians who reside in East Jerusalem?

SEC. BAKER: Well, the question -- the subject has been raised, and it is very sensitive, and I'm not going to get into it here. (Laughter.)

REP. MCHUGH: It has not been resolved then, I assume?

SEC. BAKER: I didn't say that. (Laughter.) It may not have been, but then again, it might've. (Laughter.)

REP. MCHUGH: Okay. Do we have a five-minute rule? I can't press him on -- (laughter) --

Let me move on, if I may, briefly to Iraq. I recently had the opportunity at the Speaker's request to lead a small delegation to the Iraqi-Kuwaiti border areas. Let me say that among the conclusions we reached was that the President was quite correct in using American forces to deliver humanitarian assistance. We observed a wonderful job being done by our people, and clearly a lot more folks would have died had they not been used.

I also agree that it should be our purpose to withdraw US and coalition military forces as soon as possible and have them replaced by some UN force, if that is necessary. The real question is how we can accomplish that. The refugees whom we spoke to were deeply fearful of the Iraqi military. They were very skeptical of anyone providing credible assurance -- credible security assurances other than the United States and coalition forces. And, therefore, so long as they continue to live in fear of Saddam Hussein's military, it seems to me that they're going to want continuing credible security assurances from the US and coalition forces, which runs counter to our in getting our forces out.



There is -- you've given us a -- I think, a clear and fairly comprehensive statement on your progress to date and the obstacles you face. There's one area that I'm a little unclear about. Perhaps you can clarify it for me. In listing the points of consensus, you indicated that one of the points was that the Palestinians would be represented by Palestinian leaders in the territories. Then you had a second category of issues which remained unresolved, and in that category I also heard that Palestinian representation was one of the issues unresolved. You indicated that your preference, although the Palestinians themselves should choose their leadership, your preference was that there be negotiations including a joint Jordanian-Palestinian delegation. So I'm a little confused. Is the question of who represents the Palestinians a settled issue? Or is it one of the remaining unresolved issues? And, if so, what remains unresolved?

REP. MCHUGH: The issue of representation is settled in terms of the generic approach, but that does not mean that, as -- when the time comes for Palestinians to determine what their representation will be, that questions might not arise. I can't give you an absolute guarantee here this morning that that issue would not -- that there would not be some difficulties as that issue were approached in practice. It is the view, I think, of almost everyone with whom I have talked, including Palestinians in the territories, Israel, Egypt, the United States, the Soviet Union, Jordan, that a joint Palestinian-Jordanian delegation would be the best way to proceed, and that would be the way that we would hope would be the route that would be chosen.

What I'm saying is I can't sit here this morning and tell you that a question might not come up involving Palestinian representation. But the truth of the matter is, if we could get agreement between Israel and Syria on two issues, I think we would be in a position to see direct negotiations begin. And those two issues are: Should there be any role for the UN? And, secondly, should this conference be a one-time meeting, or should it have the ability to reconvene? Those are the two issues right now that I think stand in the way of progress. And because they are primarily, in my view at least, issues of form rather than substance, I would hope that the parties could get together and find away to bridge their differences on these two issues.

REP. MCHUGH: Is King Hussein now prepared to participate in a joint delegation? Because, as you recall, after making substantial efforts to put one together some years ago, he in effect washed his hands of that effort. And what you're suggesting, I think, is that he's changed his mind and is now prepared to participate. Is that -- did you get an indication from him that he will?



China that I have introduced in the Congress.

Finally, let me ask one final, quick question. Elections are going to be held in Hong Kong to elect a (Leg Co ?) for the first time this year. And it seems to me that we want to do everything we possibly can since that crowned colony is coming under the control of Beijing in 1997, to put into place democratic institutions. If were to send observers to that election this year, wouldn't it help to create a precedent of international participation that might carry forward to elections that have been promised after Beijing takes over in 1997 and where we can set a basis for commitment to free elections that might not occur under the present regime, at least after 1997?

SEC. BAKER: What is the attitude -- I'm not sure I know, Mr. Porter, what the attitude of the UK is on that. That's not an issue that I have looked at, so I'll be glad to --

REP. PORTER: If they were --

SEC. BAKER: -- take the question and given you answer.

REP. PORTER: If they were willing, would we be willing to send election observers this time?

SEC. BAKER: Obviously, the best hope for -- the best assurances for Hong Kong's future will be the changes that our policy aims to promote in China, and that is respect for human rights, promotion of free-market economic reforms, and political pluralism. I think you would have to weigh whether or not our sending observers would be seen as some sort of -- I think we'd need to know a little more about what the reaction would be to that from the Mainland and particular from the United Kingdom, because I do not know. I mean, the issue has not been broached to me, Mr. Porter, and I'll be glad to look into it.

REP. PORTER: Thank you, Mr. Secretary.

REP. OBEY: The gentleman's time has expired.

Mr. McHugh.

REP. MATTHEW MCHUGH (D-NY): Thank you, Mr. Chairman.

Mr. Secretary, let me quickly add my voice to those of my colleagues who have complimented you on your work. It is clearly in the interest of the United States to try to resolve some of the underlying issues in the Middle East and certainly in the interest of the parties out there, and I wish you much success, as difficult as it is.

displaced persons and percentage of territory that might be -- that might be used in any resolution or -- or peaceful settlement of this issue, and that's really about all I can tell you right now without -- without going further than I ought to. This is a very tough issue, too. But we are willing to try and be helpful where we can without, in any way, undercutting or undermining the efforts of the Secretary General of the United Nations, which efforts we support very, very strongly.

But we have -- we have, of course, worked very closely with Turkey. They've been a very strong ally in the Gulf War. They immediately cut off the Iraqi oil pipeline. They took actions without which, I dare say, we would have had a much more difficult time than we did have in -- in achieving the result we did, and we wanted to take advantage of that to see if we could work to engender a significantly greater degree of interest on the part of the Turkish leadership in addressing the specific and precise issues that are -- that are -- that are still outstanding in connection with the Cyprus problem.

REP. PORTER: Mr. Secretary, China remains one of the places in the world where there are tremendous abuses of human rights and where basic human freedoms are not allowed to a -- a population of over one billion people, and we have kept the door open with discussions with the leaders in Beijing. What ongoing efforts does the United States have to impact not the leadership of China, which increasingly people believe is out of touch with its own population, but efforts to reach the people of China with messages regarding democracy and human freedom and free enterprise, if I may add that to it? What effort are we making to -- to reach out to people there and try to move that society into a greater parallel -- parallel position with others that are moving toward democracy and human freedom?

SEC. BAKER: We've been very active, Mr. Porter, through our -- through our Embassy in setting forth our views and in promoting the concepts of respect for human rights and democracy.

I think you do know the President's -- President's strongly held view that we should not isolate China, that we should not simply refuse to deal with China because they have a -- a record on human rights of which we are critical. We have sought very, very ardently to balance our outrage at what happened in Tiananmen with the national interest in remaining engaged with the People's Republic of China, and we will be -- the President will be making a decision here very soon with respect to the question of renewal of MFN for China.

REP. PORTER: I would hope, Mr. Secretary, that the President's Task Force on International Broadcasting might take up the question of whether we can't impact that society more greatly with a program similar to Radio Free Europe called Radio Free

law forbids them from complying with the Arab boycott?

SEC. BAKER: The -- the issue has been discussed, Mr. Porter, and -- and there has been, in my view, some change in the attitude and approach of the government of Kuwait, particularly with respect to the question of negative certification, and we would -- we would have to see that as a positive result.

REP. PORTER: Just last week, the Arab League's Boycott of Israel Office added 110 companies to the black list of companies that do business with Israel. What reaction -- was there any official reaction by the State Department to that list, and has that -- that issue been raised in meeting with Arab leaders?

SEC. BAKER: I don't think we had any -- any reaction from the podium at the State Department.

REP. PORTER: Well, if I could --

SEC. BAKER: Let me -- let me -- let me reserve on that, Mr. Porter. I was out -- I was in -- out of the country, so let me check and see. It may very well have been.

Obviously, we do not -- we do not support the idea of the boycott, and adding 100 companies is not something that we would look on with any favor whatsoever. At the same time that that announcement was made, if I recall correctly, there was a deletion of a major company or two. But that doesn't excuse adding a whole host of other countries. We do not support the boycott and --

REP. PORTER: And we -- and we raised this in our discussions with the Arab leaders as often as possible.

SEC. BAKER: We raised it all the time.

REP. PORTER: Mr. Secretary, you met not long ago with Rauf Denktash to discuss the situation in Cyprus and said at the time that the meeting did not represent any type of official recognition of an independent government for northern Cyprus. And of course, I'm glad that that -- that disclaimer was made. I commend you for devoting attention to this issue. Can you bring us up to date? Did anything come of the meeting with Mr. Denktash as to the course of future negotiations in Cyprus, and where is that in the list of priorities since this is a country that, it seems to me, with some good strong US pressure, might be reunited again?

SEC. BAKER: Well, Mr. Porter, we've gotten more active with respect to the -- to the problems in Cyprus, and that's one indication of some of our activity. We have been -- we have been requesting that there be some focus on the question of



But we have -- if we're going to have peace in the Middle East, we really are going to have to make every effort to bring all of the important parties to the table. Israel has been very anxious to see a two-track approach, and this approach is what we have embraced and been -- and been pursuing. They would like very much to sit with their Arab neighbors and negotiate the differences they have. One of those Arab neighbors with whom they have the most significance difference is Syria. This is different than the approach we took last year or a year and a half or so ago, Mr. Yates, when we were trying to create an Israeli-Palestinian dialogue, solely one track. So we must work to -- if you're going to -- if we're going to be instrumental in trying to get such a process going, we have got to talk to both sides.

REP. OBEY: The gentleman's time has expired.

REP. YATES: I just want to terminate -- conclude my time, Mr. Chairman, by pointing out that there's only one Arab country that sat down with Israel, and that was Egypt, and Egypt and Israel were able to work it out, and Israel proved very generous in connection with its negotiations with Egypt. It gave back every inch of land that it had taken from Egypt during the 1973 war, and while they don't have a -- a -- while they have a cold peace rather than a hot war going at the present time, at any rate, they have a relationship with which they can get along.

I want to conclude by -- by pointing out what some wise man said. He said that in the Middle East, even the past is unpredictable.

REP. OBEY: Mr. Porter.

REP. PORTER: Thank you, Mr. Chairman. Mr. Secretary of State, you must be absolutely exhausted. The American people and the members of Congress very much appreciate your tremendous efforts to find the key to peace in the Middle East, and we hope you get a chance to get some rest.

I've been informed I'm now under the five-minute rule, even though we haven't observed it up to this point, and so I'm going to ask my questions as quickly as I can.

I want to -- I want to go back to something my colleague from Illinois raised, and that is the -- the Kuwaiti adherence to the boycott of Israel -- the Arab boycott of Israel. Prior to the -- to the war, they were one of the most strict adherents to the boycott and -- and to the secondary boycott, that is, refusing to do business with companies that traded at all with Israel. Have you had any discussions with the Kuwaiti leaders regarding this -- the boycott and secondary boycott? And aren't US firms put at a competitive disadvantage because US

I didn't get any takers on either side. I've also suggested that they -- that they perhaps consider agreeing to suspend the boycott -- the Arab boycott of Israel against a suspension by Israel of settlement activity, and I haven't gotten any takers on either side. These things are all impediments to peace, in my view, and we ought to keep working. I'm not saying the fact that we don't have takers yet means that we'll never have -- that we will never have takers.

In the Gulf War, the United States happened to share a common goal with Syria, and -- and Syria sent forces to the Gulf, actually fought in that war, fought alongside US forces, Egyptian forces, Gulf forces. But we still have Syria on our terrorism list because we have some fundamental problems with -- with their approach to this issue.

I will say that we've had some discussion with them which have been, I think, productive, Mr. Yates. And our intelligence --

REP. YATES: Productive in what way?

SEC. BAKER: There has been a -- there has been a very clear reduction in terrorist activity by groups resident in that country since the outbreak of the -- of Iraq's invasion of Kuwait.

REP. YATES: May I interrupt you, Mr. Secretary, and just point up a -- a couple of instances, since it seemed to me to be marked irritants than anything else? Kuwait, for example, still observes the boycott of Israel, as far as economic relationships between Israel and American corporations are concerned or other corporations are concerned.

The word I get, too, is that a Senator wanting to visit Saudi Arabia -- United States Senator wanting to visit Saudi Arabia was -- was barred, boycotted because he had an Israeli stamp in his passport -- Saudi Arabia, our close friend. And the United States Senator couldn't get in there because of the Israel stamp. Why such things as that happen still?

SEC. BAKER: Because we don't have peace in the Middle East. It's the same -- it's part of the fundamental problem. We -- you know, that's inexcusable -- Senator Lautenberg's experience -- and we speak out against that and weigh in against that.

Let me say this one thing and make certain there's no misunderstanding on what I said regarding Syria. The -- there -- there have been a clear reduction in terrorist activities by these groups resident in Syria against US and western interests since the -- since the Iraqi invasion of Kuwait. That still has not been enough for us to remove Syria from the terrorism list for other reasons.

to prevent really their own participation in any kind of a peace treaty. Unless I'm mistaken, doesn't a state of war still exist between the Arab nations and Israel?

SEC. BAKER: Yes, sir.

REP. YATES: It is. It's still a terrorist state.

Is there any kind of a deal that we have gone with Syria? Why didn't we get -- why did Syria become a so-called "ally"? I say a "so-called ally" because Newsweek for March 18th, in discussing the secret history of the war, says this on page 30, "Finally, there was the sheer complication of mounting such an enormous air operation with sorties averaging 2,000 to 3,000 a day. AWAC and ground radar crews had to devise sophisticated computerized flight plans to keep planes from running into one another. An armada of tankers had to be kept in the air practically around the clock to act as mobile gas stations for jet engines. This test task was complicated when Syria refused to let allied planes fly through its air space, forcing bombers based in central Turkey to take a round-about route to the targets." Well, this is the first time I've read of that. I hadn't seen that in the papers before. Is that -- that isn't common knowledge, is it, that Syria refused to cooperate with our -- our flying missions to attack Iraq?

SEC. BAKER: I don't know whether that's common knowledge or not, Mr. Yates. It's not -- that's not the whole picture. But I can't go into any more detail than that.

Let me comment on some of the -- some of the things you've said though. First of all, I think that -- I really do believe both sides are serious. They may not be. They may just be hiding behind these two symbolic issues. But I think that they're serious. I think that I've already mentioned, in answer to the Chairman's question, that it's very significant that these Gulf states would -- would come forward and say, yes, they are going to break with some years and years and years of tradition and custom and be willing to sit down face to face with Israel. That is a significant step.

The question of the state of war is very -- is a very disturbing one. Let me -- let me say to you that I have approached both sides with the idea that perhaps there could be some -- there could be some steps taken by each that would -- that would promote a better atmosphere for peace negotiations, and I suggested -- I suggested to the Arabs, for instance, that they consider suspending -- agreeing to suspend the state of belligerency during the tendency of any peace discussions if the Israelis would, on the other hand, suspend settlement activity, the -- the action of settling the West Bank -- the occupied territories.



SEC. BAKER: Well, there are a number of things. One of the -- one example, I just cited for you. Last March, the President announced a trade enhancement initiative, American business and private sector development initiative on the economic side: We've established an office for assistance to Eastern Europe overseas; we will have AID representatives in each of these countries by late summer. So, there are any number of ways that we can use that funding to both promote political reform and economic reform, ways in which we can use it very productively.

REP. EDWARDS: Let me just conclude, Mr. Chairman, by saying I -- you know, I have been on this subcommittee now for I think 11 years, and I have not previously been as impressed by the work that a secretary of state was doing on a broad number of fronts, as I have been by what you've been doing, both in working with the Soviets, working in the Middle East to try to find some opening to create peace there as a follow-up to what happened in the gulf. So, I just want to use this opportunity to publicly express my admiration for the work that you're doing.

SEC. BAKER: Thank you very much.

REP. OBEY: Mr. Yates.

REP. SIDNEY YATES (D-IL): Mr. Secretary, welcome. I want to join my friend Mickey Edwards in expressing my admiration as well for your energy and for your determination in trying to bring about better relations with the Soviet Union and between the countries in the Middle East. I don't know of a more frustrating mission than trying to bring peace between the countries in the Middle East, but it's one that's a necessary one and I certainly want to give you a pat on the back for what you've done.

It is a frustrating mission; it seems to be "Mission Impossible" to me, rather than a mere frustrating mission, because the Arab nations don't seem to be disposed to change their ancient ways, let alone make peace with Israel. I remember during the recent war it was hoped that the war might persuade them to change some of their attitudes; it was hoped that because Israel was showing restraint in not replying to the attack by the Scuds -- of the Scuds, that maybe they'd have a different attitude toward Israel once the war was over.

But I can't help thinking of the French truism: *Le plus ça change, le plus, c'est la même chose* -- the more things change the more they are the same. And I can't escape the conclusion that Israel really does want peace with the Arab nations, the Arab nations don't want peace with Israel, that they're using the Palestinians, they're advancing the Palestinians as a foil

meaning the West rather than the United States specifically -- pouring about \$17 billion in aid into Eastern Europe this year; and the question is whether or not Poland and Czechoslovakia and others can absorb that money and make good use of it. And part of the problem has been that they really -- they're getting money but they really don't have democracy in place. And I'm wondering, do you think that it would be helpful if we increase our promotion of democracy in Eastern Europe through NED (?) in particular, but also otherwise, before we commit additional direct cash aid?

SEC. BAKER: Well, those countries have all expressed a desire to move toward democracy, Mr. Edwards, and they have expressed support for political pluralism. It's my view, always has been, that democratization and a move to free market economics have to move in tandem, have to proceed in tandem. If you get -- without my citing the names of countries, which would not be a diplomatic thing to do, you can think of countries where the political process got out ahead of the economic reform -- political reform got ahead of economic reform, and you can think of countries where economic reform got ahead of political reform. The two have to proceed apace.

But the emerging democracies of Central and Eastern Europe are going to be -- I mean, they are real test cases, I think, and they are very important to us as a consequence, because our system -- systems -- are being tested here. We know how successful democracy can be and we know how successful a free market economy can be. But we also know that sometimes democracy can be messy. We also know that sometimes the -- the restraint or the patience, is a better word, patience of the people is limited, and therefore you have to produce some results in a reasonably -- reasonable time frame if efforts to democratize are going to succeed.

So I do not think that we're out of whack in the way we are approaching the situation in those emerging democracies of Central and Eastern Europe. There are many things that can be done on the political side -- more things that can be done, I think. They are crying out, for instance, for assistance in learning democratic traditions in talking about investment regimes, in talking about constitutions, in learning English. The Czechoslovaks, for instance, continue to ask us to see if we can send some people who can assist them in learning English and in learning our democratic system and the incidents thereof. So I don't think that we're off base.

REP. EDWARDS: Well, my other question is just a follow-up on that. One of the things that's in your budget request is a contingency fund to be able to meet the emerging democracy opportunities, and I just wondered if you could elaborate a little bit on how you would do that. How would you use that fund in order to accomplish the ends you've just described?



to provide the military assistance that we give to other countries as a part of our defense budget rather than as a part of our foreign assistance budget. I would be delighted if we reached a point where we began to make substantial reductions in the amount of arms that we sell to countries around the world. It seems I have a very difficult time reconciling my own views with the fact that we still find over 100 countries in the world that we just have to sell weapons to. I think that's something that I hope we will seriously look at, and as we've talked about before, I hope that there will be considerably more emphasis in the future on bilateral relations and bilateral assistance rather than multilateral, although I know some of my colleagues on the committee would not agree with me.

There is probably not very much consensus to pass a foreign aid reauthorization rewrite this year, so this committee, this subcommittee may be the only vehicle for making whatever changes we can make. But we would like to work with you in doing that, and one of them that we can work on that I know you support is to reduce the amount of earmarking. With the Chairman's leadership, we have been successful in this subcommittee in reducing earmarking and giving the administration more flexibility. I think we should -- I still think it's our role in Congress to determine, first of all, how much money you can spend on foreign assistance, and second, to make a list of what countries are off-limits who we do not want American tax dollars going to, and after that it ought to be up to you to decide how to use them most effectively. And I hope we can continue to move in that direction. I hope we will continue to work in the direction of more consultation about major decisions, prior consultation before they're announced. I think there is still too much tendency to have the administration make decisions and then come tell us what the decision was and that we have to support it because the President's credibility is on the line. And I would suggest to you that what happened in terms of the Persian Gulf, where the President really went out of his way, and you did and Secretary Cheney did, to keep the members of Congress very closely informed with a whole series of meetings, I think that's a good pattern to follow for the future.

Finally, let me just say in terms of what you had in your prepared statement, the most important part, I think, was your emphasis on helping the emergence of democracy around the world. That's a very important goal. We have to not only help the countries which have started to move in that direction, but we have to look toward other people as well, in Africa, the Albanians, the Russian republics, and so forth, to try to continue to promote democracy.

So having said that, let me -- I have, Mr. Chairman, a couple of brief questions. The first of them is, we are now -- "we"



occasion of having the swearing-in of a new Republican member of the House, and since that's doesn't happen very often, and especially since it was a Texan I thought I would be there and you would forgive me for it.

I want to thank you for --

REP.????: (Off mike).

(Laughter.)

REP. EDWARDS: That's true. There are now seven of us, so we're gaining on you.

SEC. BAKER: I'm out of politics, Mr. Edwards, or I would forgive you. (Laughter.)

REP. EDWARDS: I want to thank you for your efforts to further the cause of peace in the Middle East. And people have argued about whether or not there really was a window of opportunity for peace when you began your efforts. You know better than we do whether there was or not. But you've made a very good contribution and you've certainly helped to try to open one and we all admire you for that.

It's not often that those of us who work on this side of the budget in foreign assistance see very many direct or concrete benefits from what we do. But in the Middle East, we saw just that. I think that from the very beginning of the Gulf conflict, we saw, as some of our closest allies rose to meet Saddam's challenge, that the efforts that we had made through your leadership in working with Turkey and Egypt and Israel and others were really paying off.

Our foreign aid today is at a crossroads, and I want to get into a couple of points. If we're going to make our foreign aid meaningful, we are going to have to reform, and we've talked about this before, the entire foreign aid process, and placing a special emphasis on emerging democracies as you have done in your statement. I was very pleased by your list of the five priorities. I was disturbed, I have to tell you, that there was not more in your statement about any substantial revision of foreign aid programs except in terms of providing more flexibility for the administration, and I hope that we can get more into that.

I think it's clear that foreign aid has a role to play in international relations, but I think it's also clear that we have to make some very substantial revisions in the way we provide foreign aid. I think your five priorities do move us in that direction. I, as you know, have advocated -- I'm probably the only one in Congress who advocates it -- but I think to be more honest in how we present our budgets, we ought

REP. OBEY: Nobody's suggesting that. Mr. Sachs isn't suggesting that. In fact, Mr. Sachs in his proposal, which as you note represents roughly a \$30 billion package over five years, not provided by us, provided by the west, which is a lot smaller package than we have provided to Egypt, I would point out, in a one-year period -- if you compare -- if you compare it all. He's suggesting that we not only link economic performance, but performance on democratization, and if we want, performance as well on arms control, every other issue which we feel is legitimate. But, it just seems to me that in contrast to last fall, when everything was going the wrong direction, there seems an opportunity now to influence the process in a positive way by -- not by doing something but by spelling out what we would be willing to do if they do something, and spell out what that something is in sufficient detail so that it could give the reformers some standards by which to assess the action of the central government.

SEC. BAKER: Well, as I indicated in my -- in my opening remarks, Mr. Chairman, we are -- we are encouraged by the events of April 23rd and thereafter. We see signs that the reform course is being -- is continuing to be pursued by the central authorities in the Soviet Union in a manner that there may have been some question about during the period from September up till roughly the first of this month or the end of April. So these things are things I think that we can properly consider.

I'm not familiar with the details of the plan you talk about. I am familiar with the idea that it -- that in exchange for a firm commitment and some assurance of implementation on the part of the Soviet Union with respect to economic reform, the West should consider what it might be willing to do, but you will have to examine I think as well the political issues that -- the political conditions that would have to be attached.

REP. OBEY: No question. I'll get back to you with some other Middle Eastern questions.

Mr. Edwards?

REP. EDWARDS: Thank you, Mr. Chairman.

Mr. Secretary, glad to have you here.

SEC. BAKER: Thank you.

REP. EDWARDS: You've been keeping up an exhausting pace for the last few months so I appreciate you taking the time to be with us. I'll -- in addition to asking a couple of questions make a couple of opening remarks because I was late. And I apologize for being late but, as you know, today we had the

terms of relationships with the Baltics, et cetera, et cetera, et cetera?

SEC. BAKER: Well, would you include in that, Mr. Chairman, and in terms of eliminating military support for Cuba, for instance?

REP. OBEY: I think we should include in that anything that we think is in our national interest to include.

SEC. BAKER: See, so it's -- well, I think what I would say -- or my answer to you would be as follows: First of all, the policy that the United States has followed since I have been here in Washington, and one that I support very strongly, is to condition, where possible, our economic assistance on free market reforms on structural adjustment that moves countries toward the model that we know as the most successful model. So, if we were ever going to get into the business of economic assistance for the Soviet Union, clearly we ought to do so on a basis which would see that assistance --

REP. OBEY: No question --

SEC. BAKER: -- have some chance --

REP. OBEY: -- no question --

SEC. BAKER: -- of success and be used only to support free market economic reforms. I don't think though that it's -- that we are -- that we are at the point that we can look at this solely as an economic issue.

REP. OBEY: I agree with that.

SEC. BAKER: And therefore, I don't think that I can -- I can't answer your question with respect to some of the suggestions that have been proffered about the "grand bargain." That is, if the Soviet Union will commit to make true free market reforms and implement those reforms, and then the west should come in and in a conditioned way offer massive amounts of assistance. Certainly, it is something that should be looked at. It is something that would have to be considered because it is not inconsistent with what our international economic policy approach has been to other countries around the world.

But, we also have to I think look at some issues on the political side. When you consider that the Soviet Union does retain and remain -- does retain the capability to inflict great damage upon the United States, it's important I think that we know that if we're going to get into that business in a big way, that we resolve some of these -- that some of these political issues are moving in the right direction, Mr. Chairman. And I don't think that you can just segregate it and put it over here in an economic box.



hard for me to debate this particular issue with you, except to say that we do believe it's important that our friends in the region have the ability to maintain and enhance their own capabilities, the ability to defend themselves. And we think that it is much better to work in a multilateral context in connection with restricting its weapons of mass destruction.

Again, I don't want to make an announcement here this morning but I think that I will be very surprised if you're not reasonably pleased with the administration's initiative regarding weapons of mass destruction. You may not be as pleased with respect to the administration's initiative on conventional weapons, but I don't think that the suggestion that you've made would move us in the direction that we should go. And I will be pleased to come up and discuss it with you after the President's announced his initiative, when I'm a little bit more free to speak.

REP. OBEY: Well, I'm afraid that will be too late, but I -- (laughter) -- I wish -- I wish you'd reconsider, because I -- I agree with you; we need to approach this in a multilateral fashion, but it seems to me that we provided some single leadership on the Kuwaiti situation, and it seems to me that in leading by example we could force others to focus on their responsibilities.

One question on the Soviet Union, before I ask Mr. Edwards for his questions, I think the administration has been correct to date in not offering economic assistance to the Soviet Union. But as I said in my opening statement, Americans are often a whole lot better in saying what they're "against" than saying what they're for."

And I'm wondering whether or not Mr. Sachs and others are not correct that this is the time to work with reformist economists in the Soviet Union in fashioning a massive package that the West would be willing to offer the Soviet Union through the use of the international financial institutions, through the use of our own bilateral aid, the IMF, the whole bit so that we have out there a demonstration of what we are willing to do to help transition the Soviet Union into a market economy with a decent relationship with the rest of the world and its neighbors as well as some countries who would prefer to be its neighbors rather than its provinces; namely, the Baltics.

What would be wrong with what Mr. Sachs and others are suggesting in fashioning this kind of a proposal, which we would lay out there as something that we would be willing to consider, say, three years down the line, two years down the line, or whatever the time frame provided if the Soviets had put in -- had met required standards in terms of IMF, in terms of real pricing, in terms of convertibility of currency, in

made, it's the fact that the Gulf Cooperation countries have agreed to sit down at the same table face to face with Israel -- something no other Arab governments have done except Egypt when it negotiated peace with Israel -- sit down face to face with Israel and talk about issues of interest region-wide such as arms control, the environment, water.

In addition to that, of course, they offered and have agreed to send through the -- send the Secretary General of the Gulf Cooperation Council as an observer to any peace conference that might be held.

Now, these are very, very significant steps, I think, of a nature that had not been taken before. So I would like very much to disabuse you of the impression that somehow the Saudis have not been willing to move here. The Gulf Cooperation countries have indeed moved, and what remains for us to do is bring some other Arab governments into a willingness to sit down and to resolve the remaining differences between -- particularly between Syria and Israel with respect to the question of UN involvement and continuity of the conference.

REP. OBEY: Well, Mr. Secretary, I'll get back to that because I have two other brief questions I want to ask before I ask other members here their questions.

With respect to arms sales in the region, as I said, I know that the administration is planning shortly to announce its own policies and proposals. I'd like to lobby you again. As you know, Mr. Hamilton, and I, and Mr. Fascell, and Mr. Gephardt, sent you a letter -- sent the administration a letter, I should say -- asking the administration to consider in its package a unilateral announcement of our own to suspend all arms deliveries to the region for a short period of time in order to try to dramatize our concern about the problem and force other trading countries and selling countries to publicly confront the issue. What would be wrong with the administration including that kind of proposal in whatever it is that the President is going to be putting together?

SEC. BAKER: Mr. Chairman, the United States will not be able to regulate arms sales in the region by acting unilaterally; it won't happen.

REP. OBEY: Well, I understand that. But I'm not suggesting we act unilaterally. I'm suggesting that we take a unilateral action for a short duration to set an example to the rest of the world. I can't believe that we're going to lose any serious advantage in four months' time.

SEC. BAKER: Well, it might not send a signal that would be the most appropriate signal, Mr. Chairman. I mean, all I can do -- without pre-announcing the President's decisions it's pretty

SEC. BAKER: Thank you, Mr. Chairman. Let me just very quickly say that of course with respect to the fast track issue, this is not an issue that relates only to the North American free trade accord. It relates to the Uruguay Round and it's not an issue of free or fair trade, it's an issue of trade or no trade, as we see it. And the Congress will have its right to vote on these agreements after they're negotiated.

But without getting into a debate with you on fast track, let me say that with respect to the peace process, we are skeptics, too. We know what the track record has been. We know how long the parties have been arguing and fighting. We know how far back this issue goes, and we know the intense emotions that lie at the foundation of it. But the only thing worse -- well, let me back up and say, as I said so many times during the course of my visits to the region, nobody can impose peace in the Middle East, the parties have got to want it. Certainly the United States can't impose it. But the only thing worse, it seems to me, Mr. Chairman, than trying and failing would be if we were unwilling to try in the first instance, particularly in the aftermath of this gulf conflict.

Now, turning to the question you raise about the Saudis, let me say that I'm not at liberty to go into the exquisite details of the visit that General Scowcroft made to the Kingdom, beyond saying to you that it was not a peace process mission. So, I would like to totally eliminate from your thinking that that was the reason for the visit. And secondly --

REP. OBEY: Let's do that. But if -- excuse me for interrupting, but let's then focus on your discussions with them. An article by Jackson Diehl and David Hoffman in the Post indicated that during your third trip to the region, you met with key Saudi leaders. The article reads as follows: "Sources said he was appalled to hear them indicate they would have nothing to do with the proposed regional peace conference. The statements reportedly were not coming from Prince Saud Faisal, the Foreign Minister, as much as some subordinates, but it became clear to Baker that traditionalists were making a move, and the leadership was not fighting them." Is that story inaccurate?

SEC. BAKER: Well, I wouldn't -- first of all, I don't think we should judge it on the basis of what we might read from analysis press reports, let's judge it by the actions that have been taken. What's happened is that the Gulf Cooperation Countries -- who do not take action without leadership from Saudi Arabia, and without the concurrence of Saudi Arabia -- have agreed to do something that no Arab governments have agreed to do in the past.

If there's any substantial progress in the efforts that we've



policy in place. With respect to the Middle East, let me simply say I fully support everything that you are trying to do. I think it's an admirable pursuit, and as you know, I have told you that since you've indicated that the administration wants until after Labor Day maximum freedom to be able to pursue progress in the Middle East, I have told you that I would during that period give you what I regard as an effective veto on anything this committee does with respect to the Middle East. And I have told you that I would be -- that if it appeared to me that any action were about to be taken by this committee, or any amendment about to be adopted by this committee that would get in the way of the administration's ability to pursue those efforts, that I would simply adjourn the markup and delay it until after Labor Day to give you that time, simply moving to a continuing resolution rather than a foreign aid bill. I would hate to do that, but I think the Congress has a responsibility to cooperate in assuring that the two branches of government are marching down absolutely the same road, and I am deeply committed to that.

Having said that, I just have to express skepticism with the results of your recent trip. As I said many times, my favorite philosopher is Archie the cockroach. And Archie said once that "an optimist is a guy who ain't had much experience." And when it comes to the Middle East, I've had enough experience to be skeptical of everything that anybody says in that region.

And what it appears to me is this, and I'd like you to argue with me and please prove that I'm wrong. I want to be wrong on this. What it appears to me is this. The administration was after the Gulf War in hot pursuit of a different set of arrangements in the Middle East. They were sending signals that they were going to be very insistent in their efforts, they were going to press very hard. But then it seems to me that Mr. Scowcroft went to the Middle East, talked to the Saudis, the Saudis, in effect, indicated to him and to you that we ought to lower our expectations in terms of their willingness to participate in any -- in any public way in peace discussions. And it seems to me that that gave the rejectionists within the Israeli government an opportunity to talk about process without having to actually confront much else. And so it seems to me that we are dangerously close at this point to stepping into the old practice of talking about talks to create the atmospherics of progress without any real likelihood that any of the parties are going to be significantly forthcoming, or at least sufficiently forthcoming to actually get discussions going. I hope I'm wrong. I don't mean by that question to in any way argue with anything you've done. My argument is with the parties in the region. I'm especially concerned, frankly, at this point about what appears to be the inability of the Saudis to take the same kind of actions to any significant degree that Mr. Sadat did a number of years ago. And I'd like your response on that.

countries. Since the President's announcement last June of his desire to seek a free trade agreement with Mexico we've engaged in extensive consultations with Congress as well as with the private sector.

Mr. Chairman, I think that there is a tremendous amount at stake here in terms of both foreign and economic policy and in terms of our growing cooperative work with Mexico on important regional and transnational issues. It will also enhance American exports, job opportunities, as well as global competitiveness. In order to achieve global markets and hemispheric trade cooperation we think it is critical, Mr. Chairman, that fast track negotiating authority be extended by the Congress. Without this step our foreign and economic leadership position could be seriously impaired.

Thank you, Mr. Chairman.

REP. OBEY: Thank you, Mr. Secretary.

I hadn't intended to comment on fast track, but since you brought it up let me simply explain to you why I'm going to be voting against it. I totally agree that it would be desirable to have a free trade arrangement with Mexico and the rest of this hemisphere. My problem is that I don't think this country can afford to play Winston Churchill abroad and Scrooge at home. And my problem is that most of the time when people talk about necessary economic adjustment and necessary -- the acceptance of temporary job losses, it's usually people in suits talking about somebody else losing their jobs.

And my problem is simply this. I would be a whole lot more inclined to support the administration's position on fast track and their argument, which runs like this, which goes, "Well, look at, fellows, we have to be willing to accept some job loss on the low end of the income scale. We ought to be going after the high income jobs. That's our natural future. And we ought to be arranging the economics around the world to accelerate that and promote it." That's an absolutely legitimate argument provided that we are doing something effectively to transition this economy into that kind of a situation.

But given the fact this country has cut in half our own job training fund since 1980, it seems to me that the Congress would be ill-advised and in fact spectacularly negligent if it would give the administration carte blanche in negotiating until we know not only what it intends to pursue in those negotiations but what it intends to pursue at home to provide the kind of legitimate foundation that can transition low-paid workers into other jobs. And absent that kind of policy, and that policy is spectacularly absent at the moment, I think that we have an obligation to the workers who are going to be crunched to respectfully demure until we do have that kind of

regional areas, most notably Central America and Cambodia. And in arms controls, we hope to resolve our differences over the CFE treaty, prepare CFE for ratification, and move forward with START in preparations for a Moscow summit.

Secondly, the so-called "One Plus Nine" agreement of April 23rd between Gorbachev and the Republics creates an opportunity for a positive shift toward new political arrangements in the Soviet Union. If President Gorbachev and the Nine follow up this agreement in the way that they have suggested through an all-union treaty and through a new constitution, then this would be a very important step toward establishing a new political legitimacy in the Soviet Union.

These steps, along with the ongoing talks between Moscow and the Baltics, create new opportunities for reconciliation to replace the political polarization that has characterized Soviet politics since roughly last September. We also welcome enactment of new emigration legislation. For almost two decades now, we have made the right of emigration a central part of United States-Soviet relations. We regard passage of the new law as a major step in Soviet reform and in fulfillment of Soviet-CSCE commitments.

For our part, we continue to expand our contacts with all levels and segments of Soviet society, ranging from reformers and democrats to traditionalists and the military. Not only will this increase our understanding of Soviet society, but it will allow us, through what I have called a "democratic dialogue," to help promote political pluralism and economic freedom and the success of Soviet reform. And as the President and I have made abundantly clear by now, the continuation and success of Soviet reform is in everyone's interest.

Third, even with the tentative steps toward political accommodation, Soviet economic reform still has a very long way to go. We, and almost everyone else who has looked at it, are convinced that Prime Minister Pavlov's anti-crisis program will not work. We believe the Soviet leadership urgently needs to embrace fundamental market economic reform. Without a commitment to fundamental reform we expect the Soviet economy to continue its severe decline. And that, of course, is in no one's interest.

We continue, Mr. Chairman, to study various ways in which we can assist Soviet economic reform, but the usefulness of our efforts still depends above all on the choices that the Soviets themselves have to make.

Let me close with a few words about the North American Free Trade Agreement and fast track. We are seeking this agreement with Mexico and Canada because we are convinced that such an agreement promises important economic benefits for all three



not wish to see Iraq fragmented as a state. We have said repeatedly that we have no quarrel with the people of Iraq, and our actions reinforce our words. While our soldiers have been feeding and caring for refugees, Saddam Hussein's soldiers were strafing and shelling them.

Thus, Mr. Chairman, I can say without equivocation or doubt, Saddam Hussein himself is the single greatest obstacle to any hope for the future of the people of Iraq, whether in terms of their own development as a society or in terms of their reintegration into the international community. Left alone, free to reconsolidate his brutal dictatorship and military machine, we know that he will act again to brutalize his own people and to threaten his neighbors.

Without constant international monitoring of and pressure against this leader, this Iraqi government will continue to pose a danger to the peace and security of the Middle East. That's why we can have a formal cease-fire, but we'll not be able to have any genuine peace with the government of Iraq so long as Saddam Hussein remains in power.

Let me be absolutely clear about this third aspect of our strategy. This man, we think, is a pariah whose actions put him beyond the pale of civilized international society. Therefore, we intend to continue to act with others to isolate Saddam Hussein's regime. That means that we will never normalize relations with Iraq so long as Saddam Hussein remains in power, and that means maintaining United Nations sanctions in place so long as he remains in power. And it means further, Mr. Chairman, that Iraqis will not participate in post-crisis political, economic, and security arrangements until there is a change in regime.

With a new government, new possibilities will emerge for Iraq to rejoin the international community. With a new government, we may well be able to lift most sanctions, save those sanctions that constrain Iraq's military potential. And in that new Iraq, tolerance must replace terror, and the fear that has so long gripped the Iraqi people must give way to peaceful realization of the vast potential of that people and their homeland.

Let me make three observations, Mr. Chairman, about the Soviet Union and about our relations with the Soviet Union. First, the President and I feel that it is important to stress that Soviet new thinking continues to guide Soviet behavior in many aspects of our relations. In the Middle East, Foreign Minister Bessmertnykh's help has been invaluable to our attempts to reinvigorate the peace process. Soviet cooperation has also been critical to the historic agreement that will end the Angolan civil war, an agreement that I will join in signing in Lisbon next week. The Soviets have also been helpful in other

resecured portions of northern Iraq so that they could begin to return to their homes. The President has contacted the leaders of the major industrial countries and our coalition partners from the Arab world and has urged them to make generous pledges to the various United Nations appeals. We appreciate the conference committee's action on Tuesday and we hope the Congress will act expeditiously on our supplemental refugee request.

As a result of these efforts, the situation has improved considerably. Death rates among the refugees have dropped markedly, and well over half the refugees have come down from the mountains. It has not been enough, however, to provide only for the immediate needs of the refugees. We have also have a duty to try to prevent a greater tragedy, a situation where Saddam could exercise his terror once again. So this second aspect of our strategy requires uniting the world community to ensure international access to the affected regions throughout Iraq in strict conformity with Security Council Resolution 688, which calls for respect for the humanitarian and political rights of the Iraqi people. Saddam's ruthless suppression of his own people is yet another reminder that he cannot be trusted. We remain concerned that he would, if conditions altered, resume a systematic extermination of regime opponents and of innocent Iraqi civilians. The world community is not moving to save these poor innocent people now, simply so that they can be slaughtered by Saddam Hussein later on. That is why we've warned Iraq not to interfere with humanitarian relief efforts underway in Iraq, and that is why in support of Resolution 688 we've urged the United Nations to move quickly to provide personnel to ensure the safety of those refugees returning to Iraq.

The United States does not seek to keep its forces in northern Iraq any longer, Mr. Chairman, than is absolutely necessary. We look forward to their early replacement by an effective international presence. It is our firm conviction that some kind of international presence, however organized, has to take over the job now being done by American and coalition forces. We hope that this international presence will serve as the international community's watchdog to inhibit Saddam Hussein from repeating his most recent atrocities.

In the future, we would hope that Iraq can fully rejoin the community of nations. This country has a tremendously talented, creative, and diverse population. I believe that a new Iraqi political compact which reflects the pluralistic nature of the country and its rich historical and cultural heritage is possible, and such a compact must be arrived at by negotiations among all Iraqis, and not by force.

We respect Iraq's sovereignty and territorial integrity, we do

found a willingness to continue looking for ways to resolve those areas that are still not nailed down.

I also had extremely useful discussions with Soviet Foreign Minister Bessmertnykh, both in the Soviet Union and in Cairo. Let me say that the Soviets have been very, varied Nations' role and on the issue of reconvening the conference. I'm not going to pretend that sorting those out will be easy or that it will be done quickly, but I will say that we will continue to try so long as we believe that all of the parties are working in good faith and are serious about finding ways to resolve differences.

The President and I have talked about our next steps and we believe, Mr. Chairman, that we should continue to press ahead to see if we can overcome the gaps and actually get to negotiations.

Finally, let me conclude by saying that I believe the parties in the region do appreciate that there is a real chance to launch a process. We've defined a workable pathway to negotiations that would enable Israel, Arab states and Palestinians to capture that chance and to make a real break with the past in favor of peace. It is there for the taking but it will not last forever. What remains to be seen is whether the parties themselves are willing to seize this chance. The United States is there, ready and willing to help them try. But Mr. Chairman, we cannot create the political will to act if that will does not exist in the region.

Let me now discuss the situation in Iraq. With his aggression outward against Kuwait defeated, Saddam Hussein turned his terror in inward in the aftermath of the Gulf War and he drove hundreds of thousands of Iraqis out of their homes and into foreign lands. This created, as the United Nations recognized in Resolution 688, a new threat to international peace and security, so the issue for all of us can no longer simply be just Kuwait. Today, I want to review with you the threepronged strategy that we and our allies have pursued to cope with this terrible situation. First of all, we have worked to relieve the immediate suffering of Iraqi refugees. Secondly, we are working to prevent another round of terror by creating safe and secure conditions within Iraq so that the refugees can return to their homes and live in safety. And third, we will continue to isolate Saddam Hussein as long as he is in power.

Let me discuss each of these aspects of our strategy. The first, of course, has been aimed at the immediate problem, which is saving the lives of refugees by providing them with food, water, medicine, blankets and housing. Through Operation Provide Comfort, we have airdropped and trucked supplies to refugees on the mountains in northern Iraq and southern Turkey, have built refugee camps in both Iraq and Turkey, and have



The conference would be sponsored jointly -- co-sponsored, if you will -- by the United States and the Soviet Union. Israel, Egypt, Syria, Lebanon, Jordan and Palestinians from the territories would attend. As you know, the Gulf Cooperation Council countries have already taken a very important step, and they have agreed to send the Secretary General of that organization as an observer. In addition, and equally as importantly, each of the member states of the Gulf Cooperation Council, that is, the six Gulf states, have announced that they will participate in the direct negotiations on multilateral issues.

We also believe that the European Community could play a constructive role in support of this process, and especially in the hard work of economic development that would follow a negotiated peace. So, the EC should be able to participate in this conference.

Similarly, it is our view that the United Nations should have some role. A formula should be found that is acceptable to all the parties, that prejudices none, and that channels the newfound potential of the United Nations in ways that can be helpful in promoting peace and reconciliation in the area. The exact nature of European Community and United Nations involvement is still unresolved.

Another open question is the ability of the conference to reconvene. The United States believes it should be able to do so if all the parties agree, in order to hear reports from the bilateral and multilateral negotiating groups.

The point is that none of this will in any way interfere with direct negotiations. Indeed, face-to-face negotiations offer the only way to make any progress, and we would not accept any proposal that would lead any party to believe that it could avoid negotiations or have others relieve it of the need to negotiate.

The other set of issues deals with the question of Palestinian representation in the negotiations. From the beginning of this administration, we've made it clear that our objective is to get Israel and Palestinians from the occupied territories into negotiations. Of course, Palestinians must choose their representatives, but our view is, and many other parties agree, that a joint Jordanian-Palestinian delegation could be a useful vehicle to get to the conference as well as to handle any number of issues that might arise during the negotiations.

So the purpose of my recent trip to the region was to continue to explore these issues with the parties and to determine where there was consensus and which areas required more work. Over all, Mr. Chairman, I found that there is far more agreement than disagreement on the key elements of our approach, and I

process is a comprehensive settlement achieved through direct negotiations based on United Nations Security Council Resolutions 242 and 338.

Second, broad understanding that the negotiating process would proceed simultaneously along two tracks involving direct negotiations between Israel and Arab states and between Israel and Palestinians from the occupied territories.

Third, agreement that the negotiations between Israel and Palestinians would proceed in phases with talks on interim selfgovernment preceding negotiations over the permanent status of the occupied territories.

Fourth, agreement that Palestinians would be represented in the process by leaders from the occupied territories who accept the two-track approach, who accept the phased approach, and who commit to living in peace with Israel.

And fifth, general acceptance that a conference co-sponsored by the United States and the Soviet Union would break the old taboos about public contacts between the parties and be the launching pad for direct negotiations between the parties.

Mr. Chairman, I would submit to you that these are not insignificant areas of consensus, and they certainly provide a baseline for progress. But they still have to be translated into a practical process, and that was the purpose of my most recent trip to the area.

Let me give you, therefore, a sense of the key issues that we are still trying to resolve. The first set of issues relates to modalities of the peace conference. There has been a great deal of misunderstanding on this question, so let me lay out simply what we have in mind. Our objective is to launch direct negotiations. That's what this effort is all about and what this effort has been all about. We believe that the best way to do this is through a peace conference that would lead directly to bilateral negotiations between Israel and its Arab and Palestinian neighbors, and multilateral negotiations on issues such as arms control and regional security, the environment and water.

Let me be very clear about this. We are not and never have been considering an international conference with a plenary that has the power or authority to impose its views on the parties, nor are we considering any mechanism that would interfere in any way with negotiations. In fact, as I have told those in the region, the conference is not a forum for negotiations. Quite simply, it is a means to an end. A tool in our effort to get the parties to sit down face to face to sort out their differences and to break anachronistic taboos.



Israel. When I say Arabs, I mean Arab states. Since we began that effort, I've had no illusions, Mr. Chairman, about the challenges and difficulties involved. In fact, I had no illusions about that before the process began. But I also had a strong sense that the Gulf war might have created some new possibilities for peacemaking in the region and that the United States has a unique obligation to help explore those possibilities. It would be very sad, of course, if it turns out that old obstacles are more formidable than new opportunities, but I think it would be sadder still, Mr. Chairman, if the United States failed to energetically pursue a chance for peace, because those chances don't come along very often in the Middle East, as you pointed out.

Iraq's invasion of Kuwait did bring together an historic coalition. The United States, the Soviet Union, Europeans, Arabs and others joined to reverse Iraq's aggression. The United Nations played, perhaps for the first time, the role that its founders had intended. And through its restraint in the face of Iraqi provocation, Israel became a silent partner in the coalition's success. The net result was a staggering defeat for Saddam Hussein and the path of violence and intimidation that he represented, and I think new hope for the alternative path of diplomacy and negotiations.

To test the moment and to transform the ground rules for Arab-Israeli peace-making we felt it was important to engage in a process that could break the taboos on direct dialogue between the parties. If the impulse to make peace was different we needed to overcome the barriers to Israeli, Arabs and Palestinians meeting directly. We needed, in fact, to establish that dialogue and diplomacy, not violence or rejectionism, could become the currency of politics in the region of the Middle East.

The war provided a grim reminder of the dangers of conflict in an era of escalating military competition. It was a reminder that the dispute between Israelis and Palestinians was still at the core of the Arab-Israeli problem, but that the state-to-state dimension also had to be addressed. And it was a hopeful reminder that Israel and the Arab states sometimes find common ground between them, common ground which might provide room for maneuver to encourage Israeli-Palestinian accommodation.

So our post-war task, therefore, was to try to blend what was new and promising following the crisis with the enduring principles of Arab-Israeli diplomacy. That was the purpose of my first three trips to the region after the war, and I think that the result was a consensus between the parties on five points. And I would say that they are five key points.

First of all, general agreement that the objective of the



threat from the Soviet Union -- the international spillover from economic, ethnic and social chaos.

The Soviets have asked for American help in the form of a billion and a half dollars in agricultural credits. It seems to me we have an opportunity to try to shape the change now occurring in the Soviet Union. We've been very good at spelling out what we would not do, namely, pour billions of dollars down a rat hole without needed reforms. But it seems to me we've really not spelled out in the West what the West would if the Soviet Union pursued what we perceive to be correct policies on economic reforms, on human rights and the rest.

As you know, Jeffrey Sachs and a number of others have been promoting the kind of policy initiatives under which the West could offer in the context of a real Soviet commitment to change significant conditioned economic assistance in order to be a catalyst for reform rather than to simply allow matters to unfold without any effort on our part to direct them. I frankly don't know whether the situation is beyond anything we can do, but it seems to me we have an obligation to take a look at the situation very hard. And frankly, it seems to me that Mr. Sachs and others are right in the suggestions they're making about the kind of carrot that the West could hold out for proper Soviet conduct.

So, very briefly, the Committee would be interested in knowing whether the administration is in fact reviewing any such proposition. We'd like to know what we would be willing to do under what conditions to try to shape what's happening in the Soviet Union. After all, that relationship is still by far the most important relationship between any two nation-states in the world, and it's important that we try to move it forward in a constructive direction. We welcome you and ask -- and I would ask you to insert your statement in the record, make whatever statement you feel appropriate, and we'll be happy to have you as long as you can stay to answer questions.

SEC. BAKER: Thank you, Mr. Chairman, and I will take you up on the offer to insert my full statement in the record, and I would spend a few minutes, if I might, reporting to you on my recent trips to the Middle East, devoting the bulk of my remarks to the Middle East peace process and to the situation in Iraq. I would also like to make one or two observations about the Soviet Union, which should come close, I think, to answering some of the questions you posed, and I'd like to make a comment about the North American Free Trade Agreement. But let me begin with the peace process.

For the past two months, we've been engaged in a rather intensive effort to find a path to a comprehensive settlement through direct negotiations between Arabs, Palestinians and

world is willing to recognize Israel's right to exist. We've also eliminated the major threat to Israel's security, and I think we have a right to expect their cooperation in eliminating another source of instability in the region, a core source; the unresolved question of the Palestinians.

But it seems to me that we've gotten little but lip service from any of the major parties involved. The Saudis, at least to me, do not appear willing to be major players in any public discussion of core Middle East problems, and the Israelis seemed mired in a tiresome debate on process. The Syrians seem to be trying to decide whether they want a deal with the West or become the new leaders of radical forces in the Arab world, and this committee would like to know what specific progress has been made with each of the parties on those two questions.

We also have the problem of arms deliveries to the region. I know the administration is planning to announce its proposals for an arms policy in the region. During the Gulf crisis, administration witnesses talked about the necessity to control the flow of conventional arms and weapons of mass destruction in the region. We had ten different witnesses appear before this committee from a wide variety of political philosophies, from the far left to the far right and everybody in between. Every single witness agreed that the most important thing we could do in the Middle East would be to severely and stringently limit both weapons of mass destruction and conventional weaponry. But for the last three months, frankly, it has seemed that the administration is backing off somewhat from its comments on conventional weaponry.

We welcome any limitation of course on long-range missiles, chemical weapons, biological weapons and others, but Mr. Secretary, I'm reminded of President Reagan's lines in one of his old movies, "King's Row," when he woke up and said "Where's the rest of the world?" I would like to see administration recommendations on limiting the weapons that have caused the most problems in the Middle East, namely the conventional weapons? And I guess I would ask what would be wrong with the United States announcing its unilateral intention to suspend for a period of four months or so any arms deliveries to any party in the Middle East, meanwhile with the United States providing leadership in calling for an international discussion with other arms suppliers to try to deal with that question for the entire region?

And above all, Mr. Secretary, we'd also like to know what America's plans are to deal with the most important foreign policy problem we face, namely, the turmoil within the Soviet Union. We will be saving billions of dollars annually in our defense budget because of the reduced military threat from the Soviet Union, but an uncontrolled unraveling of the Soviet Union can force us to spend billions more to deal with a new



BAKER REPORTS TO CONGRESS ON MIDEAST PEACE EFFORTS  
(Transcript: Q and A 05/22/91)

Washington -- Secretary of State James A. Baker says it would be tragic if the Middle East peace process fails because negotiators cannot agree on U.N. involvement.

"It would be a tragedy, I think, if the whole effort (fails) because the parties cannot agree on what the exact role, if any, for the U.N. should be," Baker said in testimony May 22 before the House Appropriations Subcommittee on Foreign Operations.

The following is an unofficial transcript of the congressional hearing:

(BEGIN TRANSCRIPT)

REP. OBEY: Well, Mr. Secretary, good morning. We welcome you here this morning after your rather short trip.

Mr. Secretary, since 1948 we have been in the middle of the Middle East cauldron. We helped create the State of Israel. We've had a responsibility to assure its survival. We've seen five wars -- in '48, '56, '67, '73 and '82. During that period we have provided more than \$100 billion in aid to the Middle East. We have sold more than \$110 billion of weapons to the Middle East. Up until Saddam went beserk we had lost not quite 300 American lives in that region, mostly through acts of terrorism. We have now fought a war to liberate Kuwait, a war that was supposed to usher in a new world order. It's been estimated that over 100,000 people were killed in that war, including 265 Americans.

You have traveled over 40,000 miles to explore the possibilities of ending business as usual in that region. You have indicated that we ought to be pursuing a two-track approach; the promotion of talks between Israel and the Palestinians, and the promotion of direct talks between Israel and its neighbors.

As you know, Mr. Secretary, I've told you that I would cooperate with you fully in any efforts that you try to pursue to bring any of the many sides to the table. It seems to me that we've crossed the threshold. Americans died protecting one country from another in the region and I think we have a right to expect conduct from each of the parties in the region that will assure that tomorrow will be different than yesterday.

It seems to me that the US pulled the Saudi chestnuts out of the fire, and they owe us their cooperation in return in efforts to stabilize the region. And I don't believe that there will be true stability in that region until the Arab







REP. OBEY: I would ask you to consider one possibility. What is we were to keep roughly the same process that we had last year, provide aid in accordance with the same understandings; half would be made available immediately, the other half to be held in abeyance as it was last year, depending upon what happens. But what if in addition to the uses to which that money can now be put we can also add one other use; potential use for demobilization or resettlement if an agreement is reached with the rebels? Would that be at all useful?

SEC. BAKER: If it was an optional use it would be a very good thing, I think, Mr. Chairman, to monitor a cease-fire, or for reintegration, or what have you, provided it's stated as an optional -- I mean, that the administration has the option.

REP. ???? : Mr. Chairman, may the rest of us also present questions for the record?

REP. OBEY: Surely. Absolutely. Okay?

SEC. BAKER: Thank you, sir.

REP. OBEY: Thank you very much. We appreciate it.

(END TRANSCRIPT)

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I guess I don't understand right now what is the principal military threat to Egypt in light of what just happened in the Iraq war? Why was it necessary to proceed to lock the Congress into a five-year commitment to Egypt in terms of debt by these sales? And why shouldn't the Congress insist on Egyptian economic reform by shifting resources from the military account to the economic account rather than continuing to be locked in when the administration makes a decision on the military side which in effect says, "Boys, for five years you have no flexibility with respect to that aid."

SEC. BAKER: Well, Mr. Chairman, let me say that the F-16s was the fourth of four tranches in a 10-year program that began quite some time ago to modernize the Egyptian air force. We think the program made sense then and we think it makes sense now. The security relationship we have with Egypt as the largest Arab nation, as our ally in the Gulf War -- is in both of our national interests. Egypt is the only Arab nation that has made peace with Israel. The sale that we're talking about is consistent with the Camp David agreements, and it's not going to have any adverse impact on the nations -- I mean on the region's military balance. Now, yes, it does, to the extent that they've got to pay for those airplanes, lock us in with respect to the division of economic and military assistance.

REP. OBEY: But they're not paying for the airplanes. We're paying for the airplanes through a Rube Goldberg program that pretends there's an aid program, when what we're really doing is buying American airplanes.

SEC. BAKER: That same statement could be made, Mr. Chairman, about a whole host of other countries.

REP. OBEY: Absolutely, absolutely.

SEC. BAKER: A whole host of other countries -- and when we get into the business of talking about -- well I won't get into it.

REP. OBEY: Well, again, I would simply urge you to take a look at the possibility of an arms moratorium in the region. I have a couple of other questions that I would like to ask you with respect to Salvador and other countries, but we don't have the time so I'll submit them for the record except to ask this question.

We don't want to rock the boat with respect to what's happening in Salvador. I've talked to a lot of people, including the UN negotiators. We recognize that we would like to keep pressure on both sides.

SEC. BAKER: Yes, sir.

REP. OBEY: I would like you to do that.

Let me simply say that if I were Israel, I would not give back one square inch of any of the territory without explicit, clear, emblazoned in gold letters -- recognition on the part of Arab states. But, I think the Israeli government has an obligation to try to deal with this resettlement issue in such a way that it makes possible US support for Soviet refugees in Israel because I very badly want to see that happen. But, I also have to say, as I said in Milwaukee last week, that I think it is dangerous negligent nonsense for the Arab world itself to continue to play what I regard as a "cat and mouse game" on the entire issue, and it just seems to me that if the Arab world cares about the settlements issue as much as they ought to, that the Arab world as well ought to take some action which makes it very difficult politically for the Israelis to justify continuing their settlement policy on the West Bank. So, I frankly think we've gotten very little out of either side.

Let me -- just one last question. The administration has said, and you said in your testimony and in other statements, that you want flexibility from the Congress. And as Mr. Edwards indicated, we have tried to do that, and I think we've made significant progress. But, there's one area where the administration is in fact totally eliminating congressional flexibility in five-year lumps -- that is with respect to arms sales -- and I refer specifically to Egypt. In '86, Egypt was finally unable to pay the US even within the one-year leeway allowed by the Brooke-Alexander Amendment. So, they were forced to reach an agreement with the IMF on economic reform. They went to the Paris Club, got a rescheduling of their official debt. That rescheduling meant that once again they avoided having to repay foreign aid. They avoided the cutoff required under the amendment by going to the Paris Club. But, the IMF agreement wasn't worth the paper it was written on. Egypt continued to resist reform. Now there's further debt relief negotiation going on again at the Paris Club. Egypt has already been the beneficiary of major forgiveness of its military debt.

I have two questions. What assurance do we have, what assurance does the IMF have that this time around Egypt really means it with respect to economic reform? And with respect to arms sales it seems to me that we are in this box, we forgave Egypt's military debt because they couldn't pay us, then the administration went ahead and essentially provided 46 new F-16s to Egypt. That means that the administration is, in effect, earmarking foreign aid for Egypt for the next five years at at least existing levels because Egypt clearly can't afford to repay us without that aid guarantee. We know Egypt can't afford to pay for those planes without additional aid.



And my question is and to their own future security not to settle them in such a way that it proves either an obstacle to the peace process or proves to be a major embarrassment to you and to anybody trying to jumpstart peace talks. And my question is, how in God's name do you tell what Israeli policy is when you've got six different stories coming out of the same government on their policy, and what can we do about it to achieve a constructive result?

SEC. BAKER: Mr. Chairman, every time I have gone to Israel in connection with the peace process on each of my four trips, I have been met with the announcement of new settlement activity. This does violate United States policy. It's the first thing that Arabs -- Arab governments, the first thing the Palestinians in the territories -- whose situation is really quite desperate -- the first thing they raise with us when we talk to them. I don't think that there is any bigger obstacle to peace than the settlement activity that continues not only unabated but at an enhanced pace. And nothing has made my job of trying to find Arab and Palestinian partners for Israel more difficult than being greeted by a new settlement every time I arrive.

The Arabs and the Palestinians, of course, argue that this proves that the Israeli government is not interested in creating -- in negotiating outcomes, but it's really interesting in creating (facts on the ground?). And it substantially weakens our hand in trying to bring about a peace process, and creates quite a predicament.

Now, I've raised the issue on any number of occasions with the leadership of the government of Israel, to no avail. I've even raised it in the context of perhaps a tradeoff for a suspension of the state of belligerency or suspension of the boycott, as I've mentioned to you. And I haven't gotten any takers on that, either. So, it makes it tough.

I have about decided that we're not going to get any movement on settlement activity before we -- at least before we have an active peace process going, and it's going to be just that much more difficult to get a peace process going if we can't get any action on settlement activity.

Someone told me, and I don't want to -- I don't want to say this as being an absolute fact, because I haven't checked it, but I believe that there's only about 35 percent of the occupied territories that has not been in one way or another utilized, or is being utilized, by Israel, either through settlement activities or appropriation in the manner that the article you just mentioned outlines. I can't tell you that everything in that article is accurate, because I don't know whether it is or not. I suppose we could have it analyzed and send you a report.



identifiable allocations for settlements.

On April 5th, the (Washington) Post reported that Israeli Minister said 14,000 new housing units would be placed in the settlements outside of Jerusalem in the next two years. We then have a number of other newspapers articles, including one by Jackson Diehl which says "Israel Boosts Land Seizures." And it says -- and I have no idea whether this is accurate. I want to ask you if it is. But it says while the Palestinians of Artis (ph) waited out a 40-day curfew after January 15, teams of Israeli land agents began staking out tracts on the hillside outside the village. Then, two weeks after the war ended, a notice arrived. Israel's government had decided to seize 360 acres of traditional village land, wiping out much of the agriculture on which the community depends.

The confiscation was one of a sudden rash of land takeovers initiated by Israel in the West Bank in the two months after the Persian Gulf War, amounting to at least 7,500 acres so far that appears linked to a vast new program for construction of Jewish settlements. It then goes on to suggest the rationale under which Israel allegedly takes the land, saying that Israel bases their land seizures on an interpretation of 19th century Ottoman Turkish law, which required villages and families who wanted to register their ownership of land to prove they had cultivated the property for 10 consecutive years. And because it's difficult for a number of reasons for them to do so it sets it up for confiscation. So alleges the article.

I would like to know, number one, whether this is true, and secondly, if it is, in concert with the other reports that -- the other report you sent us -- frankly, it gets under my skin, because I guess my question is this: What specifically is US policy with respect to settlements? Because my understanding is that this activity is in violation of US policy. What bothers me is the Israeli government says that the desperately need funds for other purposes, including bringing Soviet Jews to Israel for resettlement. But then they appear to be spending money like this, which I don't think they ought to be spending. It seems to me that if in fact this article is true, it also represents significant human rights violations.

I would simply like to have your assessment of what the situation is. Can we expect to see action on the part of the Israeli government that will reflect -- let me put it another way. I think we have a moral obligation to try to help Israel resettle every Soviet Jew who wants to leave Israel. But I think Israel has an obligation to us and to their own future security not to settle them in such a way that it proves either an obstacle to the peace process or it proves to be a major embarrassment to you and to anybody trying to jump start peace talks.

very quick, short questions, if I could. With respect to Mr. Smith's questions, are you therefore saying that -- and I think I heard you say this earlier -- are you suggesting that if Syria and Israel could overcome their differences with respect to the UN role and the issue of reconstitution of the conference, that you think that you could then get on with the peace process? Are you saying that that's the item that's holding things up?

SEC. BAKER: In my opinion, that is the -- those two issues, that difference, those differences are the items that are holding the process up, and if Israel and Syria could resolve those two issues satisfactorily, we could indeed look forward, I think, Mr. Chairman, to a conference that might result in direct negotiations.

Now, there is still the remaining issue of the question of representation, but I think that we've made more progress on that issue than in the past. I cannot give you an absolute guarantee that that would not -- that something might not come up in the detailed discussions that would not present another problem, but if we could get these two issues resolved, I think we have a good chance of perhaps having a conference.

REP. OBEY: All right. One last pitch, and then two questions with respect to the content of this bill.

You indicated that you thought when the administration came out with its announced arms policy, that I would be happy about its position on weapons of mass destruction, perhaps not so happy about the conventional weapons. I'd simply make the point -- I've got a cartoon here which shows a road, on one side troops coming out, cops standing in the middle, and there's a sign here pointing in the other direction saying, "The Middle East." And the cop is saying, "Homeward-bound troops to the left, new arms sales to the right," going in opposite directions.

And I'd simply suggest that these are all conventional weapons, and so I would hope again that the administration would really take a look at the possibility of trying to jump start a policy of arms denial to the region on the conventional level by the moratorium that we've suggested.

With respect to -- I have to raise, because our committee asked the State Department last year to provide a report on the issue of Israeli settlements. And that report indicated to us that there are now over 200,000 settlers in some 20 settlements in the occupied territories, including East Jerusalem; in the West Bank, about 90,000 settlers, an increase of 9,000 to 10,000 during the past year; perhaps as many as 40,000 since '84. According to that report, West Bank settlements are growing at a rate of 10 percent a year, and last year it suggested the government of Israel spend at least 83 million dollars in



month old baby were arrested at the Syrian-Turkish border -- Syrian Jews -- as they were trying to leave. These people haven't been seen since they were arrested, which was back in the -- late 1990.

Do you have any knowledge of the condition of these people? None at all? Does the United States --

SEC. BAKER: The -- I don't know that we have any knowledge of the condition, Mr. Smith. We raise this question when we go there.

REP. SMITH: You do?

SEC. BAKER: Yeah.

REP. SMITH: What kind of response do you get?

SEC. BAKER: Well, I'll have to check with the -- I'll just have to check with the embassy. A response came back to the embassy.

REP. SMITH: I think that on this particular issue, if the United States raised these specific issues, we might get a forthcoming reply. And I'd appreciate it.

SEC. BAKER: You know, we also raised the question of permitting some Syrian Jews to --

REP. SMITH: Immigration.

SEC. BAKER: -- immigrate to the United States.

REP. SMITH: That's what this relates to.

SEC. BAKER: And we got some -- again, let me just say, you know, I know people here sometimes are critical of the fact that we even have any dialogue with Syria, but not only have we seen movement on the question of terrorism, we've have also seen some movement on the question of immigration of Syrian Jews. Not as much as we would have liked, but a willingness to permit certainly some single women to come.

REP. OBEY: Mr. Secretary, if you could get back to the committee giving us your understandings about the whereabouts and the conditions of the people Mr. Smith is talking about --

SEC. BAKER: Give me the names, Mr. Chairman, because there are a number of different cases, and I'll need to know which ones you're talking about.

REP. OBEY: Mr. Secretary, I know you have to leave, but I'd like to try to wrap up what I think we've heard here with some



So I have said that -- you heard me say in my opening remarks, we think it's important that there be some role for the UN. After all, we're talking about implementing UN resolutions.

But the exact nature of that role is not going to, I don't think, affect the process of getting the parties engaged face to face. And we ought not to -- we ought not to let the -- it would be a tragedy, I think, if the whole effort goes down the tube, because the parties cannot agree on what the exact role, if any, for the UN should be.

And, it would be equally tragic if they couldn't agree on this question of whether or not the conference is just a one-time meeting or might perhaps have the ability to reconvene, particularly if all the parties were willing to agree to it.

REP. SMITH: Is Syria the last piece of this puzzle?

SEC. BAKER: I think these two issues, Mr. Smith, are the last pieces of this puzzle.

REP. SMITH: Suppose they are intransigent to the point where you can't get Syria to come; are we prepared to proceed without Syria?

SEC. BAKER: I think we might be, but I don't think the other parties would be.

REP. SMITH: Well, let me ask you one more question?

SEC. BAKER: But we would be, as indicated by the efforts we made two years ago, or a year or so ago to get an Israeli-Palestinian dialogue going.

REP. SMITH: Well, but you'd have Jordan at the table as well. Of course, without Syria, you probably wouldn't have Lebanon, would you?

SEC. BAKER: You wouldn't have -- you wouldn't have Lebanon in my opinion, and I don't know whether you would have Jordan.

REP. SMITH: Would the Chairman permit me a short question, which I believe the Chairman is interested in getting an answer to for the purpose of a possible follow by the Chairman? It's a short question. And I appreciate the gentleman's forbearance.

The discussions that you've had with the Syrians you've indicated that some of the mutual interests that we have in discussing have been discussed. You've said that a number of times. And there is -- in the midst of the discussions that I have had there when I was in Syria, understanding that six Syrian people; two couples, a two year old baby and a three

conference, but not participate in the negotiations between Israel and her Arab neighbors. That was never contemplated. And so, they are attending the conference in an observer role through the GCC, but they're going beyond that. And the real significance of what they're doing is not that observership attendance through the General Secretary of the GCC, but rather through their direct -- as a state -- participation in the negotiations on regional issues.

REP. SMITH: So you're satisfied with what the Saudis are doing at the moment. Is that correct?

SEC. BAKER: I think that the -- if you -- if you measure what they have been willing to step forward here and say they would do against the entrenched positions that have been taken for so long by many countries, it is a very significant thing, yes, sir.

REP. SMITH: Well what about the Syrians now? We have a situation where apparently you have been to some degree rejected even more significantly on this latest visit than you were on the visit before that.

SEC. BAKER: Subjected to what?

REP. SMITH: Rejected even more significantly. Now they may have stepped backwards while you were trying to press them forward. How is the Syrian position at the moment now different than it's been before? I mean, were they at all forthcoming? You're telling us now that there's only those two items as a hang up -- UN participation and --

SEC. BAKER: Well, there are only those two items as a hang up. The Syrians historically have, like most all of the Arabs, said before we will agree to sit with Israel we want them out of the territories and out of the Golan, that's a precondition. That has not been expressed as a precondition to me. The only conditions that are out there that I have -- that we are unable -- that there be a significant UN role, or as they have characterized it on some occasions, an important UN role; and the second requirement that the conference have some degree of continuity. The positions of Syria and Israel on these two issues have been directly opposed. Israel says no UN role, and only a one-time meeting.

So what I keep saying, Mr. Smith, is I see this -- I see these two issues as being primarily symbolic because the purpose of this conference, and everyone agrees to this, is not to impose solutions, or dictate results, or to veto results that the parties might arrive at, but simply to get the parties talking face to face in direct negotiations.



think that a lot people perceive -- I perceive -- that Saudi Arabia is a front line state. It's financed the Jordanians, it's financed the Syrians on and off times, it's financed the PLO and the Palestinians on and off times. It certainly has a great deal to do with everything that happens in that region. It is not Kuwait or Oman or Bahrain, it's an entirely different state. And I think the American people would like to see more of a forthcoming nature by the Saudis.

Is there still by you and others, an attempt to bring them to any peace conference, or do you believe that the best you're going to be able to secure, in the context of what we have done for the Saudis in the last few months, is that they say they'll participate in a regional conference, whether it's on water or arms or some such other -- ecology -- some such other regionally shared interest, but have nothing to do with the peace process?

SEC. BAKER: Mr. Smith, let me say that in addition to what the Saudis have said they're going to do publicly -- which I do think is significant, and I'm glad you recognize it as such, that is, being willing to sit down face to face with Israel and others and talk about these regional issues -- in addition to that, they're doing some things privately that we have asked them to do that I think advanced the peace process.

Secondly, it is the view of the so-called front line states, that is those that border Israel and with whom Israel has these major disputes -- such as with Syria the Golan, with Jordan the territories, and with Lebanon the border there -- it is the view of those countries that they should sit directly with Israel and negotiate out their differences with Israel, without having other states in attendance. So, you shouldn't put that -- you really should not lay that at the feet of the Saudis.

And I still feel that it's valid to say, if you suggest that somehow the Saudis should attend the conference, where do you draw the line?

REP. LARRY SMITH: Well, didn't you ask them to?

SEC. BAKER: Hmm?

REP. LARRY SMITH: Didn't you ask them to originally? Wasn't this one of the original --

SEC. BAKER: No, no sir.

REP. LARRY SMITH: Never?

SEC. BAKER: We have always been of the view that they should attend the regional working groups. We have -- we have had at one time, I think, contemplated that they might attend the



very long term. And I know you've been trying to play down the expectation level, and I think that's an appropriate thing to do. It's extremely difficult to do it in a high-pressure, dense atmosphere. And it's extremely important that you be given as much time and capability as necessary to bring the diverse interests to some agreement.

And one of the reasons is, when you talk in terms of the context of two sides here, you're really not doing the -- or painting the situation with its appropriate color. You have Israel on one side and you have a number of Arab states on the other side, each of whom is looking for different things out of this. And so each time you go to a different country, you're dealing with a different set of circumstances which have to be taken into account.

And I want to say that it seems to me that, so far at least, it appears that there has been some small measure of success. It's kind of like a Chinese puzzle, you know, 5,000 pieces, and one little piece --

REP. OBEY: The gentleman's time is up.

REP. SMITH: -- one little -- (laughter) -- one little piece at a time. And it's very difficult for you to do it in any rapid significant fashion. I think it's going to take (a piece of time?). But I'd like to put it in some context and get your feelings about the context.

The context of Saudi Arabia -- and the chairman started out with this question and I think it's important to follow up it -- the context of Saudi Arabia is that over the last number of months we basically have to a large degree saved Saudi Arabia from the possibility of a significantly disastrous fate at the hands of Saddam Hussein. Taking what the President and you had to say at the beginning, America sacrificed men and a great deal of money. It appears to me that what you have described as the Gulf Coordinating Council approach -- that is, to send an observer -- and the fact that thereafter Saudis and/or other GCC members may send a participant to a regional conference -- while not to be dismissed, I think it is something very, very different than it had been before, although there were other Arab states that attended the 1973 December peace conference face to face with Israel -- at least Jordan, if not others -- I don't know that in the context of what's happened in the last few months, it's really enough. And I believe that there are a lot of Americans who are extremely disappointed in what they conceive to be the lack of real response on the part of Saudi Arabia.

There was a quote from you about the fact that Saudi Arabia is really not a front line state, and coming out of Aqaba you would say something about where you would draw the line. I

the Chairman, that we detect a new emphasis in the Soviet Union toward reform. President Gorbachev tells us when we meet with him that he is totally committed to this reform process, he is not deviating, will not deviate, will not abandon that and go over to a different approach and different course.

We have believed him when he said that, and now I think in the aftermath of April 23rd, we are beginning to see some things that would indicate that that is certainly the case.

It is very important, though, that we get these arms control agreements concluded if we possibly can. I hope and believe that we made a little progress yesterday in CFE. We've got to conclude CFE, straighten that out, because it is a matter of principle with us, it goes to the very fundamentals of trust and credibility. So we have to resolve that before we can finish the few remaining issues that I think are still out there with respect to START.

I think it would be tragic if after all these years and all this progress we sort of took the position, "Well, these agreements don't really mean anything to us and there's no need to get them locked in while we have a Soviet leadership that's willing to lock in on them." I think -- I agree with you, in other words.

I also agree with you that the action of the House was quite unfortunate, because it flies in the face at least of what we perceive to be the clear security and national political interests of the United States.

REP. LIVINGSTON: Thank you, Mr. Chairman.

REP. OBEY: Mr. Smith.

REP. LAWRENCE SMITH (D-FL): Thank you, Mr. Chairman.

Same span, different seat, Mr. Secretary.

SEC. BAKER: What did you say, Larry?

REP. SMITH: Same span, different seat.

SEC. BAKER: Yeah, but you're way down at the end now, we won't get to you as much. (Laughter.)

Mr. Chairman, watch his time, will you? (Laughter.)

REP. SMITH: You mean I may not get to you as much. (Laughter.)

I want to, with the rest of my colleagues, thank you for the initiative that you've been engaged in. It is extremely important, and it is frustrating and it is difficult and it's



I see that we're really going in the right direction. Obviously, with the collapse of communism and the collapse of the Soviet system, that in the long run will be positive as well. But, there are a lot of problems that are going to crop up and accrue and have already -- problems for the Soviet people and problems for the people that the Soviets have threatened in years past. I'm particularly concerned about those agreements which seem to be stalemated, the arms control and reduction agreements with the Soviets. And I think any thinking human being, any rational human being should want to see the United States and the Soviet Union and all of our respective allies come to the table, reduce conventional arms, reduce strategic arms, and to offer an opportunity for a more peaceful world.

But, I'm just wondering, sir, to what extent do you feel the recent actions of the House of Representatives undercut your position in those negotiations? In the Iraqi war, we saw utilization of ballistic missiles, albeit short-range Scud missiles, they now offer that they're going to be enhanced. Korea's selling -- North Korea is selling additional missiles. We may have some agreements from, for instance, South America not to sell additional missiles. But the range on the Scuds is getting longer, and we can anticipate that ballistic missiles will be used in the future somewhere.

Likewise, we saw the success of Stealth; the 117's worked incredibly well. I'm told that they were utilized in 5 percent of the missions and did as much as 35 to 45 percent of the damage.

And yet in the last three days, the House of Representatives has vote on an armed services bill, and has deleted funding for the B-2, the most advanced stealth potential available to this country, and has halved to the President's request on Strategic Defense Initiative, meaning that if that view prevails, any hope that the American people might defend themselves against incoming ballistic missiles is pushed off at least way into the future.

To what extent do those two actions by the House of Representatives undercut your ability to negotiate a meaningful and lasting arms reduction with the Soviet Union and with others?

SEC. BAKER: Mr. Livingstone, we wouldn't have asked for those programs if we didn't think that they were needed, and needed both from a strict security standpoint and from a political standpoint as well.

Let me take this occasion to thank you for what you said about the importance of proceeding with these arms control agreements. I said in -- earlier in answer to a question from



countries that are friends of ours in the region should be permitted to develop more of a capability and capacity to defend themselves. All of the risks that are inherent in the region have not disappeared. We've talked a lot about security arrangements for the Gulf, and part of those security arrangements, I think, is the ability of some of these countries to do a better job of defending themselves so they are not as dependent as they were in the past upon us.

But having said all that, we do believe that there should be some steps taken with respect to conventional weapons, and the President will be announcing his view of what those steps will be in the not-too-far-distant future. Beyond that, with respect to weapons of mass destruction, we see the need for a much more aggressive nonproliferation policy, and we'll be announcing that as well; again, hoping very much that we'll be able to achieve multilateral consensus, because without it, even with weapons of mass destruction, we will not be successful.

REP. OBEY: Congressman's time is expired. Mr. Livingston.

REP. LIVINGSTON (D-LA): Thank you very much, Mr. Chairman. And Mr. Secretary, I also want to add my accolades to those that have preceded me. I give you a triple E for effort, endurance and excellence in your performance.

SEC. BAKER: Thank you, sir.

REP. LIVINGSTON: I would just add to your answer to Mr. Coleman that if we withdrew, if we unilaterally stopped all arms shipments to our friends around the world, we would not only make them reliant on others for the arms that they're going to buy anyway, but we'd lose the contacts, we'd lose the influence and we'd lose the ability to do much of what you have succeeded in doing over the last couple of years.

I would say, Mr. Secretary, that indeed these must be exciting times to serve in your position -- exciting and frustrating. No doubt but that you've got some difficult problems in the Middle East. I think in order to achieve a lasting peace in the world, a major peace in the world, that the settlement of the problems of the Middle East are paramount. But, both sides, all sides, are going to have to make concessions, and unless they're prepared to do so, I don't think that you're going to be successful, and I certainly hope that you will be. But, I see greater hope for peace, greater hope for success -- in fact, real success -- in the resolution in Angola in Africa, the eviction of Mengistu in Ethiopia, in the agreement between the FMLN and the Salvadoran government, in Latin America, the fact that we've got more democracies in Latin America than ever before in the history of the world.

President's letter that was sent in response to me, and then I saw one that -- the general one that was in response to the letter that was sent to the Minority Leader of the Congress, I think it addresses exactly what the administration intends to do.

Now we're going to have to do it. And I think that our implementing legislation and the appropriations necessary to carry it out will be something that, once again, maybe Congress and the administration can work together on as we proceed toward an agreement. And I appreciate, Mr. Secretary, your comments with respect to the importance of this agreement to the United States. Certainly, even with just Mexico, if this in fact did not affect all of the Uruguay Round, I think we would see it in our best interest, and certainly from the State Department view I would hope that we can continue to emphasize the importance of this agreement even before we vote on it.

SEC. BAKER: This agreement -- thank you, Mr. Coleman -- has major -- it has implications far beyond the economic and trade implications. It has major foreign policy implications as well.

REP. COLEMAN: I would -- on one other subject, and I know it was lightly touched upon by the Chairman, but one in which I think many of my colleagues on my side of the aisle at least, Mr. Secretary, would agree with -- is the issue of arms and perhaps a sometime partial embargo in the near term to the region that the United States is now attempting to leave. I was -- I would just to say to you that I think that many of the members I've talked with feel that this would not -- that it's just not plain -- it's just not good policy to continue our dealing in arms, our continual placing of arms in countries in the Middle East in the region, and I would just say that I don't really see why we would feel, even unilaterally, that we would be doing something not in our own interest if we were to cease and desist from moving arms back to a region that we are, as I say, just now trying to leave. I know that there is a debate, that a lot of people would say, "Well, it's a good thing that we had done a lot of the arms transfer in the past," or "Other allies wouldn't have been ready or as ready to help us." But then again, we saw a lot of those arms used against us, and I just think that perhaps it would not be wrong for the United States to take the position we can have period of time in which we didn't do that. Would you like to comment any further on --

SEC. BAKER: I'm not sure we saw a lot of those arms used against us, Mr. Coleman. There may have been a few limited instances but not a lot. That's number one. Number two, we cannot -- you cannot have an effective arms restraint initiative that is not multilateral in character, because other countries are not going to restrain their arms sales whether we do or not. And lastly, the argument of course is that these



But I would -- in saying that, Mr. Secretary, address to you one of the issues that is going to come up with respect to that, and that is not just job training, as was mentioned by the Chairman, but infrastructure requirements as well. Those of us who live along the US-Mexico border understand the great difficulty in meeting our current requirements for moving commerce in both directions with Mexico and the United States as it now exists. And to suggest that we're going to do even more commerce and more trading with Mexico certainly will stretch our resources.

In that regard, some of the facilities, some of the bridges, for example, are in fact under your jurisdiction, Mr. Secretary. I know that many people are oftentimes surprised that bridges themselves are sometimes privately owned, sometimes owned and run by the International Boundary and Water Commission, to name the agency that has just recently, Mr. Secretary -- and I thought I should show you a headline in my District from yesterday. It says the Free Bridge is to ban big trucks. Well, the trucks that cross this particular bridge that's on the old Free Bridge, as it's known, the Cordova Island Bridge, the Bridge of the Americas that was dedicated in 1967 by President Johnson and President Dias Ordoz (ph) at that time as a free -- when we gave back some land. It unfortunately, or fortunately, permits the crossing of 700 to 800 trucks per day between our two countries. And to close that bridge for structural repairs is going to be necessary -- at least closing part of it -- and I would only ask you, Mr. Secretary, to see if we can't speed up -- I noticed in your -- in the request that was sent from the administration to the Appropriations Committee this year, a request of only some \$700,000 to do, I guess, some study, and then it'll take the next fiscal year to do that, to get the construction funds necessary to fully repair it.

I would just ask you, Mr. Secretary, to kind of keep an eye on the infrastructure part of the issue because I know that, while you have so many other issues to deal with, I hope you'll provide the kind of assistance that certainly our commissioner will need, the one Commissioner Genadgee (ph) in the International Boundary and Water Commission appointed by President Bush, will need your help, I think, when it comes to fighting for these dollars that do come underneath your agency. So we'd appreciate your help on that down along the US-Mexico border, Mr. Secretary.

SEC. BAKER: All right.

REP. COLEMAN: And as we deal with the North American free trade agreement, as you know and as was pointed out by the Chairman, certainly the job training issue is one and the infrastructure is another that I hope we have a commitment from this administration to help resolve. And I think that the



be funded.

And finally, the 1990 Nuclear Non-Proliferation Treaty Review Conference has had some statements encouraging IAEA to consider new safeguards approaches to enable the agency to detect and call attention to potentially suspicious nuclear activities, and obviously that will require funding also.

So what I would like to find out is, one, what your position is on additional funding for IAEA and whether we're supporting this suggestion that IAEA develop and implement new safeguards approaches.

SEC. BAKER: Mr. Green, I would certainly support additional funding if it became clear that additional funding were needed. That's not something that I can answer for you here this morning. I mean --

REP. GREEN: If you could for the record I'd appreciate it.

SEC. BAKER: We'll sure take a look at it.

REP. GREEN: And the other part of that was, do we support the proposals that IAEA have a larger role by reason of developing and implementing new safeguards approaches so that it can detect and call attention to potentially suspicious nuclear activities?

SEC. BAKER: Well, we'll take a look -- I'll take a look at that and give you an answer for the record as well.

REP. GREEN: Thank you very much, Mr. Chairman.

REP. OBEY: Mr. Coleman?

REP. COLEMAN: Thank you, Mr. Chairman.

Welcome, Mr. Secretary. (Off mike) -- on the committee watched very carefully all that you've done and appreciate all of your efforts and I just wanted to add my voice --

SEC. BAKER: Thank you, Mr. Coleman.

REP. COLEMAN: Let me also disagree if I might for a minute with my own Chairman with respect to a statement he made concerning the North American Free Trade Agreement. I don't feel that we're giving the administration carte blanche at all, Mr. Chairman, when we still will have the opportunity for implementing legislation subsequent to the time we grant the authority of the administration to negotiate on a fast track and prior to the time that we vote on approval or disapproval of an agreement, whenever that may be.

charge against Iraqi oil exports to create a reparations fund.

REP. GREEN: Next on the question of arms sales in the Mideast, I understood that the US has resumed delivery of military equipment to Lebanon. And frankly, I'm puzzled what the purpose is. I'd like to know what the arms are. And with 30 thousand to 35 thousand Syrian troops occupying part of Lebanon, what assurances do we have that we're not just giving arms to the Syrians?

SEC. BAKER: I don't think there are -- I don't think it's arms, first of all, Mr. Green.

REP. GREEN: Well, maybe -- do you want to supply the answer for the record?

SEC. BAKER: Hang on just a minute. Well, let me just see. I think I can help you a little more than that. (Pauses to look through papers.) We've authorized the release of \$3.9 million of non-lethal military equipment, bought in the early 1980's with FMF allocated at that time. This will support the Lebanese government and the armed forces as they attempt to disarm the militias in there pursuant to the Taif Agreement.

REP. GREEN: What are we talking about: Trucks, shoes?

SEC. BAKER: I'll have to find out for you. I don't know. It's 3.9 million dollars of non-lethal military equipment. There may be some transportation equipment.

REP. GREEN: Let me turn now to the issue of nuclear proliferation, which you mention on page 10 of your prepared statement. And my concern is really about our relationship with the International Atomic Energy Agency, and the fact that the funding level of the IAEA has been held to zero real growth since 1984. It seems to me that recent events have led us to place ever increasing reliance on the IAEA, and I support that.

For example, immediately following the political changes in Central and Eastern Europe, several of the governments there asked IAEA for assistance in assessing the safety of their Soviet-built nuclear facilities. And my understanding is that IAEA is currently providing support to those countries and working to upgrade nuclear safety, that funds are being provided by voluntary contributions to support that.

With regard to Iraq, the Security Council Cease-fire Resolution, resolution 687, calls on the IAEA to undertake a number of near and longer-term responsibilities to inspect and monitor Iraq's nuclear activities. And it's my understanding that funding from that is to come from the so-called "Special Commission" established by the Security Council to oversee the destruction of Iraqi weapons. And I'm less clear how that's to



REP. MCHUGH: Yes. (Laughter.) Let me ask you one quick question.

REP. : Especially if you're at the end of the table. (Laughter.)

REP. OBEY: I wouldn't complain, because if we don't limit members, you won't get any time. (Laughter.)

REP. MCHUGH: Mr. Secretary, if I may ask you one quick question about the economic summit. Clearly, Mr. Gorbachev is anxious to have some at least observing role at the economic summit. It raises some significant questions with regard to the issues you covered in your opening remarks in terms of how we in the West will respond to the current circumstances in the Soviet Union, Mr. Gorbachev's role in particular. What is your view with respect to his participation in terms of at least being an observer? And what conditions, if any, should be met in order for him to play that role?

SEC. BAKER: Mr. McHugh, I think that depends in large part on what might happen over the course of the next couple of weeks with respect to the prospects for economic reform in the Soviet Union. Let me say that I had a conversation with the Commander-In-Chief as recently as 9:20 this morning in which he told me, if I have the opportunity to let you know that the story in the New York Times today is not accurate, to let you know that. So I'm pleased to let you know that the Commander-In-Chief doesn't think the story quoting him to the effect that it's a non-starter is an accurate reflection of his views.

REP. MCHUGH: Thank you.

Thank you, Mr. Chairman.

REP. OBEY: Mr. Green.

REP. BILL GREEN (R-NY): Thank you, Mr. Chairman. I have two quick questions and one a little longer.

First, the UN cease-fire resolution calls for Iraqi reparations to, quote, "foreign governments, nationals, and corporations," closed quote, that incurred damage as a result of Iraq's unlawful invasion and occupation of Kuwait. And I believe the Kuwaiti ambassador himself has called for Iraqi reparations to Israel. Do you agree that Iraq should pay reparations to Israel? And, if so, what are we doing to secure those reparations?

SEC. BAKER: Well, we're doing the same thing -- the answer is of course. And we're doing the same thing we are to secure reparations on the part of everyone else, and that is putting a



Now, the issue is whether some UN force could provide the credible security assurances that they need. At the moment, it's my understanding that there are a handful of police -- UN police forces in this safe haven area. On the face of it, I would be surprised if many of the Iraqi Kurds would be satisfied with that kind of security. So my question is: What do you see happening within the next month or two which might provide the kind of security guarantees that the Kurds will need and enable us to withdraw? Or, in the alternative, is it likely that we're going to have to be there for a period longer than a month or two? What do you see happening?

SEC. BAKER: Mr. McHugh, first, let me say that -- let me take this opportunity to compliment you on your mission, because the input from that mission, I think, was very helpful to us in putting together the supplemental request that we put together. I don't think anybody can tell you with any absolute certainty what is going to happen over the course of the next month or so.

Discussions are now ongoing between the United Nations and the government of Iraq with respect to the insertion of a civilian guard force for humanitarian relief workers and for refugees to replace the forces that are now there. We hope that those discussions will move forward productively. We hope that additional UN personnel can be inserted. You're quite right. There are few -- there's a handful there now, but I think the plans are that they would increase the numbers up into the four hundred and five hundred range, assuming these discussions continue to make progress.

Now, if that doesn't work, then there will have to be some consideration given to whether or not another resolution of the council, a) is appropriate, and, b) could be obtained, because it's not at all certain with respect to either a or b at this stage. Right now, I think the best thing is for these discussions to go forward between the United Nations and the government of Iraq that could lead to the insertion of United Nations personnel that would give the necessary assurances to the refugees.

REP. MCHUGH: Do I have time for one more question?

REP. OBEY: If you're short, sure.

REP. MCHUGH: Well, I hope I'm not the villain of this piece, because I've -- the time gets shorter and shorter as we go down the table.

Let me ask you one more question -- (laughter) --

SEC. BAKER: Democracy is messy, isn't it, Mr. McHugh?

SEC. BAKER: No. What I -- the indication from King Hussein is that he thinks this is a very important time. He thinks that having a peace process is very, very important. It is important, and I'm not going to quote him now by saying this, but make this our view -- it is important that there be a peace process if we are going to resist radicalization in the Arab world. The King is willing to come to the conference as part of a joint Palestinian-Jordanian delegation if that's what the Palestinians want. And so far at least, in the discussions that I've had with Palestinians, it would appear that that's an approach that they would be favorably disposed toward. And it would -- it's an approach that others are favorably disposed toward.

REP. MCHUGH: One other question on this, and then I'd like to pass on, given our limited time, to another area. Has the subject in your discussions of participation by Palestinians in East Jerusalem, a very sensitive issue, been raised? Would a Palestinian delegation include or exclude Palestinians who reside in East Jerusalem?

SEC. BAKER: Well, the question -- the subject has been raised, and it is very sensitive, and I'm not going to get into it here. (Laughter.)

REP. MCHUGH: It has not been resolved then, I assume?

SEC. BAKER: I didn't say that. (Laughter.) It may not have been, but then again, it might've. (Laughter.)

REP. MCHUGH: Okay. Do we have a five-minute rule? I can't press him on -- (laughter) --

Let me move on, if I may, briefly to Iraq. I recently had the opportunity at the Speaker's request to lead a small delegation to the Iraqi-Kuwaiti border areas. Let me say that among the conclusions we reached was that the President was quite correct in using American forces to deliver humanitarian assistance. We observed a wonderful job being done by our people, and clearly a lot more folks would have died had they not been used.

I also agree that it should be our purpose to withdraw US and coalition military forces as soon as possible and have them replaced by some UN force, if that is necessary. The real question is how we can accomplish that. The refugees whom we spoke to were deeply fearful of the Iraqi military. They were very skeptical of anyone providing credible assurance -- credible security assurances other than the United States and coalition forces. And, therefore, so long as they continue to live in fear of Saddam Hussein's military, it seems to me that they're going to want continuing credible security assurances from the US and coalition forces, which runs counter to our in getting our forces out.



There is -- you've given us a -- I think, a clear and fairly comprehensive statement on your progress to date and the obstacles you face. There's one area that I'm a little unclear about. Perhaps you can clarify it for me. In listing the points of consensus, you indicated that one of the points was that the Palestinians would be represented by Palestinian leaders in the territories. Then you had a second category of issues which remained unresolved, and in that category I also heard that Palestinian representation was one of the issues unresolved. You indicated that your preference, although the Palestinians themselves should choose their leadership, your preference was that there be negotiations including a joint Jordanian-Palestinian delegation. So I'm a little confused. Is the question of who represents the Palestinians a settled issue? Or is it one of the remaining unresolved issues? And, if so, what remains unresolved?

REP. MCHUGH: The issue of representation is settled in terms of the generic approach, but that does not mean that, as -- when the time comes for Palestinians to determine what their representation will be, that questions might not arise. I can't give you an absolute guarantee here this morning that that issue would not -- that there would not be some difficulties as that issue were approached in practice. It is the view, I think, of almost everyone with whom I have talked, including Palestinians in the territories, Israel, Egypt, the United States, the Soviet Union, Jordan, that a joint Palestinian-Jordanian delegation would be the best way to proceed, and that would be the way that we would hope would be the route that would be chosen.

What I'm saying is I can't sit here this morning and tell you that a question might not come up involving Palestinian representation. But the truth of the matter is, if we could get agreement between Israel and Syria on two issues, I think we would be in a position to see direct negotiations begin. And those two issues are: Should there be any role for the UN? And, secondly, should this conference be a one-time meeting, or should it have the ability to reconvene? Those are the two issues right now that I think stand in the way of progress. And because they are primarily, in my view at least, issues of form rather than substance, I would hope that the parties could get together and find away to bridge their differences on these two issues.

REP. MCHUGH: Is King Hussein now prepared to participate in a joint delegation? Because, as you recall, after making substantial efforts to put one together some years ago, he in effect washed his hands of that effort. And what you're suggesting, I think, is that he's changed his mind and is now prepared to participate. Is that -- did you get an indication from him that he will?



China that I have introduced in the Congress.

Finally, let me ask one final, quick question. Elections are going to be held in Hong Kong to elect a (Leg Co ?) for the first time this year. And it seems to me that we want to do everything we possibly can since that crowned colony is coming under the control of Beijing in 1997, to put into place democratic institutions. If were to send observers to that election this year, wouldn't it help to create a precedent of international participation that might carry forward to elections that have been promised after Beijing takes over in 1997 and where we can set a basis for commitment to free elections that might not occur under the present regime, at least after 1997?

SEC. BAKER: What is the attitude -- I'm not sure I know, Mr. Porter, what the attitude of the UK is on that. That's not an issue that I have looked at, so I'll be glad to --

REP. PORTER: If they were --

SEC. BAKER: -- take the question and given you answer.

REP. PORTER: If they were willing, would we be willing to send election observers this time?

SEC. BAKER: Obviously, the best hope for -- the best assurances for Hong Kong's future will be the changes that our policy aims to promote in China, and that is respect for human rights, promotion of free-market economic reforms, and political pluralism. I think you would have to weigh whether or not our sending observers would be seen as some sort of -- I think we'd need to know a little more about what the reaction would be to that from the Mainland and particular from the United Kingdom, because I do not know. I mean, the issue has not been broached to me, Mr. Porter, and I'll be glad to look into it.

REP. PORTER: Thank you, Mr. Secretary.

REP. OBEY: The gentleman's time has expired.

Mr. McHugh.

REP. MATTHEW MCHUGH (D-NY): Thank you, Mr. Chairman.

Mr. Secretary, let me quickly add my voice to those of my colleagues who have complimented you on your work. It is clearly in the interest of the United States to try to resolve some of the underlying issues in the Middle East and certainly in the interest of the parties out there, and I wish you much success, as difficult as it is.

displaced persons and percentage of territory that might be -- that might be used in any resolution or -- or peaceful settlement of this issue, and that's really about all I can tell you right now without -- without going further than I ought to. This is a very tough issue, too. But we are willing to try and be helpful where we can without, in any way, undercutting or undermining the efforts of the Secretary General of the United Nations, which efforts we support very, very strongly.

But we have -- we have, of course, worked very closely with Turkey. They've been a very strong ally in the Gulf War. They immediately cut off the Iraqi oil pipeline. They took actions without which, I dare say, we would have had a much more difficult time than we did have in -- in achieving the result we did, and we wanted to take advantage of that to see if we could work to engender a significantly greater degree of interest on the part of the Turkish leadership in addressing the specific and precise issues that are -- that are -- that are still outstanding in connection with the Cyprus problem.

REP. PORTER: Mr. Secretary, China remains one of the places in the world where there are tremendous abuses of human rights and where basic human freedoms are not allowed to a -- a population of over one billion people, and we have kept the door open with discussions with the leaders in Beijing. What ongoing efforts does the United States have to impact not the leadership of China, which increasingly people believe is out of touch with its own population, but efforts to reach the people of China with messages regarding democracy and human freedom and free enterprise, if I may add that to it? What effort are we making to -- to reach out to people there and try to move that society into a greater parallel -- parallel position with others that are moving toward democracy and human freedom?

SEC. BAKER: We've been very active, Mr. Porter, through our -- through our Embassy in setting forth our views and in promoting the concepts of respect for human rights and democracy.

I think you do know the President's -- President's strongly held view that we should not isolate China, that we should not simply refuse to deal with China because they have a -- a record on human rights of which we are critical. We have sought very, very ardently to balance our outrage at what happened in Tiananmen with the national interest in remaining engaged with the People's Republic of China, and we will be -- the President will be making a decision here very soon with respect to the question of renewal of MFN for China.

REP. PORTER: I would hope, Mr. Secretary, that the President's Task Force on International Broadcasting might take up the question of whether we can't impact that society more greatly with a program similar to Radio Free Europe called Radio Free



law forbids them from complying with the Arab boycott?

SEC. BAKER: The -- the issue has been discussed, Mr. Porter, and -- and there has been, in my view, some change in the attitude and approach of the government of Kuwait, particularly with respect to the question of negative certification, and we would -- we would have to see that as a positive result.

REP. PORTER: Just last week, the Arab League's Boycott of Israel Office added 110 companies to the black list of companies that do business with Israel. What reaction -- was there any official reaction by the State Department to that list, and has that -- that issue been raised in meeting with Arab leaders?

SEC. BAKER: I don't think we had any -- any reaction from the podium at the State Department.

REP. PORTER: Well, if I could --

SEC. BAKER: Let me -- let me -- let me reserve on that, Mr. Porter. I was out -- I was in -- out of the country, so let me check and see. It may very well have been.

Obviously, we do not -- we do not support the idea of the boycott, and adding 100 companies is not something that we would look on with any favor whatsoever. At the same time that that announcement was made, if I recall correctly, there was a deletion of a major company or two. But that doesn't excuse adding a whole host of other countries. We do not support the boycott and --

REP. PORTER: And we -- and we raised this in our discussions with the Arab leaders as often as possible.

SEC. BAKER: We raised it all the time.

REP. PORTER: Mr. Secretary, you met not long ago with Rauf Denktash to discuss the situation in Cyprus and said at the time that the meeting did not represent any type of official recognition of an independent government for northern Cyprus. And of course, I'm glad that that -- that disclaimer was made. I commend you for devoting attention to this issue. Can you bring us up to date? Did anything come of the meeting with Mr. Denktash as to the course of future negotiations in Cyprus, and where is that in the list of priorities since this is a country that, it seems to me, with some good strong US pressure, might be reunited again?

SEC. BAKER: Well, Mr. Porter, we've gotten more active with respect to the -- to the problems in Cyprus, and that's one indication of some of our activity. We have been -- we have been requesting that there be some focus on the question of



But we have -- if we're going to have peace in the Middle East, we really are going to have to make every effort to bring all of the important parties to the table. Israel has been very anxious to see a two-track approach, and this approach is what we have embraced and been -- and been pursuing. They would like very much to sit with their Arab neighbors and negotiate the differences they have. One of those Arab neighbors with whom they have the most significance difference is Syria. This is different than the approach we took last year or a year and a half or so ago, Mr. Yates, when we were trying to create an Israeli-Palestinian dialogue, solely one track. So we must work to -- if you're going to -- if we're going to be instrumental in trying to get such a process going, we have got to talk to both sides.

REP. OBEY: The gentleman's time has expired.

REP. YATES: I just want to terminate -- conclude my time, Mr. Chairman, by pointing out that there's only one Arab country that sat down with Israel, and that was Egypt, and Egypt and Israel were able to work it out, and Israel proved very generous in connection with its negotiations with Egypt. It gave back every inch of land that it had taken from Egypt during the 1973 war, and while they don't have a -- a -- while they have a cold peace rather than a hot war going at the present time, at any rate, they have a relationship with which they can get along.

I want to conclude by -- by pointing out what some wise man said. He said that in the Middle East, even the past is unpredictable.

REP. OBEY: Mr. Porter.

REP. PORTER: Thank you, Mr. Chairman. Mr. Secretary of State, you must be absolutely exhausted. The American people and the members of Congress very much appreciate your tremendous efforts to find the key to peace in the Middle East, and we hope you get a chance to get some rest.

I've been informed I'm now under the five-minute rule, even though we haven't observed it up to this point, and so I'm going to ask my questions as quickly as I can.

I want to -- I want to go back to something my colleague from Illinois raised, and that is the -- the Kuwaiti adherence to the boycott of Israel -- the Arab boycott of Israel. Prior to the -- to the war, they were one of the most strict adherents to the boycott and -- and to the secondary boycott, that is, refusing to do business with companies that traded at all with Israel. Have you had any discussions with the Kuwaiti leaders regarding this -- the boycott and secondary boycott? And aren't US firms put at a competitive disadvantage because US

I didn't get any takers on either side. I've also suggested that they -- that they perhaps consider agreeing to suspend the boycott -- the Arab boycott of Israel against a suspension by Israel of settlement activity, and I haven't gotten any takers on either side. These things are all impediments to peace, in my view, and we ought to keep working. I'm not saying the fact that we don't have takers yet means that we'll never have -- that we will never have takers.

In the Gulf War, the United States happened to share a common goal with Syria, and -- and Syria sent forces to the Gulf, actually fought in that war, fought alongside US forces, Egyptian forces, Gulf forces. But we still have Syria on our terrorism list because we have some fundamental problems with -- with their approach to this issue.

I will say that we've had some discussion with them which have been, I think, productive, Mr. Yates. And our intelligence --

REP. YATES: Productive in what way?

SEC. BAKER: There has been a -- there has been a very clear reduction in terrorist activity by groups resident in that country since the outbreak of the -- of Iraq's invasion of Kuwait.

REP. YATES: May I interrupt you, Mr. Secretary, and just point up a -- a couple of instances, since it seemed to me to be marked irritants than anything else? Kuwait, for example, still observes the boycott of Israel, as far as economic relationships between Israel and American corporations are concerned or other corporations are concerned.

The word I get, too, is that a Senator wanting to visit Saudi Arabia -- United States Senator wanting to visit Saudi Arabia was -- was barred, boycotted because he had an Israeli stamp in his passport -- Saudi Arabia, our close friend. And the United States Senator couldn't get in there because of the Israel stamp. Why such things as that happen still?

SEC. BAKER: Because we don't have peace in the Middle East. It's the same -- it's part of the fundamental problem. We -- you know, that's inexcusable -- Senator Lautenberg's experience -- and we speak out against that and weigh in against that.

Let me say this one thing and make certain there's no misunderstanding on what I said regarding Syria. The -- there -- there have been a clear reduction in terrorist activities by these groups resident in Syria against US and western interests since the -- since the Iraqi invasion of Kuwait. That still has not been enough for us to remove Syria from the terrorism list for other reasons.



to prevent really their own participation in any kind of a peace treaty. Unless I'm mistaken, doesn't a state of war still exist between the Arab nations and Israel?

SEC. BAKER: Yes, sir.

REP. YATES: It is. It's still a terrorist state.

Is there any kind of a deal that we have gone with Syria? Why didn't we get -- why did Syria become a so-called "ally"? I say a "so-called ally" because Newsweek for March 18th, in discussing the secret history of the war, says this on page 30, "Finally, there was the sheer complication of mounting such an enormous air operation with sorties averaging 2,000 to 3,000 a day. AWAC and ground radar crews had to devise sophisticated computerized flight plans to keep planes from running into one another. An armada of tankers had to be kept in the air practically around the clock to act as mobile gas stations for jet engines. This test task was complicated when Syria refused to let allied planes fly through its air space, forcing bombers based in central Turkey to take a round-about route to the targets." Well, this is the first time I've read of that. I hadn't seen that in the papers before. Is that -- that isn't common knowledge, is it, that Syria refused to cooperate with our -- our flying missions to attack Iraq?

SEC. BAKER: I don't know whether that's common knowledge or not, Mr. Yates. It's not -- that's not the whole picture. But I can't go into any more detail than that.

Let me comment on some of the -- some of the things you've said though. First of all, I think that -- I really do believe both sides are serious. They may not be. They may just be hiding behind these two symbolic issues. But I think that they're serious. I think that I've already mentioned, in answer to the Chairman's question, that it's very significant that these Gulf states would -- would come forward and say, yes, they are going to break with some years and years and years of tradition and custom and be willing to sit down face to face with Israel. That is a significant step.

The question of the state of war is very -- is a very disturbing one. Let me -- let me say to you that I have approached both sides with the idea that perhaps there could be some -- there could be some steps taken by each that would -- that would promote a better atmosphere for peace negotiations, and I suggested -- I suggested to the Arabs, for instance, that they consider suspending -- agreeing to suspend the state of belligerency during the tendency of any peace discussions if the Israelis would, on the other hand, suspend settlement activity, the -- the action of settling the West Bank -- the occupied territories.



SEC. BAKER: Well, there are a number of things. One of the -- one example, I just cited for you. Last March, the President announced a trade enhancement initiative, American business and private sector development initiative on the economic side: We've established an office for assistance to Eastern Europe overseas; we will have AID representatives in each of these countries by late summer. So, there are any number of ways that we can use that funding to both promote political reform and economic reform, ways in which we can use it very productively.

REP. EDWARDS: Let me just conclude, Mr. Chairman, by saying I -- you know, I have been on this subcommittee now for I think 11 years, and I have not previously been as impressed by the work that a secretary of state was doing on a broad number of fronts, as I have been by what you've been doing, both in working with the Soviets, working in the Middle East to try to find some opening to create peace there as a follow-up to what happened in the gulf. So, I just want to use this opportunity to publicly express my admiration for the work that you're doing.

SEC. BAKER: Thank you very much.

REP. OBEY: Mr. Yates.

REP. SIDNEY YATES (D-IL): Mr. Secretary, welcome. I want to join my friend Mickey Edwards in expressing my admiration as well for your energy and for your determination in trying to bring about better relations with the Soviet Union and between the countries in the Middle East. I don't know of a more frustrating mission than trying to bring peace between the countries in the Middle East, but it's one that's a necessary one and I certainly want to give you a pat on the back for what you've done.

As a frustrating mission; it seems to be "Mission Impossible" to me, rather than a mere frustrating mission, because the Arab nations don't seem to be disposed to change their ancient ways, let alone make peace with Israel. I remember during the recent war it was hoped that the war might persuade them to change some of their attitudes; it was hoped that because Israel was showing restraint in not replying to the attack by the Scuds -- of the Scuds, that maybe they'd have a different attitude toward Israel once the war was over.

But I can't help thinking of the French truism: Le plus ca change, le plus, c'est la meme chose -- the more things change the more they are the same. And I can't escape the conclusion that Israel really does want peace with the Arab nations, the Arab nations don't want peace with Israel, that they're using the Palestinians, they're advancing the Palestinians as a foil

meaning the West rather than the United States specifically -- pouring about \$17 billion in aid into Eastern Europe this year, and the question is whether or not Poland and Czechoslovakia and others can absorb that money and make good use of it. And part of the problem has been that they really -- they're getting money but they really don't have democracy in place. And I'm wondering, do you think that it would be helpful if we increase our promotion of democracy in Eastern Europe through NED (?) in particular, but also otherwise, before we commit additional direct cash aid?

SEC. BAKER: Well, those countries have all expressed a desire to move toward democracy, Mr. Edwards, and they have expressed support for political pluralism. It's my view, always has been, that democratization and a move to free market economics have to move in tandem, have to proceed in tandem. If you get -- without my citing the names of countries, which would not be a diplomatic thing to do, you can think of countries where the political process got out ahead of the economic reform -- political reform got ahead of economic reform, and you can think of countries where economic reform got ahead of political reform. The two have to proceed apace.

But the emerging democracies of Central and Eastern Europe are going to be -- I mean, they are real test cases, I think, and they are very important to us as a consequence, because our system -- systems -- are being tested here. We know how successful democracy can be and we know how successful a free market economy can be. But we also know that sometimes democracy can be messy. We also know that sometimes the -- the restraint or the patience, is a better word, patience of the people is limited, and therefore you have to produce some results in a reasonably -- reasonable time frame if efforts to democratize are going to succeed.

So I do not think that we're out of whack in the way we are approaching the situation in those emerging democracies of Central and Eastern Europe. There are many things that can be done on the political side -- more things that can be done, I think. They are crying out, for instance, for assistance in learning democratic traditions in talking about investment regimes, in talking about constitutions, in learning English. The Czechoslovaks, for instance, continue to ask us to see if we can send some people who can assist them in learning English and in learning our democratic system and the incidents thereof. So I don't think that we're off base.

REP. EDWARDS: Well, my other question is just a follow-up on that. One of the things that's in your budget request is a contingency fund to be able to meet the emerging democracy opportunities, and I just wondered if you could elaborate a little bit on how you would do that. How would you use that fund in order to accomplish the ends you've just described?



to provide the military assistance that we give to other countries as a part of our defense budget rather than as a part of our foreign assistance budget. I would be delighted if we reached a point where we began to make substantial reductions in the amount of arms that we sell to countries around the world. It seems I have a very difficult time reconciling my own views with the fact that we still find over 100 countries in the world that we just have to sell weapons to. I think that's something that I hope we will seriously look at, and as we've talked about before, I hope that there will be considerably more emphasis in the future on bilateral relations and bilateral assistance rather than multilateral, although I know some of my colleagues on the committee would not agree with me.

There is probably not very much consensus to pass a foreign aid reauthorization rewrite this year, so this committee, this subcommittee may be the only vehicle for making whatever changes we can make. But we would like to work with you in doing that, and one of them that we can work on that I know you support is to reduce the amount of earmarking. With the Chairman's leadership, we have been successful in this subcommittee in reducing earmarking and giving the administration more flexibility. I think we should -- I still think it's our role in Congress to determine, first of all, how much money you can spend on foreign assistance, and second, to make a list of what countries are off-limits who we do not want American tax dollars going to, and after that it ought to be up to you to decide how to use them most effectively. And I hope we can continue to move in that direction. I hope we will continue to work in the direction of more consultation about major decisions, prior consultation before they're announced. I think there is still too much tendency to have the administration make decisions and then come tell us what the decision was and that we have to support it because the President's credibility is on the line. And I would suggest to you that what happened in terms of the Persian Gulf, where the President really went out of his way, and you did and Secretary Cheney did, to keep the members of Congress very closely informed with a whole series of meetings, I think that's a good pattern to follow for the future.

Finally, let me just say in terms of what you had in your prepared statement, the most important part, I think, was your emphasis on helping the emergence of democracy around the world. That's a very important goal. We have to not only help the countries which have started to move in that direction, but we have to look toward other people as well, in Africa, the Albanians, the Russian republics, and so forth, to try to continue to promote democracy.

So having said that, let me -- I have, Mr. Chairman, a couple of brief questions. The first of them is, we are now -- "we"



occasion of having the swearing-in of a new Republican member of the House, and since that's doesn't happen very often, and especially since it was a Texan I thought I would be there and you would forgive me for it.

I want to thank you for --

REP.????: (Off mike).

(Laughter.)

REP. EDWARDS: That's true. There are now seven of us, so we're gaining on you.

SEC. BAKER: I'm out of politics, Mr. Edwards, or I would forgive you. (Laughter.)

REP. EDWARDS: I want to thank you for your efforts to further the cause of peace in the Middle East. And people have argued about whether or not there really was a window of opportunity for peace when you began your efforts. You know better than we do whether there was or not. But you've made a very good contribution and you've certainly helped to try to open one and we all admire you for that.

It's not often that those of us who work on this side of the budget in foreign assistance see very many direct or concrete benefits from what we do. But in the Middle East, we saw just that. I think that from the very beginning of the Gulf conflict, we saw, as some of our closest allies rose to meet Saddam's challenge, that the efforts that we had made through your leadership in working with Turkey and Egypt and Israel and others were really paying off.

Our foreign aid today is at a crossroads, and I want to get into a couple of points. If we're going to make our foreign aid meaningful, we are going to have to reform, and we've talked about this before, the entire foreign aid process, and placing a special emphasis on emerging democracies as you have done in your statement. I was very pleased by your list of the five priorities. I was disturbed, I have to tell you, that there was not more in your statement about any substantial revision of foreign aid programs except in terms of providing more flexibility for the administration, and I hope that we can get more into that.

I think it's clear that foreign aid has a role to play in international relations, but I think it's also clear that we have to make some very substantial revisions in the way we provide foreign aid. I think your five priorities do move us in that direction. I, as you know, have advocated -- I'm probably the only one in Congress who advocates it -- but I think to be more honest in how we present our budgets, we ought

REP. OBEY: Nobody's suggesting that. Mr. Sachs isn't suggesting that. In fact, Mr. Sachs in his proposal, which as you note represents roughly a \$30 billion package over five years, not provided by us, provided by the west, which is a lot smaller package than we have provided to Egypt, I would point out, in a one-year period -- if you compare -- if you compare it all. He's suggesting that we not only link economic performance, but performance on democratization, and if we want, performance as well on arms control, every other issue which we feel is legitimate. But, it just seems to me that in contrast to last fall, when everything was going the wrong direction, there seems an opportunity now to influence the process in a positive way by -- not by doing something but by spelling out what we would be willing to do if they do something, and spell out what that something is in sufficient detail so that it could give the reformers some standards by which to assess the action of the central government.

SEC. BAKER: Well, as I indicated in my -- in my opening remarks, Mr. Chairman, we are -- we are encouraged by the events of April 23rd and thereafter. We see signs that the reform course is being -- is continuing to be pursued by the central authorities in the Soviet Union in a manner that there may have been some question about during the period from September up till roughly the first of this month or the end of April. So these things are things I think that we can properly consider.

I'm not familiar with the details of the plan you talk about. I am familiar with the idea that it -- that in exchange for a firm commitment and some assurance of implementation on the part of the Soviet Union with respect to economic reform, the West should consider what it might be willing to do, but you will have to examine I think as well the political issues that -- the political conditions that would have to be attached.

REP. OBEY: No question. I'll get back to you with some other Middle Eastern questions.

Mr. Edwards?

REP. EDWARDS: Thank you, Mr. Chairman.

Mr. Secretary, glad to have you here.

SEC. BAKER: Thank you.

REP. EDWARDS: You've been keeping up an exhausting pace for the last few months so I appreciate you taking the time to be with us. I'll -- in addition to asking a couple of questions make a couple of opening remarks because I was late. And I apologize for being late but, as you know, today we had the



terms of relationships with the Baltics, et cetera, et cetera, et cetera?

SEC. BAKER: Well, would you include in that, Mr. Chairman, and in terms of eliminating military support for Cuba, for instance?

REP. OBEY: I think we should include in that anything that we think is in our national interest to include.

SEC. BAKER: See, so it's -- well, I think what I would say -- for my answer to you would be as follows: First of all, the policy that the United States has followed since I have been here in Washington, and one that I support very strongly, is to condition, where possible, our economic assistance on free market reforms on structural adjustment that moves countries toward the model that we know as the most successful model. So, if we were ever going to get into the business of economic assistance for the Soviet Union, clearly we ought to do so on a basis which would see that assistance --

REP. OBEY: No question --

SEC. BAKER: -- have some chance --

REP. OBEY: -- no question --

SEC. BAKER: -- of success and be used only to support free market economic reforms. I don't think though that it's -- that we are -- that we are at the point that we can look at this solely as an economic issue.

REP. OBEY: I agree with that.

SEC. BAKER: And therefore, I don't think that I can -- I can't answer your question with respect to some of the suggestions that have been proffered about the "grand bargain." That is, if the Soviet Union will commit to make true free market reforms and implement those reforms, and then the west should come in and in a conditioned way offer massive amounts of assistance. Certainly, it is something that should be looked at. It is something that would have to be considered because it is not inconsistent with what our international economic policy approach has been to other countries around the world.

But, we also have to I think look at some issues on the political side. When you consider that the Soviet Union does retain and remain -- does retain the capability to inflict great damage upon the United States, it's important I think that we know that if we're going to get into that business in a big way, that we resolve some of these -- that some of these political issues are moving in the right direction, Mr. Chairman. And I don't think that you can just segregate it and put it over here in an economic box.



hard for me to debate this particular issue with you, except to say that we do believe it's important that our friends in the region have the ability to maintain and enhance their own capabilities, the ability to defend themselves. And we think that it is much better to work in a multilateral context in connection with restraint, whether it's conventional or whether its weapons of mass destruction.

Again, I don't want to make an announcement here this morning but I think that I will be very surprised if you're not reasonably pleased with the administration's initiative regarding weapons of mass destruction. You may not be as pleased with respect to the administration's initiative on conventional weapons, but I don't think that the suggestion that you've made would move us in the direction that we should go. And I will be pleased to come up and discuss it with you after the President's announced his initiative, when I'm a little bit more free to speak.

REP. OBEY: Well, I'm afraid that will be too late, but I -- (laughter) -- I wish -- I wish you'd reconsider, because I -- I agree with you; we need to approach this in a multilateral fashion, but it seems to me that we provided some single leadership on the Kuwaiti situation, and it seems to me that in leading by example we could force others to focus on their responsibilities.

One question on the Soviet Union, before I ask Mr. Edwards for his questions, I think the administration has been correct to date in not offering economic assistance to the Soviet Union. But as I said in my opening statement, Americans are often a whole lot better in saying what they're "against" than saying what they're for."

And I'm wondering whether or not Mr. Sachs and others are not correct that this is the time to work with reformist economists in the Soviet Union in fashioning a massive package that the West would be willing to offer the Soviet Union through the use of the international financial institutions, through the use of our own bilateral aid, the IMF, the whole bit so that we have out there a demonstration of what we are willing to do to help transition the Soviet Union into a market economy with a decent relationship with the rest of the world and its neighbors as well as some countries who would prefer to be its neighbors rather than its provinces; namely, the Baltics.

What would be wrong with what Mr. Sachs and others are suggesting in fashioning this kind of a proposal, which we would lay out there as something that we would be willing to consider, say, three years down the line, two years down the line, or whatever the time frame provided if the Soviets had put in -- had met required standards in terms of IMF, in terms of real pricing, in terms of convertibility of currency, in

made, it's the fact that the Gulf Cooperation countries have agreed to sit down at the same table face to face with Israel -- something no other Arab governments have done except Egypt when it negotiated peace with Israel -- sit down face to face with Israel and talk about issues of interest region-wide such as arms control, the environment, water.

In addition to that, of course, they offered and have agreed to send through the -- send the Secretary General of the Gulf Cooperation Council as an observer to any peace conference that might be held.

Now, these are very, very significant steps, I think, of a nature that had not been taken before. So I would like very much to disabuse you of the impression that somehow the Saudis have not been willing to move here. The Gulf Cooperation countries have indeed moved, and what remains for us to do is bring some other Arab governments into a willingness to sit down and to resolve the remaining differences between -- particularly between Syria and Israel with respect to the question of UN involvement and continuity of the conference.

REP. OBEY: Well, Mr. Secretary, I'll get back to that because I have two other brief questions I want to ask before I ask other members here their questions.

With respect to arms sales in the region, as I said, I know that the administration is planning shortly to announce its own policies and proposals. I'd like to lobby you again. As you know, Mr. Hamilton, and I, and Mr. Fascell, and Mr. Gephardt, sent you a letter -- sent the administration a letter, I should say -- asking the administration to consider in its package a unilateral announcement of our own to suspend all arms deliveries to the region for a short period of time in order to try to dramatize our concern about the problem and force other trading countries and selling countries to publicly confront the issue. What would be wrong with the administration including that kind of proposal in whatever it is that the President is going to be putting together?

SEC. BAKER: Mr. Chairman, the United States will not be able to regulate arms sales in the region by acting unilaterally, it won't happen.

REP. OBEY: Well, I understand that. But I'm not suggesting we act unilaterally. I'm suggesting that we take a unilateral action for a short duration to set an example to the rest of the world. I can't believe that we're going to lose any serious advantage in four months' time.

SEC. BAKER: Well, it might not send a signal that would be the most appropriate signal, Mr. Chairman. I mean, all I can do -- without pre-announcing the President's decisions it's pretty



SEC. BAKER: Thank you, Mr. Chairman. Let me just very quickly say that of course with respect to the fast track issue, this is not an issue that relates only to the North American free trade accord. It relates to the Uruguay Round and it's not an issue of free or fair trade, it's an issue of trade or no trade, as we see it. And the Congress will have its right to vote on these agreements after they're negotiated.

But without getting into a debate with you on fast track, let me say that with respect to the peace process, we are skeptics, too. We know what the track record has been. We know how long the parties have been arguing and fighting. We know how far back this issue goes, and we know the intense emotions that lie at the foundation of it. But the only thing worse -- well, let me back up and say, as I said so many times during the course of my visits to the region, nobody can impose peace in the Middle East, the parties have got to want it. Certainly the United States can't impose it. But the only thing worse, it seems to me, Mr. Chairman, than trying and failing would be if we were unwilling to try in the first instance, particularly in the aftermath of this gulf conflict.

Now, turning to the question you raise about the Saudis, let me say that I'm not at liberty to go into the exquisite details of the visit that General Scowcroft made to the Kingdom, beyond saying to you that it was not a peace process mission. So, I would like to totally eliminate from your thinking that that was the reason for the visit. And secondly --

REP. OBEY: Let's do that. But if -- excuse me for interrupting, but let's then focus on your discussions with them. An article by Jackson Diehl and David Hoffman in the Post indicated that during your third trip to the region, you met with key Saudi leaders. The article reads as follows: "Sources said he was appalled to hear them indicate they would have nothing to do with the proposed regional peace conference. The statements reportedly were not coming from Prince Saud Faisal, the Foreign Minister, as much as some subordinates, but it became clear to Baker that traditionalists were making a move, and the leadership was not fighting them." Is that story inaccurate?

SEC. BAKER: Well, I wouldn't -- first of all, I don't think we should judge it on the basis of what we might read from analysis press reports, let's judge it by the actions that have been taken. What's happened is that the Gulf Cooperation Countries -- who do not take action without leadership from Saudi Arabia, and without the concurrence of Saudi Arabia -- have agreed to do something that no Arab governments have agreed to do in the past.

If there's any substantial progress in the efforts that we've



policy in place. With respect to the Middle East, let me simply say I fully support everything that you are trying to do. I think it's an admirable pursuit, and as you know, I have told you that since you've indicated that the administration wants until after Labor Day maximum freedom to be able to pursue progress in the Middle East, I have told you that I would during that period give you what I regard as an effective veto on anything this committee does with respect to the Middle East. And I have told you that I would be -- that if it appeared to me that any action were about to be taken by this committee, or any amendment about to be adopted by this committee that would get in the way of the administration's ability to pursue those efforts, that I would simply adjourn the markup and delay it until after Labor Day to give you that time, simply moving to a continuing resolution rather than a foreign aid bill. I would hate to do that, but I think the Congress has a responsibility to cooperate in assuring that the two branches of government are marching down absolutely the same road, and I am deeply committed to that.

Having said that, I just have to express skepticism with the results of your recent trip. As I said many times, my favorite philosopher is Archie the cockroach. And Archie said once that "an optimist is a guy who ain't had much experience." And when it comes to the Middle East, I've had enough experience to be skeptical of everything that anybody says in that region.

And what it appears to me is this, and I'd like you to argue with me and please prove that I'm wrong. I want to be wrong on this. What it appears to me is this. The administration was after the Gulf War in hot pursuit of a different set of arrangements in the Middle East. They were sending signals that they were going to be very insistent in their efforts, they were going to press very hard. But then it seems to me that Mr. Scowcroft went to the Middle East, talked to the Saudis, the Saudis, in effect, indicated to him and to you that we ought to lower our expectations in terms of their willingness to participate in any -- in any public way in peace discussions. And it seems to me that that gave the rejectionists within the Israeli government an opportunity to talk about process without having to actually confront much else. And so it seems to me that we are dangerously close at this point to stepping into the old practice of talking about talks to create the atmospherics of progress without any real likelihood that any of the parties are going to be significantly forthcoming, or at least sufficiently forthcoming to actually get discussions going. I hope I'm wrong. I don't mean by that question to in any way argue with anything you've done. My argument is with the parties in the region. I'm especially concerned, frankly, at this point about what appears to be the inability of the Saudis to take the same kind of actions to any significant degree that Mr. Sadat did a number of years ago. And I'd like your response on that.

countries. Since the President's announcement last June of his desire to seek a free trade agreement with Mexico we've engaged in extensive consultations with Congress as well as with the private sector.

Mr. Chairman, I think that there is a tremendous amount at stake here in terms of both foreign and economic policy and in terms of our growing cooperative work with Mexico on important regional and transnational issues. It will also enhance American exports, job opportunities, as well as global competitiveness. In order to achieve global markets and hemispheric trade cooperation we think it is critical, Mr. Chairman, that fast track negotiating authority be extended by the Congress. Without this step our foreign and economic leadership position could be seriously impaired.

Thank you, Mr. Chairman.

REP. OBEY: Thank you, Mr. Secretary.

I hadn't intended to comment on fast track, but since you brought it up let me simply explain to you why I'm going to be voting against it. I totally agree that it would be desirable to have a free trade arrangement with Mexico and the rest of this hemisphere. My problem is that I don't think this country can afford to play Winston Churchill abroad and Scrooge at home. And my problem is that most of the time when people talk about necessary economic adjustment and necessary -- the acceptance of temporary job losses, it's usually people in suits talking about somebody else losing their jobs.

And my problem is simply this. I would be a whole lot more inclined to support the administration's position on fast track and their argument, which runs like this, which goes, "Well, look at, fellows, we have to be willing to accept some job loss on the low end of the income scale. We ought to be going after the high income jobs. That's our natural future. And we ought to be arranging the economics around the world to accelerate that and promote it." That's an absolutely legitimate argument provided that we are doing something effectively to transition this economy into that kind of a situation.

But given the fact this country has cut in half our own job training fund since 1980, it seems to me that the Congress would be ill-advised and in fact spectacularly negligent if it would give the administration carte blanche in negotiating until we know not only what it intends to pursue in those negotiations but what it intends to pursue at home to provide the kind of legitimate foundation that can transition low-paid workers into other jobs. And absent that kind of policy, and that policy is spectacularly absent at the moment, I think that we have an obligation to the workers who are going to be crunched to respectfully demure until we do have that kind of



regional areas, most notably Central America and Cambodia. And in arms control, we hope to resolve our differences over the CFE treaty, prepare CFE for ratification, and move forward with START in preparations for a Moscow summit.

Secondly, the so-called "One Plus Nine" agreement of April 23rd between Gorbachev and the Republics creates an opportunity for a positive shift toward new political arrangements in the Soviet Union. If President Gorbachev and the Nine follow up this agreement in the way that they have suggested through an all-union treaty and through a new constitution, then this would be a very important step toward establishing a new political legitimacy in the Soviet Union.

These steps, along with the ongoing talks between Moscow and the Baltics, create new opportunities for reconciliation to replace the political polarization that has characterized Soviet politics since roughly last September. We also welcome enactment of new emigration legislation. For almost two decades now, we have made the right of emigration a central part of United States-Soviet relations. We regard passage of the new law as a major step in Soviet reform and in fulfillment of Soviet-CSCE commitments.

For our part, we continue to expand our contacts with all levels and segments of Soviet society, ranging from reformers and democrats to traditionalists and the military. Not only will this increase our understanding of Soviet society, but it will allow us, through what I have called a "democratic dialogue," to help promote political pluralism and economic freedom and the success of Soviet reform. And as the President and I have made abundantly clear by now, the continuation and success of Soviet reform is in everyone's interest.

Third, even with the tentative steps toward political accommodation, Soviet economic reform still has a very long way to go. We, and almost everyone else who has looked at it, are convinced that Prime Minister Pavlov's anti-crisis program will not work. We believe the Soviet leadership urgently needs to embrace fundamental market economic reform. Without a commitment to fundamental reform we expect the Soviet economy to continue its severe decline. And that, of course, is in no one's interest.

We continue, Mr. Chairman, to study various ways in which we can assist Soviet economic reform, but the usefulness of our efforts still depends above all on the choices that the Soviets themselves have to make.

Let me close with a few words about the North American Free Trade Agreement and fast track. We are seeking this agreement with Mexico and Canada because we are convinced that such an agreement promises important economic benefits for all three



not wish to see Iraq fragmented as a state. We have said repeatedly that we have no quarrel with the people of Iraq, and our actions reinforce our words. While our soldiers have been feeding and caring for refugees, Saddam Hussein's soldiers were strafing and shelling them.

Thus, Mr. Chairman, I can say without equivocation or doubt, Saddam Hussein himself is the single greatest obstacle to any hope for the future of the people of Iraq, whether in terms of their own development as a society or in terms of their reintegration into the international community. Left alone, free to reconsolidate his brutal dictatorship and military machine, we know that he will act again to brutalize his own people and to threaten his neighbors.

Without constant international monitoring of and pressure against this leader, this Iraqi government will continue to pose a danger to the peace and security of the Middle East. That's why we can have a formal cease-fire, but we'll not be able to have any genuine peace with the government of Iraq so long as Saddam Hussein remains in power.

Let me be absolutely clear about this third aspect of our strategy. This man, we think, is a pariah whose actions put him beyond the pale of civilized international society. Therefore, we intend to continue to act with others to isolate Saddam Hussein's regime. That means that we will never normalize relations with Iraq so long as Saddam Hussein remains in power, and that means maintaining United Nations sanctions in place so long as he remains in power. And it means further, Mr. Chairman, that Iraqis will not participate in post-crisis political, economic, and security arrangements until there is a change in regime.

With a new government, new possibilities will emerge for Iraq to rejoin the international community. With a new government, we may well be able to lift most sanctions, save those sanctions that constrain Iraq's military potential. And in that new Iraq, tolerance must replace terror, and the fear that has so long gripped the Iraqi people must give way to peaceful realization of the vast potential of that people and their homeland.

Let me make three observations, Mr. Chairman, about the Soviet Union and about our relations with the Soviet Union. First, the President and I feel that it is important to stress that Soviet new thinking continues to guide Soviet behavior in many aspects of our relations. In the Middle East, Foreign Minister Bessmertnykh's help has been invaluable to our attempts to reinvigorate the peace process. Soviet cooperation has also been critical to the historic agreement that will end the Angolan civil war, an agreement that I will join in signing in Lisbon next week. The Soviets have also been helpful in other

resecured portions of northern Iraq so that they could begin to return to their homes. The President has contacted the leaders of the major industrial countries and our coalition partners from the Arab world and has urged them to make generous pledges to the various United Nations appeals. We appreciate the conference committee's action on Tuesday and we hope the Congress will act expeditiously on our supplemental refugee request.

As a result of these efforts, the situation has improved considerably. Death rates among the refugees have dropped markedly, and well over half the refugees have come down from the mountains. It has not been enough, however, to provide only for the immediate needs of the refugees. We have also have a duty to try to prevent a greater tragedy, a situation where Saddam could exercise his terror once again. So this second aspect of our strategy requires uniting the world community to ensure international access to the affected regions throughout Iraq in strict conformity with Security Council Resolution 688, which calls for respect for the humanitarian and political rights of the Iraqi people. Saddam's ruthless suppression of his own people is yet another reminder that he cannot be trusted. We remain concerned that he would, if conditions altered, resume a systematic extermination of regime opponents and of innocent Iraqi civilians. The world community is not moving to save these poor innocent people now, simply so that they can be slaughtered by Saddam Hussein later on. That is why we've warned Iraq not to interfere with humanitarian relief efforts underway in Iraq, and that is why in support of Resolution 688 we've urged the United Nations to move quickly to provide personnel to ensure the safety of those refugees returning to Iraq.

The United States does not seek to keep its forces in northern Iraq any longer, Mr. Chairman, than is absolutely necessary. We look forward to their early replacement by an effective international presence. It is our firm conviction that some kind of international presence, however organized, has to take over the job now being done by American and coalition forces. We hope that this international presence will serve as the international community's watchdog to inhibit Saddam Hussein from repeating his most recent atrocities.

In the future, we would hope that Iraq can fully rejoin the community of nations. This country has a tremendously talented, creative, and diverse population. I believe that a new Iraqi political compact which reflects the pluralistic nature of the country and its rich historical and cultural heritage is possible, and such a compact must be arrived at by negotiations among all Iraqis, and not by force.

We respect Iraq's sovereignty and territorial integrity; we do



found a willingness to continue looking for ways to resolve those areas that are still not nailed down.

I also had extremely useful discussions with Soviet Foreign Minister Bessmertnykh, both in the Soviet Union and in Cairo. Let me say that the Soviets have been very, vered Nations' role and on the issue of reconvening the conference. I'm not going to pretend that sorting those out will be easy or that it will be done quickly, but I will say that we will continue to try so long as we believe that all of the parties are working in good faith and are serious about finding ways to resolve differences.

The President and I have talked about our next steps and we believe, Mr. Chairman, that we should continue to press ahead to see if we can overcome the gaps and actually get to negotiations.

Finally, let me conclude by saying that I believe the parties in the region do appreciate that there is a real chance to launch a process. We've defined a workable pathway to negotiations that would enable Israel, Arab states and Palestinians to capture that chance and to make a real break with the past in favor of peace. It is there for the taking but it will not last forever. What remains to be seen is whether the parties themselves are willing to seize this chance. The United States is there, ready and willing to help them try. But Mr. Chairman, we cannot create the political will to act if that will does not exist in the region.

Let me now discuss the situation in Iraq. With his aggression outward against Kuwait defeated, Saddam Hussein turned his terror inward in the aftermath of the Gulf War and he drove hundreds of thousands of Iraqis out of their homes and into foreign lands. This created, as the United Nations recognized in Resolution 688, a new threat to international peace and security, so the issue for all of us can no longer simply be just Kuwait. Today, I want to review with you the threepronged strategy that we and our allies have pursued to cope with this terrible situation. First of all, we have worked to relieve the immediate suffering of Iraqi refugees. Secondly, we are working to prevent another round of terror by creating safe and secure conditions within Iraq so that the refugees can return to their homes and live in safety. And third, we will continue to isolate Saddam Hussein as long as he is in power.

Let me discuss each of these aspects of our strategy. The first, of course, has been aimed at the immediate problem, which is saving the lives of refugees by providing them with food, water, medicine, blankets and housing. Through Operation Provide Comfort, we have airdropped and trucked supplies to refugees on the mountains in northern Iraq and southern Turkey, have built refugee camps in both Iraq and Turkey, and have



The conference would be sponsored jointly -- co-sponsored, if you will -- by the United States and the Soviet Union. Israel, Egypt, Syria, Lebanon, Jordan and Palestinians from the territories would attend. As you know, the Gulf Cooperation Council countries have already taken a very important step, and they have agreed to send the Secretary General of that organization as an observer. In addition, and equally as importantly, each of the member states of the Gulf Cooperation Council, that is, the six Gulf states, have announced that they will participate in the direct negotiations on multilateral issues.

We also believe that the European Community could play a constructive role in support of this process, and especially in the hard work of economic development that would follow a negotiated peace. So, the EC should be able to participate in this conference.

Similarly, it is our view that the United Nations should have some role. A formula should be found that is acceptable to all the parties, that prejudices none, and that channels the newfound potential of the United Nations in ways that can be helpful in promoting peace and reconciliation in the area. The exact nature of European Community and United Nations involvement is still unresolved.

Another open question is the ability of the conference to reconvene. The United States believes it should be able to do so if all the parties agree, in order to hear reports from the bilateral and multilateral negotiating groups.

The point is that none of this will in any way interfere with direct negotiations. Indeed, face-to-face negotiations offer the only way to make any progress, and we would not accept any proposal that would lead any party to believe that it could avoid negotiations or have others relieve it of the need to negotiate.

The other set of issues deals with the question of Palestinian representation in the negotiations. From the beginning of this administration, we've made it clear that our objective is to get Israel and Palestinians from the occupied territories into negotiations. Of course, Palestinians must choose their representatives, but our view is, and many other parties agree, that a joint Jordanian-Palestinian delegation could be a useful vehicle to get to the conference as well as to handle any number of issues that might arise during the negotiations.

So the purpose of my recent trip to the region was to continue to explore these issues with the parties and to determine where there was consensus and which areas required more work. Over all, Mr. Chairman, I found that there is far more agreement than disagreement on the key elements of our approach, and I

process is a comprehensive settlement achieved through direct negotiations based on United Nations Security Council Resolutions 242 and 338.

Second, broad understanding that the negotiating process would proceed simultaneously along two tracks involving direct negotiations between Israel and Arab states and between Israel and Palestinians from the occupied territories.

Third, agreement that the negotiations between Israel and Palestinians would proceed in phases with talks on interim selfgovernment preceding negotiations over the permanent status of the occupied territories.

Fourth, agreement that Palestinians would be represented in the process by leaders from the occupied territories who accept the two-track approach, who accept the phased approach, and who commit to living in peace with Israel.

And fifth, general acceptance that a conference co-sponsored by the United States and the Soviet Union would break the old taboos about public contacts between the parties and be the launching pad for direct negotiations between the parties.

Mr. Chairman, I would submit to you that these are not insignificant areas of consensus, and they certainly provide a baseline for progress. But they still have to be translated into a practical process, and that was the purpose of my most recent trip to the area.

Let me give you, therefore, a sense of the key issues that we are still trying to resolve. The first set of issues relates to modalities of the peace conference. There has been a great deal of misunderstanding on this question, so let me lay out simply what we have in mind. Our objective is to launch direct negotiations. That's what this effort is all about and what this effort has been all about. We believe that the best way to do this is through a peace conference that would lead directly to bilateral negotiations between Israel and its Arab and Palestinian neighbors, and multilateral negotiations on issues such as arms control and regional security, the environment and water.

Let me be very clear about this. We are not and never have been considering an international conference with a plenary that has the power or authority to impose its views on the parties, nor are we considering any mechanism that would interfere in any way with negotiations. In fact, as I have told those in the region, the conference is not a forum for negotiations. Quite simply, it is a means to an end. A tool in our effort to get the parties to sit down face to face to sort out their differences and to break anachronistic taboos.



Israel. When I say Arabs, I mean Arab states. Since we began that effort, I've had no illusions, Mr. Chairman, about the challenges and difficulties involved. In fact, I had no illusions about that before the process began. But I also had a strong sense that the Gulf war might have created some new possibilities for peacemaking in the region and that the United States has a unique obligation to help explore those possibilities. It would be very sad, of course, if it turns out that old obstacles are more formidable than new opportunities, but I think it would be sadder still, Mr. Chairman, if the United States failed to energetically pursue a chance for peace, because those chances don't come along very often in the Middle East, as you pointed out.

Iraq's invasion of Kuwait did bring together an historic coalition. The United States, the Soviet Union, Europeans, Arabs and others joined to reverse Iraq's aggression. The United Nations played, perhaps for the first time, the role that its founders had intended. And through its restraint in the face of Iraqi provocation, Israel became a silent partner in the coalition's success. The net result was a staggering defeat for Saddam Hussein and the path of violence and intimidation that he represented, and I think new hope for the alternative path of diplomacy and negotiations.

To test the moment and to transform the ground rules for Arab-Israeli peace-making we felt it was important to engage in a process that could break the taboos on direct dialogue between the parties. If the impulse to make peace was different we needed to overcome the barriers to Israeli, Arabs and Palestinians meeting directly. We needed, in fact, to establish that dialogue and diplomacy, not violence or rejectionism, could become the currency of politics in the region of the Middle East.

The war provided a grim reminder of the dangers of conflict in an era of escalating military competition. It was a reminder that the dispute between Israelis and Palestinians was still at the core of the Arab-Israeli problem, but that the state-to-state dimension also had to be addressed. And it was a hopeful reminder that Israel and the Arab states sometimes find common ground between them, common ground which might provide room for maneuver to encourage Israeli-Palestinian accommodation.

So our post-war task, therefore, was to try to blend what was new and promising following the crisis with the enduring principles of Arab-Israeli diplomacy. That was the purpose of my first three trips to the region after the war, and I think that the result was a consensus between the parties on five points. And I would say that they are five key points.

First of all, general agreement that the objective of the



threat from the Soviet Union -- the international spillover from economic, ethnic and social chaos.

The Soviets have asked for American help in the form of a billion and a half dollars in agricultural credits. It seems to me we have an opportunity to try to shape the change now occurring in the Soviet Union. We've been very good at spelling out what we would not do, namely, pour billions of dollars down a rat hole without needed reforms. But it seems to me we've really not spelled out in the West what the West would if the Soviet Union pursued what we perceive to be correct policies on economic reforms, on human rights and the rest.

As you know, Jeffrey Sachs and a number of others have been promoting the kind of policy initiatives under which the West could offer in the context of a real Soviet commitment to change significant conditioned economic assistance in order to be a catalyst for reform rather than to simply allow matters to unfold without any effort on our part to direct them. I frankly don't know whether the situation is beyond anything we can do, but it seems to me we have an obligation to take a look at the situation very hard. And frankly, it seems to me that Mr. Sachs and others are right in the suggestions they're making about the kind of carrot that the West could hold out for proper Soviet conduct.

So, very briefly, the Committee would be interested in knowing whether the administration is in fact reviewing any such proposition. We'd like to know what we would be willing to do under what conditions to try to shape what's happening in the Soviet Union. After all, that relationship is still by far the most important relationship between any two nation-states in the world, and it's important that we try to move it forward in a constructive direction. We welcome you and ask -- and I would ask you to insert your statement in the record, make whatever statement you feel appropriate, and we'll be happy to have you as long as you can stay to answer questions.

SEC. BAKER: Thank you, Mr. Chairman, and I will take you up on the offer to insert my full statement in the record, and I would spend a few minutes, if I might, reporting to you on my recent trips to the Middle East, devoting the bulk of my remarks to the Middle East peace process and to the situation in Iraq. I would also like to make one or two observations about the Soviet Union, which should come close, I think, to answering some of the questions you posed, and I'd like to make a comment about the North American Free Trade Agreement. But let me begin with the peace process.

For the past two months, we've been engaged in a rather intensive effort to find a path to a comprehensive settlement through direct negotiations between Arabs, Palestinians and

world is willing to recognize Israel's right to exist. We've also eliminated the major threat to Israel's security, and I think we have a right to expect their cooperation in eliminating another source of instability in the region, a core source; the unresolved question of the Palestinians.

But it seems to me that we've gotten little but lip service from any of the major parties involved. The Saudis, at least to me, do not appear willing to be major players in any public discussion of core Middle East problems, and the Israelis seemed mired in a tiresome debate on process. The Syrians seem to be trying to decide whether they want a deal with the West or become the new leaders of radical forces in the Arab world, and this committee would like to know what specific progress has been made with each of the parties on those two questions.

We also have the problem of arms deliveries to the region. I know the administration is planning to announce its proposals for an arms policy in the region. During the Gulf crisis, administration witnesses talked about the necessity to control the flow of conventional arms and weapons of mass destruction in the region. We had ten different witnesses appear before this committee from a wide variety of political philosophies, from the far left to the far right and everybody in between. Every single witness agreed that the most important thing we could do in the Middle East would be to severely and stringently limit both weapons of mass destruction and conventional weaponry. But for the last three months, frankly, it has seemed that the administration is backing off somewhat from its comments on conventional weaponry.

We welcome any limitation of course on long-range missiles, chemical weapons, biological weapons and others, but Mr. Secretary, I'm reminded of President Reagan's lines in one of his old movies, "King's Row," when he woke up and said "Where's the rest of me?" What I'd like to know is when are we going to see administration recommendations on limiting the weapons that have caused the most problems in the Middle East, namely the conventional weapons? And I guess I would ask what would be wrong with the United States announcing its unilateral intention to suspend for a period of four months or so any arms deliveries to any party in the Middle East, meanwhile with the United States providing leadership in calling for an international discussion with other arms suppliers to try to deal with that question for the entire region?

And above all, Mr. Secretary, we'd also like to know what America's plans are to deal with the most important foreign policy problem we face, namely, the turmoil within the Soviet Union. We will be saving billions of dollars annually in our defense budget because of the reduced military threat from the Soviet Union, but an uncontrolled unraveling of the Soviet Union can force us to spend billions more to deal with a new



BAKER REPORTS TO CONGRESS ON MIDEAST PEACE EFFORTS  
(Transcript: Q and A 05/22/91)

Washington -- Secretary of State James A. Baker says it would be tragic if the Middle East peace process fails because negotiators cannot agree on U.N. involvement.

"It would be a tragedy, I think, if the whole effort (fails) because the parties cannot agree on what the exact role, if any, for the U.N. should be," Baker said in testimony May 22 before the House Appropriations Subcommittee on Foreign Operations.

The following is an unofficial transcript of the congressional hearing:

(BEGIN TRANSCRIPT)

REP. OBEY: Well, Mr. Secretary, good morning. We welcome you here this morning after your rather short trip.

Mr. Secretary, since 1948 we have been in the middle of the Middle East cauldron. We helped create the State of Israel. We've had a responsibility to assure its survival. We've seen five wars -- in '48, '56, '67, '73 and '82. During that period we have provided more than \$100 billion in aid to the Middle East. We have sold more than \$110 billion of weapons to the Middle East. Up until Saddam went beserk we had lost not quite 300 American lives in that region, mostly through acts of terrorism. We have now fought a war to liberate Kuwait, a war that was supposed to usher in a new world order. It's been estimated that over 100,000 people were killed in that war, including 265 Americans.

You have traveled over 40,000 miles to explore the possibilities of ending business as usual in that region. You have indicated that we ought to be pursuing a two-track approach; the promotion of talks between Israel and the Palestinians, and the promotion of direct talks between Israel and its neighbors.

As you know, Mr. Secretary, I've told you that I would cooperate with you fully in any efforts that you try to pursue to bring any of the many sides to the table. It seems to me that we've crossed the threshold. Americans died protecting one country from another in the region and I think we have a right to expect conduct from each of the parties in the region that will assure that tomorrow will be different than yesterday.

It seems to me that the US pulled the Saudi chestnuts out of the fire, and they owe us their cooperation in return in efforts to stabilize the region. And I don't believe that there will be true stability in that region until the Arab

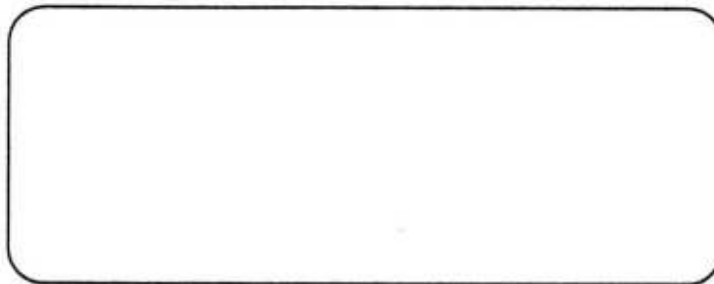




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WE DON'T WANT TO ROCK THE BOAT WITH RESPECT TO WHAT'S HAPPENING IN SALVADOR. I'VE TALKED TO A LOT OF PEOPLE, INCLUDING THE UN NEGOTIATORS. WE RECOGNIZE THAT WE WOULD LIKE TO KEEP PRESSURE ON BOTH SIDES.

SEC. BAKER: YES, SIR.

REP. OBEY: I WOULD ASK YOU TO CONSIDER ONE POSSIBILITY. WHAT IS WE WERE TO KEEP ROUGHLY THE SAME PROCESS THAT WE HAD LAST YEAR, PROVIDE AID IN ACCORDANCE WITH THE SAME UNDERSTANDINGS; HALF WOULD BE MADE AVAILABLE IMMEDIATELY, THE OTHER HALF TO BE HELD IN ABEYANCE AS IT WAS LAST YEAR, DEPENDING UPON WHAT HAPPENS. BUT WHAT IF IN ADDITION TO THE USES TO WHICH THAT MONEY CAN NOW BE PUT WE CAN ALSO ADD ONE OTHER USE; POTENTIAL USE FOR DEMOBILIZATION OR RESETTLEMENT IF AN AGREEMENT IS REACHED WITH THE REBELS? WOULD THAT BE AT ALL USEFUL?

SEC. BAKER: IF IT WAS AN OPTIONAL USE IT WOULD BE A VERY GOOD THING, I THINK, MR. CHAIRMAN, TO MONITOR A CEASE-FIRE, OR FOR REINTEGRATION, OR WHAT HAVE YOU, PROVIDED IT'S STATED AS AN OPTIONAL -- I MEAN, THAT THE ADMINISTRATION HAS THE OPTION.

REP. : MR. CHAIRMAN, MAY THE REST OF US ALSO PRESENT QUESTIONS FOR THE RECORD?

REP. OBEY: SURELY. ABSOLUTELY. OKAY?

SEC. BAKER: THANK YOU, SIR.

REP. OBEY: THANK YOU VERY MUCH. WE APPRECIATE IT.

END

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תפוצה: שהח, @ (רהמ), סשהח, מנכל, ממנכל, @ (שהבט), ר/מרכז,  
ממד, @ (רם), @ (אמן), בנצור, מצפא, רביב,  
מעח, הסברה, @ (דוצ), @ (נוה/משהבט)

סססס



DEBT BECAUSE THEY COULDN'T PAY US, THEN THE ADMINISTRATION WENT AHEAD AND ESSENTIALLY PROVIDED 46 NEW F-16S TO EGYPT. THAT MEANS THAT THE ADMINISTRATION IS, IN EFFECT, EARMARKING FOREIGN AID FOR EGYPT FOR THE NEXT FIVE YEARS AT AT LEAST EXISTING LEVELS BECAUSE EGYPT CLEARLY CAN'T AFFORD TO REPAY US WITHOUT THAT AID GUARANTEE. WE KNOW EGYPT CAN'T AFFORD TO PAY FOR THOSE PLANES WITHOUT ADDITIONAL AID.

I GUESS I DON'T UNDERSTAND RIGHT NOW WHAT IS THE PRINCIPAL MILITARY THREAT TO EGYPT IN LIGHT OF WHAT JUST HAPPENED IN THE IRAQ WAR? WHY WAS IT NECESSARY TO PROCEED TO LOCK THE CONGRESS INTO A FIVE-YEAR COMMITMENT TO EGYPT IN TERMS OF DEBT BY THESE SALES? AND WHY SHOULDN'T THE CONGRESS INSIST ON EGYPTIAN ECONOMIC REFORM BY SHIFTING RESOURCES FROM THE MILITARY ACCOUNT TO THE ECONOMIC ACCOUNT RATHER THAN CONTINUING TO BE LOCKED IN WHEN THE ADMINISTRATION MAKES A DECISION ON THE MILITARY SIDE WHICH IN EFFECT SAYS, "BOYS, FOR FIVE YEARS YOU HAVE NO FLEXIBILITY WITH RESPECT TO THAT AID."

SEC. BAKER: WELL, MR. CHAIRMAN, LET ME SAY THAT THE F-16S WAS THE FOURTH OF FOUR TRANCHES IN A 10-YEAR PROGRAM THAT BEGAN QUITE SOME TIME AGO TO MODERNIZE THE EGYPTIAN AIR FORCE. WE THINK THE PROGRAM MADE SENSE THEN AND WE THINK IT MAKES SENSE NOW. THE SECURITY RELATIONSHIP WE HAVE WITH EGYPT AS THE LARGEST ARAB NATION, AS OUR ALLY IN THE GULF WAR, IF YOU WILL, IS IN BOTH OF OUR NATIONAL INTERESTS. EGYPT IS THE ONLY NATION THAT HAS MADE PEACE WITH ISRAEL. THE SALE THAT WE'RE TALKING ABOUT IS CONSISTENT WITH THE CAMP DAVID AGREEMENTS, AND IT'S NOT GOING TO HAVE ANY ADVERSE IMPACT ON THE NATIONS -- I MEAN ON THE REGION'S MILITARY BALANCE.

NOW, YES, IT DOES, TO THE EXTENT THAT THEY'VE GOT TO PAY FOR THOSE AIRPLANES, LOCK US IN WITH RESPECT TO THE DIVISION OF ECONOMIC AND MILITARY ASSISTANCE.

REP. OBEY: BUT THEY'RE NOT PAYING FOR THE AIRPLANES. WE'RE PAYING FOR THE AIRPLANES THROUGH A RUBE GOLDBERG PROGRAM THAT PRETENDS THERE'S AN AID PROGRAM, WHEN WHAT WE'RE REALLY DOING IS BUYING AMERICAN AIRPLANES.

SEC. BAKER: THAT SAME STATEMENT COULD BE MADE, MR. CHAIRMAN, ABOUT A WHOLE HOST OF OTHER COUNTRIES.

REP. OBEY: ABSOLUTELY, ABSOLUTELY.

SEC. BAKER: A WHOLE HOST OF OTHER COUNTRIES -- AND WHEN WE GET INTO THE BUSINESS OF TALKING ABOUT -- WELL I WON'T GET INTO IT.

REP. OBEY: WELL, AGAIN, I WOULD SIMPLY URGE YOU TO TAKE A LOOK AT THE POSSIBILITY OF AN ARMS MORATORIUM IN THE REGION. I HAVE A COUPLE OF OTHER QUESTIONS THAT I WOULD LIKE TO ASK YOU WITH RESPECT TO SALVADOR AND OTHER COUNTRIES, BUT WE DON'T HAVE THE TIME SO I'LL SUBMIT THEM FOR THE RECORD EXCEPT TO ASK THIS QUESTION.





SOMEONE TOLD ME, AND I DON'T WANT TO -- I DON'T WANT TO SAY THIS AS BEING AN ABSOLUTE FACT, BECAUSE I HAVEN'T CHECKED IT, BUT I BELIEVE THAT THERE'S ONLY ABOUT 35 PERCENT OF THE OCCUPIED TERRITORIES THAT HAS NOT BEEN IN ONE WAY OR ANOTHER UTILIZED, OR IS BEING UTILIZED, BY ISRAEL, EITHER THROUGH SETTLEMENT ACTIVITIES OR APPROPRIATION IN THE MANNER THAT THE ARTICLE YOU JUST MENTIONED OUTLINES. I CAN'T TELL YOU THAT EVERYTHING IN THAT ARTICLE IS ACCURATE, BECAUSE I DON'T KNOW WHETHER IT IS OR NOT. I SUPPOSE WE COULD HAVE IT ANALYZED AND SEND YOU A REPORT.

REP. OBEY: I WOULD LIKE YOU TO DO THAT.

LET ME SIMPLY SAY THAT IF I WERE ISRAEL, I WOULD NOT GIVE BACK ONE SQUARE INCH OF ANY OF THE TERRITORY WITHOUT EXPLICIT, CLEAR, EMBLAZONED IN GOLD LETTERS -- RECOGNITION ON THE PART OF ARAB STATES. BUT, I THINK THE ISRAELI GOVERNMENT HAS AN OBLIGATION TO TRY TO DEAL WITH THIS RESETTLEMENT ISSUE IN SUCH A WAY THAT IT MAKES POSSIBLE US SUPPORT FOR SOVIET REFUGEES IN ISRAEL BECAUSE I VERY BADLY WANT TO SEE THAT HAPPEN. BUT, I ALSO HAVE TO SAY, AS I SAID IN MILWAUKEE LAST WEEK, THAT I THINK IT IS DANGEROUS NEGLIGENT NONSENSE FOR THE ARAB WORLD ITSELF TO CONTINUE TO PLAY WHAT I REGARD AS A "CAT AND MOUSE GAME" ON THE ENTIRE ISSUE, AND IT JUST SEEMS TO ME THAT IF THE ARAB WORLD CARES ABOUT THE SETTLEMENTS ISSUE AS MUCH AS THEY OUGHT TO, THAT THE ARAB WORLD AS WELL OUGHT TO TAKE SOME ACTION WHICH MAKES IT VERY DIFFICULT POLITICALLY FOR THE ISRAELIS TO JUSTIFY CONTINUING THEIR SETTLEMENT POLICY ON THE WEST BANK. SO, I FRANKLY THINK WE'VE GOTTEN VERY LITTLE OUT OF EITHER SIDE.

LET ME -- JUST ONE LAST QUESTION. THE ADMINISTRATION HAS SAID, AND YOU SAID IN YOUR TESTIMONY AND IN OTHER STATEMENTS, THAT YOU WANT FLEXIBILITY FROM THE CONGRESS. AND AS MR. EDWARDS INDICATED, WE HAVE TRIED TO DO THAT, AND I THINK WE'VE MADE SIGNIFICANT PROGRESS. BUT, THERE'S ONE AREA WHERE THE ADMINISTRATION IS IN FACT TOTALLY ELIMINATING CONGRESSIONAL FLEXIBILITY IN FIVE-YEAR LUMPS -- THAT IS WITH RESPECT TO ARMS SALES -- AND I REFER SPECIFICALLY TO EGYPT. IN '86, EGYPT WAS FINALLY UNABLE TO PAY THE US EVEN WITHIN THE ONE-YEAR LEEWAY ALLOWED BY THE BROOKE-ALEXANDER AMENDMENT. SO, THEY WERE FORCED TO REACH AN AGREEMENT WITH THE IMF ON ECONOMIC REFORM. THEY WENT TO THE PARIS CLUB, GOT A RESCHEDULING OF THEIR OFFICIAL DEBT. THAT RESCHEDULING MEANT THAT ONCE AGAIN THEY AVOIDED HAVING TO REPAY FOREIGN AID. THEY AVOIDED THE CUTOFF REQUIRED UNDER THE AMENDMENT BY GOING TO THE PARIS CLUB. BUT, THE IMF AGREEMENT WASN'T WORTH THE PAPER IT WAS WRITTEN ON. EGYPT CONTINUED TO RESIST REFORM. NOW THERE'S FURTHER DEBT RELIEF NEGOTIATION GOING ON AGAIN AT THE PARIS CLUB. EGYPT HAS ALREADY BEEN THE BENEFICIARY OF MAJOR FORGIVENESS OF ITS MILITARY DEBT.

I HAVE TWO QUESTIONS. WHAT ASSURANCE DO WE HAVE, WHAT ASSURANCE DOES THE IMF HAVE THAT THIS TIME AROUND EGYPT REALLY MEANS IT WITH RESPECT TO ECONOMIC REFORM? AND WITH RESPECT TO ARMS SALES IT SEEMS TO ME THAT WE ARE IN THIS BOX, WE FORGAVE EGYPT'S MILITARY

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THIS ARTICLE IS TRUE, IT ALSO REPRESENTS SIGNIFICANT HUMAN RIGHTS VIOLATIONS.

I WOULD SIMPLY LIKE TO HAVE YOUR ASSESSMENT OF WHAT THE SITUATION IS. CAN WE EXPECT TO SEE ACTION ON THE PART OF THE ISRAELI GOVERNMENT THAT WILL REFLECT -- LET ME PUT IT ANOTHER WAY. I THINK WE HAVE A MORAL OBLIGATION TO TRY TO HELP ISRAEL RESETTLE EVERY SOVIET JEW WHO WANTS TO LEAVE ISRAEL (SIC -- PROBABLY MEANS THE SOVIET UNION). BUT I THINK ISRAEL HAS AN OBLIGATION TO US AND TO THEIR OWN FUTURE SECURITY NOT TO SETTLE THEM IN SUCH A WAY THAT IT PROVES EITHER AN OBSTACLE TO THE PEACE PROCESS OR IT PROVES TO BE A MAJOR EMBARRASSMENT TO YOU AND TO ANYBODY TRYING TO JUMP START PEACE TALKS.

AND MY QUESTION IS, HOW IN GOD'S NAME DO YOU TELL WHAT ISRAELI POLICY IS WHEN YOU'VE GOT SIX DIFFERENT STORIES COMING OUT OF THE SAME GOVERNMENT ON THEIR POLICY, AND WHAT CAN WE DO ABOUT IT TO ACHIEVE A CONSTRUCTIVE RESULT?

SEC. BAKER: MR. CHAIRMAN, EVERY TIME I HAVE GONE TO ISRAEL IN CONNECTION WITH THE PEACE PROCESS ON EACH OF MY FOUR TRIPS, I HAVE BEEN MET WITH THE ANNOUNCEMENT OF NEW SETTLEMENT ACTIVITY. THIS DOES VIOLATE UNITED STATES POLICY. IT'S THE FIRST THING THAT ARABS -- ARAB GOVERNMENTS, THE FIRST THING THE PALESTINIANS IN THE TERRITORIES -- WHOSE SITUATION IS REALLY QUITE DESPERATE -- THE FIRST THING THEY RAISE WITH US WHEN WE TALK TO THEM. I DON'T THINK THAT THERE IS ANY BIGGER OBSTACLE TO PEACE THAN THE SETTLEMENT ACTIVITY THAT CONTINUES NOT ONLY UNABATED BUT AT AN ENHANCED PACE. AND NOTHING HAS MADE MY JOB OF TRYING TO FIND ARAB AND PALESTINIAN PARTNERS FOR ISRAEL MORE DIFFICULT THAN BEING GREETED BY A NEW SETTLEMENT EVERY TIME I ARRIVE.

THE ARABS AND THE PALESTINIANS, OF COURSE, ARGUE THAT THIS PROVES THAT THE ISRAELI GOVERNMENT IS NOT INTERESTED IN CREATING -- IN NEGOTIATING OUTCOMES, BUT IT'S REALLY INTERESTING IN CREATING (FACTS ON THE GROUND ?). AND IT SUBSTANTIALLY WEAKENS OUR HAND IN TRYING TO BRING ABOUT A PEACE PROCESS, AND CREATES QUITE A PREDICAMENT.

NOW, I'VE RAISED THE ISSUE ON ANY NUMBER OF OCCASIONS WITH THE LEADERSHIP OF THE GOVERNMENT OF ISRAEL, TO NO AVAIL. I'VE EVEN RAISED IT IN THE CONTEXT OF PERHAPS A TRADEOFF FOR A SUSPENSION OF THE STATE OF BELLIGERENCY OR SUSPENSION OF THE BOYCOTT, AS I'VE MENTIONED TO YOU. AND I HAVEN'T GOTTEN ANY TAKERS ON THAT, EITHER. SO, IT MAKES IT TOUGH.

I HAVE ABOUT DECIDED THAT WE'RE NOT GOING TO GET ANY MOVEMENT ON SETTLEMENT ACTIVITY BEFORE WE -- AT LEAST BEFORE WE HAVE AN ACTIVE PEACE PROCESS GOING, AND IT'S GOING TO BE JUST THAT MUCH MORE DIFFICULT TO GET A PEACE PROCESS GOING IF WE CAN'T GET ANY ACTION ON SETTLEMENT ACTIVITY.

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Adaptation

A LOOK AT THE POSSIBILITY OF TRYING TO JUMP START A POLICY OF ARMS DENIAL TO THE REGION ON THE CONVENTIONAL LEVEL BY THE MORATORIUM THAT WE'VE SUGGESTED.

WITH RESPECT TO -- I HAVE TO RAISE, BECAUSE OUR COMMITTEE ASKED THE STATE DEPARTMENT LAST YEAR TO PROVIDE A REPORT ON THE ISSUE OF ISRAELI SETTLEMENTS. AND THAT REPORT INDICATED TO US THAT THERE ARE NOW OVER 200,000 SETTLERS IN SOME 20 SETTLEMENTS IN THE OCCUPIED TERRITORIES, INCLUDING EAST JERUSALEM; IN THE WEST BANK, ABOUT 90,000 SETTLERS, AN INCREASE OF 9,000 TO 10,000 DURING THE PAST YEAR; PERHAPS AS MANY AS 40,000 SINCE '84. ACCORDING TO THAT REPORT, WEST BANK SETTLEMENTS ARE GROWING AT A RATE OF 10 PERCENT A YEAR, AND LAST YEAR IT SUGGESTED THE GOVERNMENT OF ISRAEL SPEND AT LEAST 83 MILLION (DOLLARS) IN IDENTIFIABLE ALLOCATIONS FOR SETTLEMENTS.

ON APRIL 5TH, THE POST REPORTED THAT ISRAELI MINISTER SAID 14,000 NEW HOUSING UNITS WOULD BE PLACED IN THE SETTLEMENTS OUTSIDE OF JERUSALEM IN THE NEXT TWO YEARS. WE THEN HAVE A NUMBER OF OTHER NEWSPAPERS ARTICLES, INCLUDING ONE BY JACKSON DIEHL WHICH SAYS "ISRAEL BOOSTS LAND SEIZURES." AND IT SAYS -- AND I HAVE NO IDEA WHETHER THIS IS ACCURATE. I WANT TO ASK YOU IF IT IS. BUT IT SAYS WHILE THE PALESTINIANS OF ARTIS (PH) WAITED OUT A 40-DAY CURFEW AFTER JANUARY 15, TEAMS OF ISRAELI LAND AGENTS BEGAN STAKING OUT TRACTS ON THE HILLSIDE OUTSIDE THE VILLAGE. THEN, TWO WEEKS AFTER THE WAR ENDED, A NOTICE ARRIVED. ISRAEL'S GOVERNMENT HAD DECIDED TO SEIZE 360 ACRES OF TRADITIONAL VILLAGE LAND, WIPING OUT MUCH OF THE AGRICULTURE ON WHICH THE COMMUNITY DEPENDS.

THE CONFISCATION WAS ONE OF A SUDDEN RASH OF LAND TAKEOVERS INITIATED BY ISRAEL IN THE WEST BANK IN THE TWO MONTHS AFTER THE PERSIAN GULF WAR, AMOUNTING TO AT LEAST 7,500 ACRES SO FAR THAT APPEARS LINKED TO A VAST NEW PROGRAM FOR CONSTRUCTION OF JEWISH SETTLEMENTS. IT THEN GOES ON TO SUGGEST THE RATIONALE UNDER WHICH ISRAEL ALLEGEDLY TAKES THE LAND, SAYING THAT ISRAEL BASES THEIR LAND SEIZURES ON AN INTERPRETATION OF 19TH CENTURY OTTOMAN TURKISH LAW, WHICH REQUIRED VILLAGES AND FAMILIES WHO WANTED TO REGISTER THEIR OWNERSHIP OF LAND TO PROVE THEY HAD CULTIVATED THE PROPERTY FOR 10 CONSECUTIVE YEARS. AND BECAUSE IT'S DIFFICULT FOR A NUMBER OF REASONS FOR THEM TO DO SO IT SETS IT UP FOR CONFISCATION. SO ALLEGES THE ARTICLE.

I WOULD LIKE TO KNOW, NUMBER ONE, WHETHER THIS IS TRUE, AND SECONDLY, IF IT IS, IN CONCERT WITH THE OTHER REPORTS THAT -- THE OTHER REPORT YOU SENT US -- FRANKLY, IT GETS UNDER MY SKIN, BECAUSE I GUESS MY QUESTION IS THIS: WHAT SPECIFICALLY IS US POLICY WITH RESPECT TO SETTLEMENTS? BECAUSE MY UNDERSTANDING IS THAT THIS ACTIVITY IS IN VIOLATION OF US POLICY. WHAT BOTHERS ME IS THE ISRAELI GOVERNMENT SAYS THAT THE DESPARATELY NEED FUNDS FOR OTHER PURPOSES, INCLUDING BRINGING SOVIET JEWS TO ISRAEL FOR RESETTLEMENT. BUT THEN THEY APPEAR TO BE SPENDING MONEY LIKE THIS, WHICH I DON'T THINK THEY OUGHT TO BE SPENDING. IT SEEMS TO ME THAT IF IN FACT





MOVEMENT ON THE QUESTION OF TERRORISM, WE'VE HAVE ALSO SEEN SOME MOVEMENT ON THE QUESTION OF IMMIGRATION OF SYRIAN JEWS. NOT AS MUCH AS WE WOULD HAVE LIKED, BUT A WILLINGNESS TO PERMIT CERTAINLY SOME SINGLE WOMEN TO COME.

REP. OBEY: MR. SECRETARY, IF YOU COULD GET BACK TO THE COMMITTEE GIVING US YOUR UNDERSTANDINGS ABOUT THE WHEREABOUTS AND THE CONDITIONS OF THE PEOPLE MR. SMITH IS TALKING ABOUT --

SEC. BAKER: GIVE ME THE NAMES, MR. CHAIRMAN, BECAUSE THERE ARE A NUMBER OF DIFFERENT CASES, AND I'LL NEED TO KNOW WHICH ONES YOU'RE TALKING ABOUT.

REP. OBEY: MR. SECRETARY, I KNOW YOU HAVE TO LEAVE, BUT I'D LIKE TO TRY TO WRAP UP WHAT I THINK WE'VE HEARD HERE WITH SOME VERY QUICK, SHORT QUESTIONS, IF I COULD. WITH RESPECT TO MR. SMITH'S QUESTIONS, ARE YOU THEREFORE SAYING THAT -- AND I THINK I HEARD YOU SAY THIS EARLIER -- ARE YOU SUGGESTING THAT IF SYRIA AND ISRAEL COULD OVERCOME THEIR DIFFERENCES WITH RESPECT TO THE UN ROLE AND THE ISSUE OF RECONSTITUTION OF THE CONFERENCE, THAT YOU THINK THAT YOU COULD THEN GET ON WITH THE PEACE PROCESS? ARE YOU SAYING THAT THAT'S THE ITEM THAT'S HOLDING THINGS UP?

SEC. BAKER: IN MY OPINION, THAT IS THE -- THOSE TWO ISSUES, THAT DIFFERENCE, THOSE DIFFERENCES ARE THE ITEMS THAT ARE HOLDING THE PROCESS UP, AND IF ISRAEL AND SYRIA COULD RESOLVE THOSE TWO ISSUES SATISFACTORILY, WE COULD INDEED LOOK FORWARD, I THINK, MR. CHAIRMAN, TO A CONFERENCE THAT MIGHT RESULT IN DIRECT NEGOTIATIONS.

NOW, THERE IS STILL THE REMAINING ISSUE OF THE QUESTION OF REPRESENTATION, BUT I THINK THAT WE'VE MADE MORE PROGRESS ON THAT ISSUE THAN IN THE PAST. I CANNOT GIVE YOU AN ABSOLUTE GUARANTEE THAT THAT WOULD NOT -- THAT SOMETHING MIGHT NOT COME UP IN THE DETAILED DISCUSSIONS THAT WOULD NOT PRESENT ANOTHER PROBLEM, BUT IF WE COULD GET THESE TWO ISSUES RESOLVED, I THINK WE HAVE A GOOD CHANCE OF PERHAPS HAVING A CONFERENCE.

REP. OBEY: ALL RIGHT. ONE LAST PITCH, AND THEN TWO QUESTIONS WITH RESPECT TO THE CONTENT OF THIS BILL.

YOU INDICATED THAT YOU THOUGHT WHEN THE ADMINISTRATION CAME OUT WITH ITS ANNOUNCED ARMS POLICY, THAT I WOULD BE HAPPY ABOUT ITS POSITION ON WEAPONS OF MASS DESTRUCTION, PERHAPS NOT SO HAPPY ABOUT THE CONVENTIONAL WEAPONS. I'D SIMPLY MAKE THE POINT -- I'VE GOT A CARTOON HERE WHICH SHOWS A ROAD, ON ONE SIDE TROOPS COMING OUT, COPS STANDING IN THE MIDDLE, AND THERE'S A SIGN HERE POINTING IN THE OTHER DIRECTION SAYING, "THE MIDDLE EAST." AND THE COP IS SAYING, "HOMEWARD-BOUND TROOPS TO THE LEFT, NEW ARMS SALES TO THE RIGHT," GOING IN OPPOSITE DIRECTIONS.

AND I'D SIMPLY SUGGEST THAT THESE ARE ALL CONVENTIONAL WEAPONS, AND SO I WOULD HOPE AGAIN THAT THE ADMINISTRATION WOULD REALLY TAKE





YOU?

SEC. BAKER: YOU WOULDN'T HAVE -- YOU WOULDN'T HAVE LEBANON IN MY OPINION, AND I DON'T KNOW WHETHER YOU WOULD HAVE JORDAN.

REP. SMITH: WOULD THE CHAIRMAN PERMIT ME A SHORT QUESTION, WHICH I BELIEVE THE CHAIRMAN IS INTERESTED IN GETTING AN ANSWER TO FOR THE PURPOSE OF A POSSIBLE FOLLOW UP BY THE CHAIRMAN? IT'S A SHORT QUESTION. AND I APPRECIATE THE GENTLEMAN'S FOREBEARANCE.

THE DISCUSSIONS THAT YOU'VE HAD WITH THE SYRIANS YOU'VE INDICATED THAT SOME OF THE MUTUAL INTERESTS THAT WE HAVE IN DISCUSSING HAVE BEEN DISCUSSED. YOU'VE SAID THAT A NUMBER OF TIMES. AND THERE IS -- IN THE MIDST OF THE DISCUSSIONS THAT I HAVE HAD THERE WHEN I WAS IN SYRIA, UNDERSTANDING THAT SIX SYRIAN PEOPLE; TWO COUPLES, A TWO YEAR OLD BABY AND A THREE MONTH OLD BABY WERE ARRESTED AT THE SYRIAN-TURKISH BORDER -- SYRIAN JEWS -- AS THEY WERE TRYING TO LEAVE. THESE PEOPLE HAVEN'T BEEN SEEN SINCE THEY WERE ARRESTED, WHICH WAS BACK IN THE -- LATE 1990.

DO YOU HAVE ANY KNOWLEDGE OF THE CONDITION OF THESE PEOPLE? NONE AT ALL? DOES THE UNITED STATES --

SEC. BAKER: THE -- I DON'T KNOW THAT WE HAVE ANY KNOWLEDGE OF THE CONDITION, MR. SMITH. WE RAISE THIS QUESTION WHEN WE GO THERE.

REP. SMITH: YOU DO?

SEC. BAKER: YEAH.

REP. SMITH: WHAT KIND OF RESPONSE DO YOU GET?

SEC. BAKER: WELL, I'LL HAVE TO CHECK WITH THE -- I'LL JUST HAVE TO CHECK WITH THE EMBASSY. A RESPONSE CAME BACK TO THE EMBASSY.

REP. SMITH: I THINK THAT ON THIS PARTICULAR ISSUE, IF THE UNITED STATES RAISED THESE SPECIFIC ISSUES, WE MIGHT GET A FORTHCOMING REPLY. AND I'D APPRECIATE IT.

SEC. BAKER: YOU KNOW, WE ALSO RAISED THE QUESTION OF PERMITTING SOME SYRIAN JEWS TO --

REP. SMITH: IMMIGRATION.

SEC. BAKER: -- IMMIGRATE TO THE UNITED STATES.

REP. SMITH: THAT'S WHAT THIS RELATES TO.

SEC. BAKER: AND WE GOT SOME -- AGAIN, LET ME JUST SAY, YOU KNOW, I KNOW PEOPLE HERE SOMETIMES ARE CRITICAL OF THE FACT THAT WE EVEN HAVE ANY DIALOGUE WITH SYRIA, BUT NOT ONLY HAVE WE SEEN



אאאא, חרזם: 21919

אל: רהמש/1320

מ-: וושינגטון, נר: 423, תא: 220591, זח: 1959, דח: ב, סג: בל,

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חלק 7 ואחרון של נר 417

THE PURPOSE OF THIS CONFERENCE, AND EVERYONE AGREES TO THIS, IS NOT TO IMPOSE SOLUTIONS, OR DICTATE RESULTS, OR TO VETO RESULTS THAT THE PARTIES MIGHT ARRIVE AT, BUT SIMPLY TO GET THE PARTIES TALKING FACE TO FACE IN DIRECT NEGOTIATIONS.

SO I HAVE SAID THAT -- YOU HEARD ME SAY IN MY OPENING REMARKS, WE THINK IT'S IMPORTANT THAT THERE BE SOME ROLE FOR THE UN. AFTER ALL, WE'RE TALKING ABOUT IMPLEMENTING UN RESOLUTIONS.

BUT THE EXACT NATURE OF THAT ROLE IS NOT GOING TO, I DON'T THINK, AFFECT THE PROCESS OF GETTING THE PARTIES ENGAGED FACE TO FACE. AND WE OUGHT NOT TO -- WE OUGHT NOT TO LET THE -- IT WOULD BE A TRAGEDY, I THINK, IF THE WHOLE EFFORT GOES DOWN THE TUBE, BECAUSE THE PARTIES CANNOT AGREE ON WHAT THE EXACT ROLE, IF ANY, FOR THE UN SHOULD BE.

AND, IT WOULD BE EQUALLY TRAGIC IF THEY COULDN'T AGREE ON THIS QUESTION OF WHETHER OR NOT THE CONFERENCE IS JUST A ONE-TIME MEETING OR MIGHT PERHAPS HAVE THE ABILITY TO RECONVENE, PARTICULARLY IF ALL THE PARTIES WERE WILLING TO AGREE TO IT.

REP. SMITH: IS SYRIA THE LAST PIECE OF THIS PUZZLE?

SEC. BAKER: I THINK THESE TWO ISSUES, MR. SMITH, ARE THE LAST PIECES OF THIS PUZZLE.

REP. SMITH: SUPPOSE THEY ARE INTRASIGENT TO THE POINT WHERE YOU CAN'T GET SYRIA TO COME; ARE WE PREPARED TO PROCEED WITHOUT SYRIA?

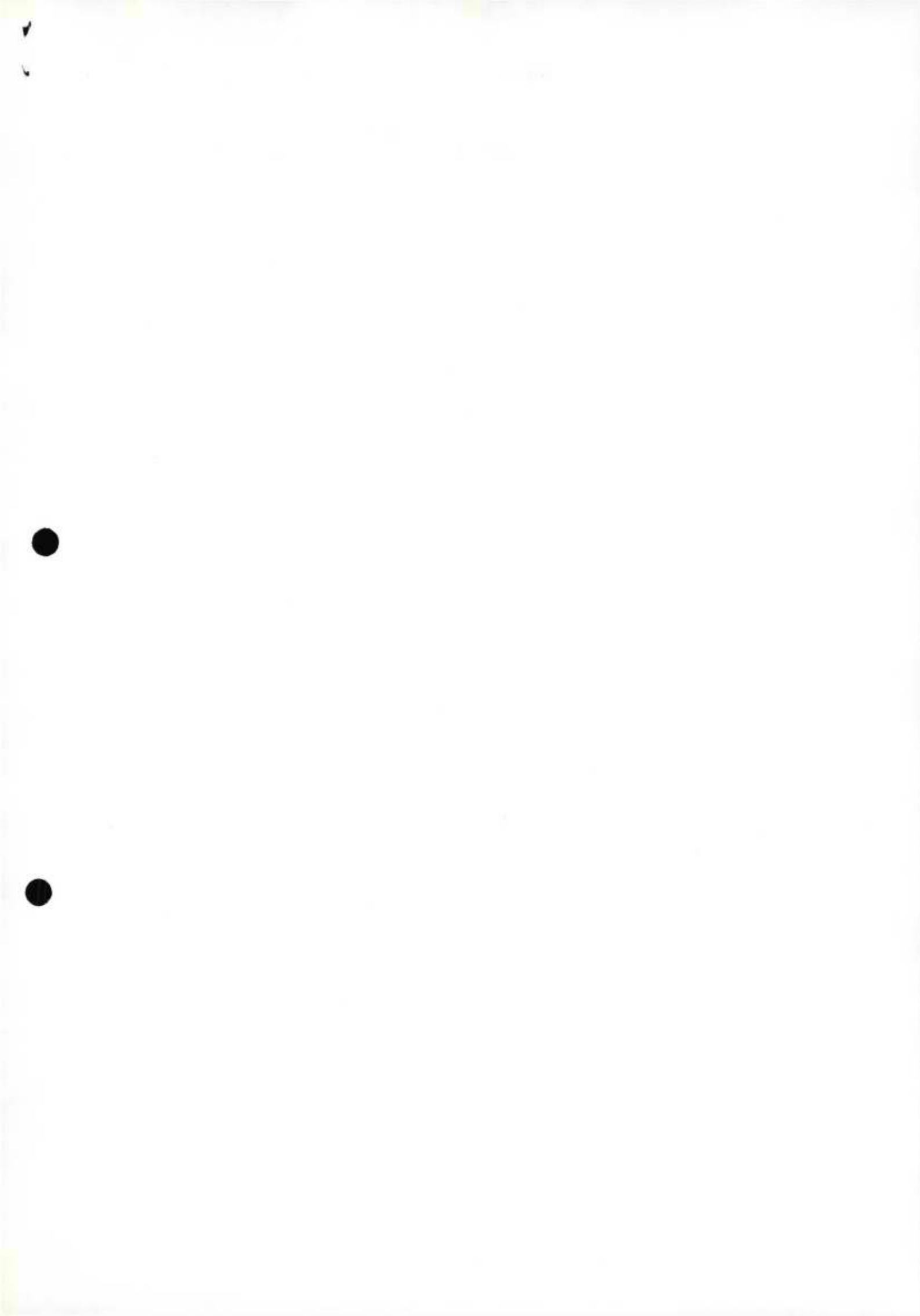
SEC. BAKER: I THINK WE MIGHT BE, BUT I DON'T THINK THE OTHER PARTIES WOULD BE.

REP. SMITH: WELL, LET ME ASK YOU ONE MORE QUESTION?

SEC. BAKER: BUT WE WOULD BE, AS INDICATED BY THE EFFORTS WE MADE TWO YEARS AGO, OR A YEAR OR SO AGO TO GET AN ISRAELI-PALESTINIAN DIALOGUE GOING.

REP. SMITH: WELL, BUT YOU'D HAVE JORDAN AT THE TABLE AS WELL. OF COURSE, WITHOUT SYRIA, YOU PROBABLY WOULDN'T HAVE LEBANON, WOULD





HOW IS THE SYRIAN POSITION AT THE MOMENT NOW DIFFERENT THAN IT'S BEEN BEFORE? I MEAN, WERE THEY AT ALL FORTHCOMING? YOU'RE TELLING US NOW THAT THERE'S ONLY THOSE TWO ITEMS AS A HANG UP -- UN PARTICIPATION AND --

SEC. BAKER: WELL, THERE ARE ONLY THOSE TWO ITEMS AS A HANG UP. THE SYRIANS HISTORICALLY HAVE, LIKE MOST ALL OF THE ARABS, SAID BEFORE WE WILL AGREE TO SIT WITH ISRAEL WE WANT THEM OUT OF THE TERRITORIES AND OUT OF THE GOLAN, THAT'S A PRECONDITION. THAT HAS NOT BEEN EXPRESSED AS A PRECONDITION TO ME. THE ONLY CONDITIONS THAT ARE OUT THERE THAT I HAVE -- THAT WE ARE UNABLE TO SATISFY IS THIS REQUIREMENT THAT THE -- THAT THERE BE A SIGNIFICANT UN ROLE, OR AS THEY HAVE CHARACTERIZED IT ON SOME OCCASIONS, AN IMPORTANT UN ROLE; AND THE SECOND REQUIREMENT THAT THE CONFERENCE HAVE SOME DEGREE OF CONTINUITY. THE POSITIONS OF SYRIA AND ISRAEL ON THESE TWO ISSUES HAVE BEEN DIRECTLY OPPOSED. ISRAEL SAYS NO UN ROLE, AND ONLY A ONE-TIME MEETING.

SO WHAT I KEEP SAYING, MR. SMITH, IS I SEE THIS -- I SEE THESE TWO ISSUES AS BEING PRIMARILY SYMBOLIC BECAUSE

סופ חלק 6

תפוצה: שהח, @ (רהמ), סשהח, מנכל, ממנכל, @ (שהבט), ר/מרכז,  
ממד, @ (רם), @ (אמן), בנצור, מצפא, רביב,  
מעט, הסברה, @ (דוצ), @ (נוה/משהבט)

סססס





אאא, חוזם: 21918

אל: רהמש/ 1319

מ-: וושינגטון, נר: 422, תא: 220591, זח: 1959, דח: ב, סג: בל,

בכבב

חלק 6 מתוך 7 של נר 417

THE LINE?

REP. LARRY SMITH: WELL, DIDN'T YOU ASK THEM TO?

SEC. BAKER: HMM?

REP. LARRY SMITH: DIDN'T YOU ASK THEM TO ORIGINALLY? WASN'T THIS ONE OF THE ORIGINAL --

SEC. BAKER: NO, NO SIR.

REP. LARRY SMITH: NEVER?

SEC. BAKER: WE HAVE ALWAYS BEEN OF THE VIEW THAT THEY SHOULD ATTEND THE REGIONAL WORKING GROUPS. WE HAVE -- WE HAVE HAD AT ONE TIME, I THINK, CONTEMPLATED THAT THEY MIGHT ATTEND THE CONFERENCE, BUT NOT PARTICIPATE IN THE NEGOTIATIONS BETWEEN ISRAEL AND HER ARAB NEIGHBORS. THAT WAS NEVER CONTEMPLATED. AND SO, THEY ARE ATTENDING THE CONFERENCE IN AN OBSERVER ROLE THROUGH THE GCC, BUT THEY'RE GOING BEYOND THAT. AND THE REAL SIGNIFICANCE OF WHAT THEY'RE DOING IS NOT THAT OBSERVERSHIP ATTENDANCE THROUGH THE GENERAL SECRETARY OF THE GCC, BUT RATHER THROUGH THEIR DIRECT -- AS A STATE -- PARTICIPATION IN THE NEGOTIATIONS ON REGIONAL ISSUES.

REP. SMITH: SO YOU'RE SATISFIED WITH WHAT THE SAUDIS ARE DOING AT THE MOMENT. IS THAT CORRECT?

SEC. BAKER: I THINK THAT THE -- IF YOU -- IF YOU MEASURE WHAT THEY HAVE BEEN WILLING TO STEP FORWARD HERE AND SAY THEY WOULD DO AGAINST THE ENTRENCHED POSITIONS THAT HAVE BEEN TAKEN FOR SO LONG BY MANY COUNTRIES, IT IS A VERY SIGNIFICANT THING, YES, SIR.

REP. SMITH: WELL WHAT ABOUT THE SYRIANS NOW? WE HAVE A SITUATION WHERE APPARENTLY YOU HAVE BEEN TO SOME DEGREE REJECTED EVEN MORE SIGNIFICANTLY ON THIS LATEST VISIT THAN YOU WERE ON THE VISIT BEFORE THAT.

SEC. BAKER: SUBJECTED TO WHAT?

REP. SMITH: REJECTED EVEN MORE SIGNIFICANTLY. NOW THEY MAY HAVE STEPPED BACKWARDS WHILE YOU WERE TRYING TO PRESS THEM FORWARD.



SOME THINGS PRIVATELY THAT WE HAVE ASKED THEM TO DO THAT I THINK  
ADVANCED THE PEACE PROCESS.

SECONDLY, IT IS THE VIEW OF THE SO-CALLED FRONT LINE STATES,  
THAT IS THOSE THAT BORDER ISRAEL AND WITH WHOM ISRAEL HAS THESE  
MAJOR DISPUTES -- SUCH AS WITH SYRIA THE GOLAN, WITH JORDAN THE  
TERRITORIES, AND WITH LEBANON THE BORDER THERE -- IT IS THE VIEW OF  
THOSE COUNTRIES THAT THEY SHOULD SIT DIRECTLY WITH ISRAEL AND  
NEGOTIATE OUT THEIR DIFFERENCES WITH ISRAEL, WITHOUT HAVING OTHER  
STATES IN ATTENDANCE. SO, YOU SHOULDN'T PUT THAT -- YOU REALLY  
SHOULD NOT LAY THAT AT THE FEET OF THE SAUDIS.

AND I STILL FEEL THAT IT'S VALID TO SAY, IF YOU SUGGEST THAT  
SOMEHOW THE SAUDIS SHOULD ATTEND THE CONFERENCE, WHERE DO YOU DRAW

סוף חלק 5

תפוצה: שהח, @ (רהמ), סשהח, מנכל, ממנכל, @ (שהבט), ר/מרכז,  
ממד, @ (רם), @ (אמן), בנצור, מצפא, רביב,  
מעט, הסברה, @ (דוצ), @ (נוה/משהבט)

סססס





REP. OBEY: THE GENTLEMAN'S TIME IS UP.

REP. SMITH: -- ONE LITTLE -- (LAUGHTER) -- ONE LITTLE PIECE AT A TIME. AND IT'S VERY DIFFICULT FOR YOU TO DO IT IN ANY RAPID SIGNIFICANT FASHION. I THINK IT'S GOING TO TAKE (A PIECE OF TIME ?). BUT I'D LIKE TO PUT IT IN SOME CONTEXT AND GET YOUR FEELINGS ABOUT THE CONTEXT.

THE CONTEXT OF SAUDI ARABIA -- AND THE CHAIRMAN STARTED OUT WITH THIS QUESTION AND I THINK IT'S IMPORTANT TO FOLLOW UP IT -- THE CONTEXT OF SAUDI ARABIA IS THAT OVER THE LAST NUMBER OF MONTHS WE BASICALLY HAVE TO A LARGE DEGREE SAVED SAUDI ARABIA FROM THE POSSIBILITY OF A SIGNIFICANTLY DISASTROUS FATE AT THE HANDS OF SADDAM HUSSEIN. TAKING WHAT THE PRESIDENT AND YOU HAD TO SAY AT THE BEGINNING, AMERICA SACRIFICED MEN AND A GREAT DEAL OF MONEY. IT APPEARS TO ME THAT WHAT YOU HAVE DESCRIBED AS THE GULF COORDINATING COUNCIL APPROACH -- THAT IS, TO SEND AN OBSERVER -- AND THE FACT THAT THEREAFTER SAUDIS AND/OR OTHER GCC MEMBERS MAY SEND A PARTICIPANT TO A REGIONAL CONFERENCE -- WHILE NOT TO BE DISMISSED, I THINK IT IS SOMETHING VERY, VERY DIFFERENT THAN IT HAD BEEN BEFORE, ALTHOUGH THERE WERE OTHER ARAB STATES THAT ATTENDED THE 1973 DECEMBER PEACE CONFERENCE FACE TO FACE WITH ISRAEL -- AT LEAST JORDAN, IF NOT OTHERS -- I DON'T KNOW THAT IN THE CONTEXT OF WHAT'S HAPPENED IN THE LAST FEW MONTHS, IT'S REALLY ENOUGH. AND I BELIEVE THAT THERE ARE A LOT OF AMERICANS WHO ARE EXTREMELY DISAPPOINTED IN WHAT THEY CONCEIVE TO BE THE LACK OF REAL RESPONSE ON THE PART OF SAUDI ARABIA.

THERE WAS A QUOTE FROM YOU ABOUT THE FACT THAT SAUDI ARABIA IS REALLY NOT A FRONT LINE STATE, AND COMING OUT OF AQABA YOU WOULD SAY SOMETHING ABOUT WHERE YOU WOULD DRAW THE LINE. I THINK THAT A LOT PEOPLE PERCEIVE -- I PERCEIVE -- THAT SAUDI ARABIA IS A FRONT LINE STATE. IT'S FINANCED THE JORDANIANS, IT'S FINANCED THE SYRIANS ON AND OFF TIMES, IT'S FINANCED THE PLO AND THE PALESTINIANS ON AND OFF TIMES. IT CERTAINLY HAS A GREAT DEAL TO DO WITH EVERYTHING THAT HAPPENS IN THAT REGION. IT IS NOT KUWAIT OR OMAN OR BAHRAIN, IT'S AN ENTIRELY DIFFERENT STATE. AND I THINK THE AMERICAN PEOPLE WOULD LIKE TO SEE MORE OF A FORTHCOMING NATURE BY THE SAUDIS.

IS THERE STILL BY YOU AND OTHERS, AN ATTEMPT TO BRING THEM TO ANY PEACE CONFERENCE, OR DO YOU BELIEVE THAT THE BEST YOU'RE GOING TO BE ABLE TO SECURE, IN THE CONTEXT OF WHAT WE HAVE DONE FOR THE SAUDIS IN THE LAST FEW MONTHS, IS THAT THEY SAY THEY'LL PARTICIPATE IN A REGIONAL CONFERENCE, WHETHER IT'S ON WATER OR ARMS OR SOME SUCH OTHER -- ECOLOGY -- SOME SUCH OTHER REGIONALLY SHARED INTEREST, BUT HAVE NOTHING TO DO WITH THE PEACE PROCESS?

SEC. BAKER: MR. SMITH, LET ME SAY THAT IN ADDITION TO WHAT THE SAUDIS HAVE SAID THEY'RE GOING TO DO PUBLICLY -- WHICH I DO THINK IS SIGNIFICANT, AND I'M GLAD YOU RECOGNIZE IT AS SUCH, THAT IS, BEING WILLING TO SIT DOWN FACE TO FACE WITH ISRAEL AND OTHERS AND TALK ABOUT THESE REGIONAL ISSUES -- IN ADDITION TO THAT, THEY'RE DOING





THIS PROGRESS WE SORT OF TOOK THE POSITION, "WELL, THESE AGREEMENTS DON'T REALLY MEAN ANYTHING TO US AND THERE'S NO NEED TO GET THEM LOCKED IN WHILE WE HAVE A SOVIET LEADERSHIP THAT'S WILLING TO LOCK IN ON THEM." I THINK -- I AGREE WITH YOU, IN OTHER WORDS.

I ALSO AGREE WITH YOU THAT THE ACTION OF THE HOUSE WAS QUITE UNFORTUNATE, BECAUSE IT FLIES IN THE FACE AT LEAST OF WHAT WE PERCEIVE TO BE THE CLEAR SECURITY AND NATIONAL POLITICAL INTERESTS OF THE UNITED STATES.

REP. LIVINGSTON: THANK YOU, MR. CHAIRMAN.

REP. OBEY: MR. SMITH.

REP. LAWRENCE SMITH (D-FL): THANK YOU, MR. CHAIRMAN.

SAME SPAN, DIFFERENT SEAT, MR. SECRETARY.

SEC. BAKER: WHAT DID YOU SAY, LARRY?

REP. SMITH: SAME SPAN, DIFFERENT SEAT.

SEC. BAKER: YEAH, BUT YOU'RE WAY DOWN AT THE END NOW, WE WON'T GET TO YOU AS MUCH. (LAUGHTER.)

MR. CHAIRMAN, WATCH HIS TIME, WILL YOU? (LAUGHTER.)

REP. SMITH: YOU MEAN I MAY NOT GET TO YOU AS MUCH. (LAUGHTER.)

I WANT TO, WITH THE REST OF MY COLLEAGUES, THANK YOU FOR THE INITIATIVE THAT YOU'VE BEEN ENGAGED IN. IT IS EXTREMELY IMPORTANT, AND IT IS FRUSTRATING AND IT IS DIFFICULT AND IT'S VERY LONG TERM. AND I KNOW YOU'VE BEEN TRYING TO PLAY DOWN THE EXPECTATION LEVEL, AND I THINK THAT'S AN APPROPRIATE THING TO DO. IT'S EXTREMELY DIFFICULT TO DO IT IN A HIGH-PRESSURE, DENSE ATMOSPHERE. AND IT'S EXTREMELY IMPORTANT THAT YOU BE GIVEN AS MUCH TIME AND CAPABILITY AS NECESSARY TO BRING THE DIVERSE INTERESTS TO SOME AGREEMENT.

AND ONE OF THE REASONS IS, WHEN YOU TALK IN TERMS OF THE CONTEXT OF TWO SIDES HERE, YOU'RE REALLY NOT DOING THE -- OR PAINTING THE SITUATION WITH ITS APPROPRIATE COLOR. YOU HAVE ISRAEL ON ONE SIDE AND YOU HAVE A NUMBER OF ARAB STATES ON THE OTHER SIDE, EACH OF WHOM IS LOOKING FOR DIFFERENT THINGS OUT OF THIS. AND SO EACH TIME YOU GO TO A DIFFERENT COUNTRY, YOU'RE DEALING WITH A DIFFERENT SET OF CIRCUMSTANCES WHICH HAVE TO BE TAKEN INTO ACCOUNT.

AND I WANT TO SAY THAT IT SEEMS TO ME THAT, SO FAR AT LEAST, IT APPEARS THAT THERE HAS BEEN SOME SMALL MEASURE OF SUCCESS. IT'S KIND OF LIKE A CHINESE PUZZLE, YOU KNOW, 5,000 PIECES, AND ONE LITTLE PIECE --



POSITION IN THOSE NEGOTIATIONS? IN THE IRAQI WAR, WE SAW UTILIZATION OF BALLISTIC MISSILES, ALBEIT SHORT-RANGE SCUD MISSILES, THEY NOW OFFER THAT THEY'RE GOING TO BE ENHANCED. KOREA'S SELLING -- NORTH KOREA IS SELLING ADDITIONAL MISSILES. WE MAY HAVE SOME AGREEMENTS FROM, FOR INSTANCE, SOUTH AMERICA NOT TO SELL ADDITIONAL MISSILES. BUT THE RANGE ON THE SCUDS IS GETTING LONGER, AND WE CAN ANTICIPATE THAT BALLISTIC MISSILES WILL BE USED IN THE FUTURE SOMEWHERE.

LIKEWISE, WE SAW THE SUCCESS OF STEALTH; THE 117'S WORKED INCREDIBLY WELL. I'M TOLD THAT THEY WERE UTILISED IN 5 PERCENT OF THE MISSIONS AND DID AS MUCH AS 35 TO 45 PERCENT OF THE DAMAGE.

AND YET IN THE LAST THREE DAYS, THE HOUSE OF REPRESENTATIVES HAS VOTED ON AN ARMED SERVICES BILL, AND HAS DELETED FUNDING FOR THE B-2, THE MOST ADVANCED STEALTH POTENTIAL AVAILABLE TO THIS COUNTRY, AND HAS HALVED TO THE PRESIDENT'S REQUEST ON STRATEGIC DEFENSE INITIATIVE, MEANING THAT IF THAT VIEW PREVAILS, ANY HOPE THAT THE AMERICAN PEOPLE MIGHT DEFEND THEMSELVES AGAINST INCOMING BALLISTIC MISSILES IS PUSHED OFF AT LEAST WAY INTO THE FUTURE.

TO WHAT EXTENT DO THOSE TWO ACTIONS BY THE HOUSE OF REPRESENTATIVES UNDERCUT YOUR ABILITY TO NEGOTIATE A MEANINGFUL AND LASTING ARMS REDUCTION WITH THE SOVIET UNION AND WITH OTHERS?

SEC. BAKER: MR. LIVINGSTONE, WE WOULDN'T HAVE ASKED FOR THOSE PROGRAMS IF WE DIDN'T THINK THAT THEY WERE NEEDED, AND NEEDED BOTH FROM A STRICT SECURITY STANDPOINT AND FROM A POLITICAL STANDPOINT AS WELL.

LET ME TAKE THIS OCCASION TO THANK YOU FOR WHAT YOU SAID ABOUT THE IMPORTANCE OF PROCEEDING WITH THESE ARMS CONTROL AGREEMENTS. I SAID IN -- EARLIER IN ANSWER TO A QUESTION FROM THE CHAIRMAN, THAT WE DETECT A NEW EMPHASIS IN THE SOVIET UNION TOWARD REFORM. PRESIDENT GORBACHEV TELLS US WHEN WE MEET WITH HIM THAT HE IS TOTALLY COMMITTED TO THIS REFORM PROCESS, HE IS NOT DEVIATING, WILL NOT DEVIATE, WILL NOT ABANDON THAT AND GO OVER TO A DIFFERENT APPROACH AND DIFFERENT COURSE.

WE HAVE BELIEVED HIM WHEN HE SAID THAT, AND NOW I THINK IN THE AFTERMATH OF APRIL 23RD, WE ARE BEGINNING TO SEE SOME THINGS THAT WOULD INDICATE THAT THAT IS CERTAINLY THE CASE.

IT IS VERY IMPORTANT, THOUGH, THAT WE GET THESE ARMS CONTROL AGREEMENTS CONCLUDED IF WE POSSIBLY CAN. I HOPE AND BELIEVE THAT WE MADE A LITTLE PROGRESS YESTERDAY IN CFE. WE'VE GOT TO CONCLUDE CFE, STRAIGHTEN THAT OUT, BECAUSE IT IS A MATTER OF PRINCIPLE WITH US, IT GOES TO THE VERY FUNDAMENTALS OF TRUST AND CREDIBILITY. SO WE HAVE TO RESOLVE THAT BEFORE WE CAN FINISH THE FEW REMAINING ISSUES THAT I THINK ARE STILL OUT THERE WITH RESPECT TO START.

I THINK IT WOULD BE TRAGIC IF AFTER ALL THESE YEARS AND ALL





WELL; AGAIN, HOPING VERY MUCH THAT WE'LL BE ABLE TO ACHIEVE MULTILATERAL CONSENSUS, BECAUSE WITHOUT IT, EVEN WITH WEAPONS OF MASS DESTRUCTION, WE WILL NOT BE SUCCESSFUL.

REP. OBEY: CONGRESSMAN'S TIME IS EXPIRED. MR. LIVINGSTON.

REP. LIVINGSTON (D-LA): THANK YOU VERY MUCH, MR. CHAIRMAN. AND MR. SECRETARY, I ALSO WANT TO ADD MY ACCOLADES TO THOSE THAT HAVE PRECEDED ME. I GIVE YOU A TRIPLE E FOR EFFORT, ENDURANCE AND EXCELLENCE IN YOUR PERFORMANCE.

SEC. BAKER: THANK YOU, SIR.

REP. LIVINGSTON: I WOULD JUST ADD TO YOUR ANSWER TO MR. COLEMAN THAT IF WE WITHDREW, IF WE UNILATERALLY STOPPED ALL ARMS SHIPMENTS TO OUR FRIENDS AROUND THE WORLD, WE WOULD NOT ONLY MAKE THEM RELIANT ON OTHERS FOR THE ARMS THAT THEY'RE GOING TO BUY ANYWAY, BUT WE'D LOSE THE CONTACTS, WE'D LOSE THE INFLUENCE AND WE'D LOSE THE ABILITY TO DO MUCH OF WHAT YOU HAVE SUCCEEDED IN DOING OVER THE LAST COUPLE OF YEARS.

I WOULD SAY, MR. SECRETARY, THAT INDEED THESE MUST BE EXCITING TIMES TO SERVE IN YOUR POSITION -- EXCITING AND FRUSTRATING. NO DOUBT BUT THAT YOU'VE GOT SOME DIFFICULT PROBLEMS IN THE MIDDLE EAST. I THINK IN ORDER TO ACHIEVE A LASTING PEACE IN THE WORLD, A MAJOR PEACE IN THE WORLD, THAT THE SETTLEMENT OF THE PROBLEMS OF THE MIDDLE EAST ARE PARAMOUNT. BUT, BOTH SIDES, ALL SIDES, ARE GOING TO HAVE TO MAKE CONCESSIONS, AND UNLESS THEY'RE PREPARED TO DO SO, I DON'T THINK THAT YOU'RE GOING TO BE SUCCESSFUL, AND I CERTAINLY HOPE THAT YOU WILL BE. BUT, I SEE GREATER HOPE FOR PEACE, GREATER HOPE FOR SUCCESS -- IN FACT, REAL SUCCESS -- IN THE RESOLUTION IN ANGOLA IN AFRICA, THE EVICTION OF MENGISTU IN ETHIOPIA, IN THE AGREEMENT BETWEEN THE FMLN AND THE SALVADORAN GOVERNMENT, IN LATIN AMERICA, THE FACT THAT WE'VE GOT MORE DEMOCRACIES IN LATIN AMERICA THAN EVER BEFORE IN THE HISTORY OF THE WORLD.

I SEE THAT WE'RE REALLY GOING IN THE RIGHT DIRECTION. OBVIOUSLY, WITH THE COLLAPSE OF COMMUNISM AND THE COLLAPSE OF THE SOVIET SYSTEM, THAT IN THE LONG RUN WILL BE POSITIVE AS WELL. BUT, THERE ARE A LOT OF PROBLEMS THAT ARE GOING TO CROP UP AND ACCRUE AND HAVE ALREADY -- PROBLEMS FOR THE SOVIET PEOPLE AND PROBLEMS FOR THE PEOPLE THAT THE SOVIETS HAVE THREATENED IN YEARS PAST. I'M PARTICULARLY CONCERNED ABOUT THOSE AGREEMENTS WHICH SEEM TO BE STALEMATED, THE ARMS CONTROL AND REDUCTION AGREEMENTS WITH THE SOVIETS. AND I THINK ANY THINKING HUMAN BEING, ANY RATIONAL HUMAN BEING SHOULD WANT TO SEE THE UNITED STATES AND THE SOVIET UNION AND ALL OF OUR RESPECTIVE ALLIES COME TO THE TABLE, REDUCE CONVENTIONAL ARMS, REDUCE STRATEGIC ARMS, AND TO OFFER AN OPPORTUNITY FOR A MORE PEACEFUL WORLD.

BUT, I'M JUST WONDERING, SIR, TO WHAT EXTENT DO YOU FEEL THE RECENT ACTIONS OF THE HOUSE OF REPRESENTATIVES UNDERCUT YOUR





OF THE URUGUAY ROUND, I THINK WE WOULD SEE IT IN OUR BEST INTEREST, AND CERTAINLY FROM THE STATE DEPARTMENT VIEW I WOULD HOPE THAT WE CAN CONTINUE TO EMPHASIZE THE IMPORTANCE OF THIS AGREEMENT EVEN BEFORE WE VOTE ON IT.

SEC. BAKER: THIS AGREEMENT -- THANK YOU, MR. COLEMAN -- HAS MAJOR -- IT HAS IMPLICATIONS FAR BEYOND THE ECONOMIC AND TRADE IMPLICATIONS. IT HAS MAJOR FOREIGN POLICY IMPLICATIONS AS WELL.

REP. COLEMAN: I WOULD -- ON ONE OTHER SUBJECT, AND I KNOW IT WAS LIGHTLY TOUCHED UPON BY THE CHAIRMAN, BUT ONE IN WHICH I THINK MANY OF MY COLLEAGUES ON MY SIDE OF THE AISLE AT LEAST, MR. SECRETARY, WOULD AGREE WITH -- IS THE ISSUE OF ARMS AND PERHAPS A SOMETIME PARTIAL EMBARGO IN THE NEAR TERM TO THE REGION THAT THE UNITED STATES IS NOW ATTEMPTING TO LEAVE. I WAS -- I WOULD JUST TO SAY TO YOU THAT I THINK THAT MANY OF THE MEMBERS I'VE TALKED WITH FEEL THAT THIS WOULD NOT -- THAT IT'S JUST NOT PLAIN -- IT'S JUST NOT GOOD POLICY TO CONTINUE OUR DEALING IN ARMS, OUR CONTINUAL PLACING OF ARMS IN COUNTRIES IN THE MIDDLE EAST IN THE REGION, AND I WOULD JUST SAY THAT I DON'T REALLY SEE WHY WE WOULD FEEL, EVEN UNILATERALLY, THAT WE WOULD BE DOING SOMETHING NOT IN OUR OWN INTEREST IF WE WERE TO CEASE AND DESIST FROM MOVING ARMS BACK TO A REGION THAT WE ARE, AS I SAY, JUST NOW TRYING TO LEAVE. I KNOW THAT THERE IS A DEBATE, THAT A LOT OF PEOPLE WOULD SAY, "WELL, IT'S A GOOD THING THAT WE HAD DONE A LOT OF THE ARMS TRANSFER IN THE PAST," OR "OTHER ALLIES WOULDN'T HAVE BEEN READY OR AS READY TO HELP US." BUT THEN AGAIN, WE SAW A LOT OF THOSE ARMS USED AGAINST US, AND I JUST THINK THAT PERHAPS IT WOULD NOT BE WRONG FOR THE UNITED STATES TO TAKE THE POSITION WE CAN HAVE PERIOD OF TIME IN WHICH WE DIDN'T DO THAT. WOULD YOU LIKE TO COMMENT ANY FURTHER ON --

SEC. BAKER: I'M NOT SURE WE SAW A LOT OF THOSE ARMS USED AGAINST US, MR. COLEMAN. THERE MAY HAVE BEEN A FEW LIMITED INSTANCES BUT NOT A LOT. THAT'S NUMBER ONE. NUMBER TWO, WE CANNOT -- YOU CANNOT HAVE AN EFFECTIVE ARMS RESTRAINT INITIATIVE THAT IS NOT MULTILATERAL IN CHARACTER, BECAUSE OTHER COUNTRIES ARE NOT GOING TO RESTRAIN THEIR ARMS SALES WHETHER WE DO OR NOT. AND LASTLY, THE ARGUMENT OF COURSE IS THAT THESE COUNTRIES THAT ARE FRIENDS OF OURS IN THE REGION SHOULD BE PERMITTED TO DEVELOP MORE OF A CAPABILITY AND CAPACITY TO DEFEND THEMSELVES. ALL OF THE RISKS THAT ARE INHERENT IN THE REGION HAVE NOT DISAPPEARED. WE'VE TALKED A LOT ABOUT SECURITY ARRANGEMENTS FOR THE GULF, AND PART OF THOSE SECURITY ARRANGEMENTS, I THINK, IS THE ABILITY OF SOME OF THESE COUNTRIES TO DO A BETTER JOB OF DEFENDING THEMSELVES SO THEY ARE NOT AS DEPENDENT AS THEY WERE IN THE PAST UPON US.

BUT HAVING SAID ALL THAT, WE DO BELIEVE THAT THERE SHOULD BE SOME STEPS TAKEN WITH RESPECT TO CONVENTIONAL WEAPONS, AND THE PRESIDENT WILL BE ANNOUNCING HIS VIEW OF WHAT THOSE STEPS WILL BE IN THE NOT-TOO-FAR-DISTANT FUTURE. BEYOND THAT, WITH RESPECT TO WEAPONS OF MASS DESTRUCTION, WE SEE THE NEED FOR A MUCH MORE AGGRESSIVE NONPROLIFERATION POLICY, AND WE'LL BE ANNOUNCING THAT AS



IN THAT REGARD, SOME OF THE FACILITIES, SOME OF THE BRIDGES, FOR EXAMPLE, ARE IN FACT UNDER YOUR JURISDICTION, MR. SECRETARY. I KNOW THAT MANY PEOPLE ARE OFTENTIMES SURPRISED THAT BRIDGES THEMSELVES ARE SOMETIMES PRIVATELY OWNED, SOMETIMES OWNED AND RUN BY THE INTERNATIONAL BOUNDARY AND WATER COMMISSION, TO NAME THE AGENCY THAT HAS JUST RECENTLY, MR. SECRETARY -- AND I THOUGHT I SHOULD SHOW YOU A HEADLINE IN MY DISTRICT FROM YESTERDAY. IT SAYS THE FREE BRIDGE IS TO BAN BIG TRUCKS. WELL, THE TRUCKS THAT CROSS THIS PARTICULAR BRIDGE THAT'S ON THE OLD FREE BRIDGE, AS IT'S KNOWN, THE CORDOVA ISLAND BRIDGE, THE BRIDGE OF THE AMERICAS THAT WAS DEDICATED IN 1967 BY PRESIDENT JOHNSON AND PRESIDENT DIAS ORDOZ (PH) AT THAT TIME AS A FREE -- WHEN WE GAVE BACK SOME LAND. IT UNFORTUNATELY, OR FORTUNATELY, PERMITS THE CROSSING OF 700 TO 800 TRUCKS PER DAY BETWEEN OUR TWO COUNTRIES. AND TO CLOSE THAT BRIDGE FOR STRUCTURAL REPAIRS IS GOING TO BE NECESSARY -- AT LEAST CLOSING PART OF IT -- AND I WOULD ONLY ASK YOU, MR. SECRETARY, TO SEE IF WE CAN'T SPEED UP -- I NOTICED IN YOUR -- IN THE REQUEST THAT WAS SENT FROM THE ADMINISTRATION TO THE APPROPRIATIONS COMMITTEE THIS YEAR, A REQUEST OF ONLY SOME DOLLAR 700,000 TO DO, I GUESS, SOME STUDY, AND THEN IT'LL TAKE THE NEXT FISCAL YEAR TO DO THAT, TO GET THE CONSTRUCTION FUNDS NECESSARY TO FULLY REPAIR IT.

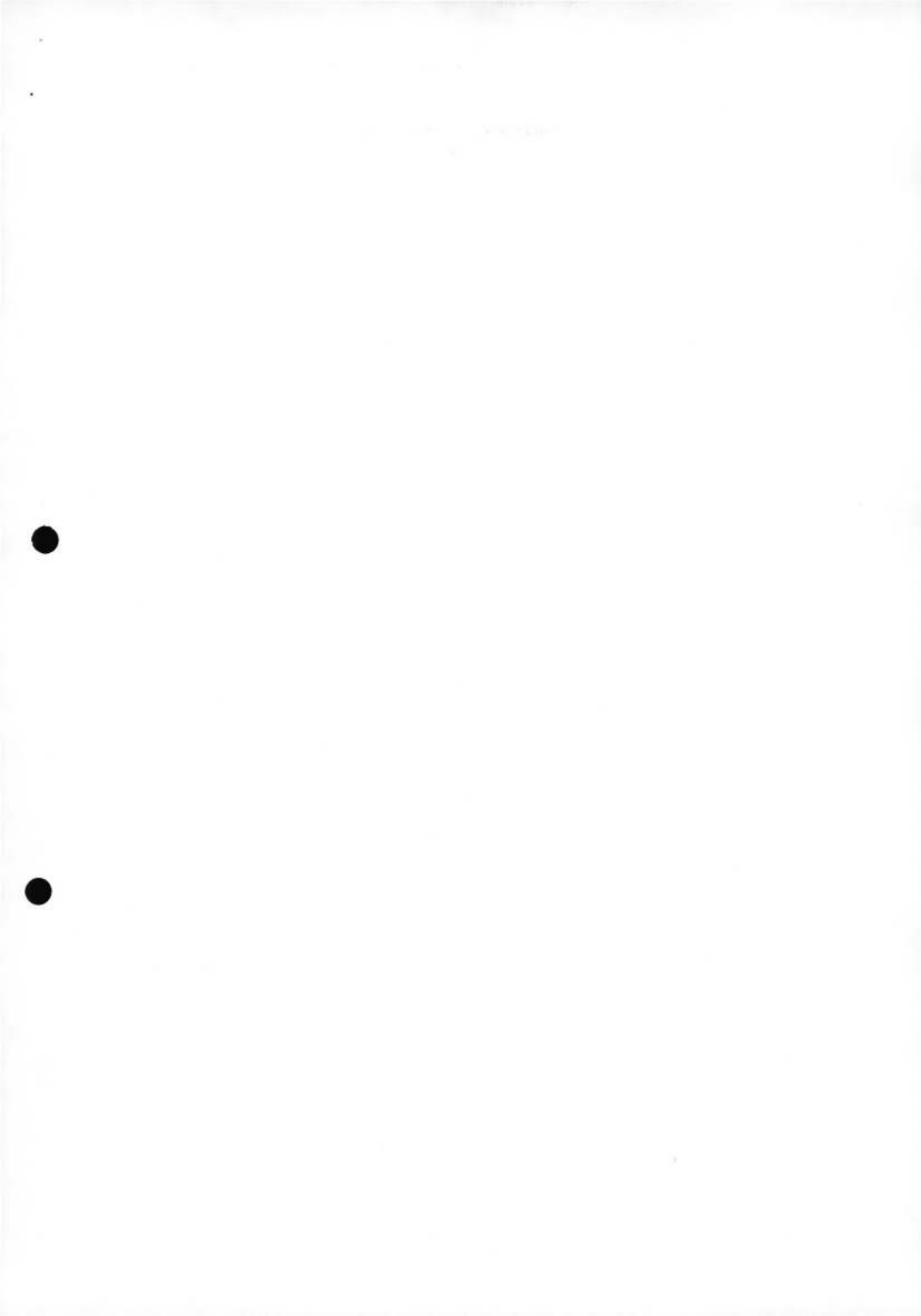
I WOULD JUST ASK YOU, MR. SECRETARY, TO KIND OF KEEP AN EYE ON THE INFRASTRUCTURE PART OF THE ISSUE BECAUSE I KNOW THAT, WHILE YOU HAVE SO MANY OTHER ISSUES TO DEAL WITH, I HOPE YOU'LL PROVIDE THE KIND OF ASSISTANCE THAT CERTAINLY OUR COMMISSIONER WILL NEED, THE ONE COMMISSIONER GENADGEE (PH) IN THE INTERNATIONAL BOUNDARY AND WATER COMMISSION APPOINTED BY PRESIDENT BUSH, WILL NEED YOUR HELP, I THINK, WHEN IT COMES TO FIGHTING FOR THESE DOLLARS THAT DO COME UNDERNEATH YOUR AGENCY. SO WE'D APPRECIATE YOUR HELP ON THAT DOWN ALONG THE US-MEXICO BORDER, MR. SECRETARY.

SEC. BAKER: ALL RIGHT.

REP. COLEMAN: AND AS WE DEAL WITH THE NORTH AMERICAN FREE TRADE AGREEMENT, AS YOU KNOW AND AS WAS POINTED OUT BY THE CHAIRMAN, CERTAINLY THE JOB TRAINING ISSUE IS ONE AND THE INFRASTRUCTURE IS ANOTHER THAT I HOPE WE HAVE A COMMITMENT FROM THIS ADMINISTRATION TO HELP RESOLVE. AND I THINK THAT THE PRESIDENT'S LETTER THAT WAS SENT IN RESPONSE TO ME, AND THEN I SAW ONE THAT -- THE GENERAL ONE THAT WAS IN RESPONSE TO THE MAJORITY LEADER AND TO THE MINORITY LEADER OF THE CONGRESS, I THINK FULLY ADDRESSES EXACTLY WHAT THE ADMINISTRATION INTENDS TO DO.

NOW WE'RE GOING TO HAVE TO DO IT. AND I THINK THAT OUR IMPLEMENTING LEGISLATION AND THE APPROPRIATIONS NECESSARY TO CARRY IT OUT WILL BE SOMETHING THAT, ONCE AGAIN, MAYBE CONGRESS AND THE ADMINISTRATION CAN WORK TOGETHER ON AS WE PROCEED TOWARD AN AGREEMENT. AND I APPRECIATE, MR. SECRETARY, YOUR COMMENTS WITH RESPECT TO THE IMPORTANCE OF THIS AGREEMENT TO THE UNITED STATES. CERTAINLY, EVEN WITH JUST MEXICO, IF THIS IN FACT DID NOT AFFECT ALL





SO WHAT I WOULD LIKE TO FIND OUT IS, ONE, WHAT YOUR POSITION IS ON ADDITIONAL FUNDING FOR IAEA AND WHETHER WE'RE SUPPORTING THIS SUGGESTION THAT IAEA DEVELOP AND IMPLEMENT NEW SAFEGUARDS APPROACHES.

SEC. BAKER: MR. GREEN, I WOULD CERTIANLY SUPPORT ADDITIONAL FUNDING IF IT BECAME CLEAR THAT ADDITIONAL FUNDING WERE NEEDED. THAT'S NOT SOMETHING THAT I CAN ANSWER FOR YOU HERE THIS MORNING. I MEAN --

REP. GREEN: IF YOU COULD FOR THE RECORD I'D APPRECIATE IT.

SEC. BAKER: WE'LL SURE TAKE A LOOK AT IT.

REP. GREEN: AND THE OTHER PART OF THAT WAS, DO WE SUPPORT THE PROPOSALS THAT IAEA HAVE A LARGER ROLE BY REASON OF DEVELOPING AND IMPLEMENTING NEW SAFEGUARDS APPROACHES SO THAT IT CAN DETECT AND CALL ATTENTION TO POTENTIALLY SUSPICIOUS NUCLEAR ACTIVITIES?

SEC. BAKER: WELL, WE'LL TAKE A LOOK -- I'LL TAKE A LOOK AT THAT AND GIVE YOU AN ANSWER FOR THE RECORD AS WELL.

REP. GREEN: THANK YOU VERY MUCH, MR. CHAIRMAN.

REP. OBEY: MR. COLEMAN?

REP. COLEMAN: THANK YOU, MR. CHAIRMAN.

WELCOME, MR. SECRETARY. (OFF MIKE) -- ON THE COMMITTEE WATCHED VERY CAREFULLY ALL THAT YOU'VE DONE AND APPRECIATE ALL OF YOUR EFFORTS AND I JUST WANTED TO ADD MY VOICE --

SEC. BAKER: THANK YOU, MR. COLEMAN.

REP. COLEMAN: LET ME ALSO DISAGREE IF I MIGHT FOR A MINUTE WITH MY OWN CHAIRMAN WITH RESPECT TO A STATEMENT HE MADE CONCERNING THE NORTH AMERICAN FREE TRADE AGREEMENT. I DON'T FEEL THAT WE'RE GIVING THE ADMINISTRATION CARTE BLANCHE AT ALL, MR. CHAIRMAN, WHEN WE STILL WILL HAVE THE OPPORTUNITY FOR IMPLEMENTING LEGISLATION SUBSEQUENT TO THE TIME WE GRANT THE AUTHORITY OF THE ADMINISTRATION TO NEGOTIATE ON A FAST TRACK AND PRIOR TO THE TIME THAT WE VOTE ON APPROVAL OR DISAPPROVAL OF AN AGREEMENT, WHENEVER THAT MAY BE.

BUT I WOULD -- IN SAYING THAT, MR. SECRETARY, ADDRESS TO YOU ONE OF THE ISSUES THAT IS GOING TO COME UP WITH RESPECT TO THAT, AND THAT IS NOT JUST JOB TRAINING, AS WAS MENTIONED BY THE CHAIRMAN, BUT INFRASTRUCTURE REQUIREMENTS AS WELL. THOSE OF US WHO LIVE ALONG THE US-MEXICO BORDER UNDERSTAND THE GREAT DIFFICULTY IN MEETING OUR CURRENT REQUIREMENTS FOR MOVING COMMERCE IN BOTH DIRECTIONS WITH MEXICO AND THE UNITED STATES AS IT NOW EXISTS. AND TO SUGGEST THAT WE'RE GOING TO DO EVEN MORE COMMERCE AND MORE TRADING WITH MEXICO CERTAINLY WILL STRETCH OUR RESOURCES.





SEC. BAKER: I DON'T THINK THERE ARE -- I DON'T THINK IT'S ARMS, FIRST OF ALL, MR. GREEN.

REP. GREEN: WELL, MAYBE -- DO YOU WANT TO SUPPLY THE ANSWER FOR THE RECORD?

SEC. BAKER: HANG ON JUST A MINUTE. WELL, LET ME JUST SEE. I THINK I CAN HELP YOU A LITTLE MORE THAN THAT. (PAUSES TO LOOK THROUGH PAPERS.)

WE'VE AUTHORIZED THE RELEASE OF DOLLAR 3.9 MILLION OF NON-LETHAL MILITARY EQUIPMENT, BOUGHT IN THE EARLY 1980'S WITH FMF ALLOCATED AT THAT TIME. THIS WILL SUPPORT THE LEBANESE GOVERNMENT AND THE ARMED FORCES AS THEY ATTEMPT TO DISARM THE MILITIAS IN THERE PURSUANT TO THE TAIF AGREEMENT.

REP. GREEN: WHAT ARE WE TALKING ABOUT: TRUCKS, SHOES?

SEC. BAKER: I'LL HAVE TO FIND OUT FOR YOU. I DON'T KNOW. IT'S 3.9 MILLION (DOLLARS) OF NON-LETHAL MILITARY EQUIPMENT. THERE MAY BE SOME TRANSPORTATION EQUIPMENT.

REP. GREEN: LET ME TURN NOW TO THE ISSUE OF NUCLEAR PROLIFERATION, WHICH YOU MENTION ON PAGE 10 OF YOUR PREPARED STATEMENT. AND MY CONCERN IS REALLY ABOUT OUR RELATIONSHIP WITH THE INTERNATIONAL ATOMIC ENERGY AGENCY, AND THE FACT THAT THE FUNDING LEVEL OF THE IAEA HAS BEEN HELD TO ZERO REAL GROWTH SINCE 1984. IT SEEMS TO ME THAT RECENT EVENTS HAVE LED US TO PLACE EVER INCREASING RELIANCE ON THE IAEA, AND I SUPPORT THAT.

FOR EXAMPLE, IMMEDIATELY FOLLOWING THE POLITICAL CHANGES IN CENTRAL AND EASTERN EUROPE, SEVERAL OF THE GOVERNMENTS THERE ASKED IAEA FOR ASSISTANCE IN ASSESSING THE SAFETY OF THEIR SOVIET-BUILT NUCLEAR FACILITIES. AND MY UNDERSTANDING IS THAT IAEA IS CURRENTLY PROVIDING SUPPORT TO THOSE COUNTRIES AND WORKING TO UPGRADE NUCLEAR SAFETY, THAT FUNDS ARE BEING PROVIDED BY VOLUNTARY CONTRIBUTIONS TO SUPPORT THAT.

WITH REGARD TO IRAQ, THE SECURITY COUNCIL CEASE-FIRE RESOLUTION, RESOLUTION 687, CALLS ON THE IAEA TO UNDERTAKE A NUMBER OF NEAR AND LONGER-TERM RESPONSIBILITIES TO INSPECT AND MONITOR IRAQ'S NUCLEAR ACTIVITIES. AND IT'S MY UNDERSTANDING THAT FUNDING FROM THAT IS TO COME FROM THE SO-CALLED "SPECIAL COMMISSION" ESTABLISHED BY THE SECURITY COUNCIL TO OVERSEE THE DESTRUCTION OF IRAQI WEAPONS. AND I'M LESS CLEAR HOW THAT'S TO BE FUNDED.

AND FINALLY, THE 1990 NUCLEAR NON-PROLIFERATION TREATY REVIEW CONFERENCE HAS HAD SOME STATEMENTS ENCOURAGING IAEA TO CONSIDER NEW SAFEGUARDS APPROACHES TO ENABLE THE AGENCY TO DETECT AND CALL ATTENTION TO POTENTIALLY SUSPICIOUS NUCLEAR ACTIVITIES, AND OBVIOUSLY THAT WILL REQUIRE FUNDING ALSO.



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SEC. BAKER: MR. MCHUGH, I THINK THAT DEPENDS IN LARGE PART ON WHAT MIGHT HAPPEN OVER THE COURSE OF THE NEXT COUPLE OF WEEKS WITH RESPECT TO THE PROSPECTS FOR ECONOMIC REFORM IN THE SOVIET UNION. LET ME SAY THAT I HAD A CONVERSATION WITH THE COMMANDER-IN-CHIEF AS RECENTLY AS 9:20 THIS MORNING IN WHICH HE TOLD ME, IF I HAVE THE OPPORTUNITY TO LET YOU KNOW THAT THE STORY IN THE NEW YORK TIMES TODAY IS NOT ACCURATE, TO LET YOU KNOW THAT. SO I'M PLEASED TO LET YOU KNOW THAT THE COMMANDER-IN-CHIEF DOESN'T THINK THE STORY QUOTING HIM TO THE EFFECT THAT IT'S A NON-STARTER IS AN ACCURATE REFLECTION OF HIS VIEWS.

REP. MCHUGH: THANK YOU.

THANK YOU, MR. CHAIRMAN.

REP. OBEY: MR. GREEN.

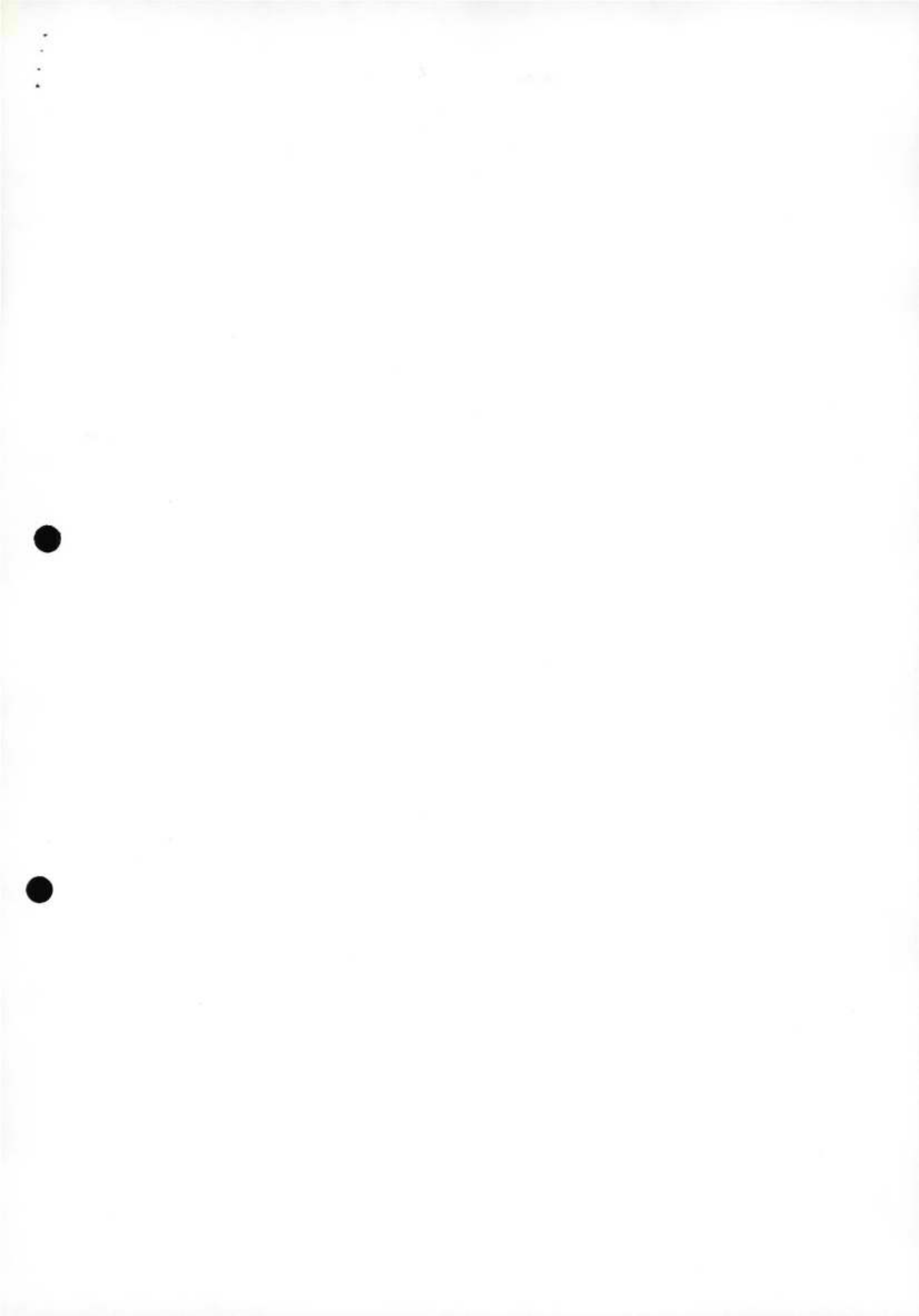
REP. BILL GREEN (R-NY): THANK YOU, MR. CHAIRMAN. I HAVE TWO QUICK QUESTIONS AND ONE A LITTLE LONGER.

FIRST, THE UN CEASE-FIRE RESOLUTION CALLS FOR IRAQI REPARATIONS TO, QUOTE, "FOREIGN GOVERNMENTS, NATIONALS, AND CORPORATIONS," CLOSED QUOTE, THAT INCURRED DAMAGE AS A RESULT OF IRAQ'S UNLAWFUL INVASION AND OCCUPATION OF KUWAIT. AND I BELIEVE THE KUWAITI AMBASSADOR HIMSELF HAS CALLED FOR IRAQI REPARATIONS TO ISRAEL. DO YOU AGREE THAT IRAQ SHOULD PAY REPARATIONS TO ISRAEL? AND, IF SO, WHAT ARE WE DOING TO SECURE THOSE REPARATIONS?

SEC. BAKER: WELL, WE'RE DOING THE SAME THING -- THE ANSWER IS OF COURSE. AND WE'RE DOING THE SAME THING WE ARE TO SECURE REPARATIONS ON THE PART OF EVERYONE ELSE, AND THAT IS PUTTING A CHARGE AGAINST IRAQI OIL EXPORTS TO CREATE A REPARATIONS FUND.

REP. GREEN: NEXT ON THE QUESTION OF ARMS SALES IN THE MIDEAST, I UNDERSTOOD THAT THE US HAS RESUMED DELIVERY OF MILITARY EQUIPMENT TO LEBANON. AND FRANKLY, I'M PUZZLED WHAT THE PURPOSE IS. I'D LIKE TO KNOW WHAT THE ARMS ARE. AND WITH 30 (THOUSAND) TO 35 THOUSAND SYRIAN TROOPS OCCUPYING PART OF LEBANON, WHAT ASSURANCES DO WE HAVE THAT WE'RE NOT JUST GIVING ARMS TO THE SYRIANS?





REP. : ESPECIALLY IF YOU'RE AT THE END OF THE TABLE.  
(LAUGHTER.)

REP. OBEY: I WOULDN'T COMPLAIN, BECAUSE IF WE DON'T LIMIT  
MEMBERS, YOU WON'T GET ANY TIME. (LAUGHTER.)

REP. MCHUGH: MR. SECRETARY, IF I MAY ASK YOU ONE QUICK  
QUESTION ABOUT THE ECONOMIC SUMMIT. CLEARLY, MR. GORBACHEV IS  
ANXIOUS TO HAVE SOME AT LEAST OBSERVING ROLE AT THE ECONOMIC SUMMIT.  
IT RAISES SOME SIGNIFICANT QUESTIONS WITH REGARD TO THE ISSUES YOU  
COVERED IN YOUR OPENING REMARKS IN TERMS OF HOW WE IN THE WEST WILL  
RESPOND TO THE CURRENT CIRCUMSTANCES IN THE SOVIET UNION, MR.  
GORBACHEV'S ROLE IN PARTICULAR. WHAT IS YOUR VIEW WITH RESPECT TO  
HIS PARTICIPATION IN TERMS OF AT LEAST BEING AN OBSERVER? AND WHAT  
CONDITIONS, IF ANY, SHOULD BE MET IN ORDER FOR HIM TO PLAY THAT

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תפוצה: שהח, @ (רהמ), סשהח, מנכל, ממנכל, @ (שהבט), ר/מרכז,  
ממד, @ (רם), @ (אמן), בנצור, מצפא, רביב,  
מעט, הסברה, @ (דוצ), @ (נוה/משהבט)

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NOW, THE ISSUE IS WHETHER SOME UN FORCE COULD PROVIDE THE CREDIBLE SECURITY ASSURANCES THAT THEY NEED. AT THE MOMENT, IT'S MY UNDERSTANDING THAT THERE ARE A HANDFUL OF POLICE -- UN POLICE FORCES IN THIS SAFE HAVEN AREA. ON THE FACE OF IT, I WOULD BE SURPRISED IF MANY OF THE IRAQI KURDS WOULD BE SATISFIED WITH THAT KIND OF SECURITY. SO MY QUESTION IS: WHAT DO YOU SEE HAPPENING WITHIN THE NEXT MONTH OR TWO WHICH MIGHT PROVIDE THE KIND OF SECURITY GUARANTEES THAT THE KURDS WILL NEED AND ENABLE US TO WITHDRAW? OR, IN THE ALTERNATIVE, IS IT LIKELY THAT WE'RE GOING TO HAVE TO BE THERE FOR A PERIOD LONGER THAN A MONTH OR TWO? WHAT DO YOU SEE HAPPENING?

SEC. BAKER: MR. MCHUGH, FIRST, LET ME SAY THAT -- LET ME TAKE THIS OPPORTUNITY TO COMPLIMENT YOU ON YOUR MISSION, BECAUSE THE INPUT FROM THAT MISSION, I THINK, WAS VERY HELPFUL TO US IN PUTTING TOGETHER THE SUPPLEMENTAL REQUEST THAT WE PUT TOGETHER. I DON'T THINK ANYBODY CAN TELL YOU WITH ANY ABSOLUTE CERTAINTY WHAT IS GOING TO HAPPEN OVER THE COURSE OF THE NEXT MONTH OR SO.

DISCUSSIONS ARE NOW ONGOING BETWEEN THE UNITED NATIONS AND THE GOVERNMENT OF IRAQ WITH RESPECT TO THE INSERTION OF A CIVILIAN GUARD FORCE FOR HUMANITARIAN RELIEF WORKERS AND FOR REFUGEES TO REPLACE THE FORCES THAT ARE NOW THERE. WE HOPE THAT THOSE DISCUSSIONS WILL MOVE FORWARD PRODUCTIVELY. WE HOPE THAT ADDITIONAL UN PERSONNEL CAN BE INSERTED. YOU'RE QUITE RIGHT. THERE ARE FEW -- THERE'S A HANDFUL THERE NOW, BUT I THINK THE PLANS ARE THAT THEY WOULD INCREASE THE NUMBERS UP INTO THE FOUR (HUNDRED) AND FIVE HUNDRED RANGE, ASSUMING THESE DISCUSSIONS CONTINUE TO MAKE PROGRESS.

NOW, IF THAT DOESN'T WORK, THEN THERE WILL HAVE TO BE SOME CONSIDERATION GIVEN TO WHETHER OR NOT ANOTHER RESOLUTION OF THE COUNCIL, A) IS APPROPRIATE, AND, B) COULD BE OBTAINED, BECAUSE IT'S NOT AT ALL CERTAIN WITH RESPECT TO EITHER A OR B AT THIS STAGE. RIGHT NOW, I THINK THE BEST THING IS FOR THESE DISCUSSIONS TO GO FORWARD BETWEEN THE UNITED NATIONS AND THE GOVERNMENT OF IRAQ THAT COULD LEAD TO THE INSERTION OF UNITED NATIONS PERSONNEL THAT WOULD GIVE THE NECESSARY ASSURANCES TO THE REFUGEES.

REP. MCHUGH: DO I HAVE TIME FOR ONE MORE QUESTION?

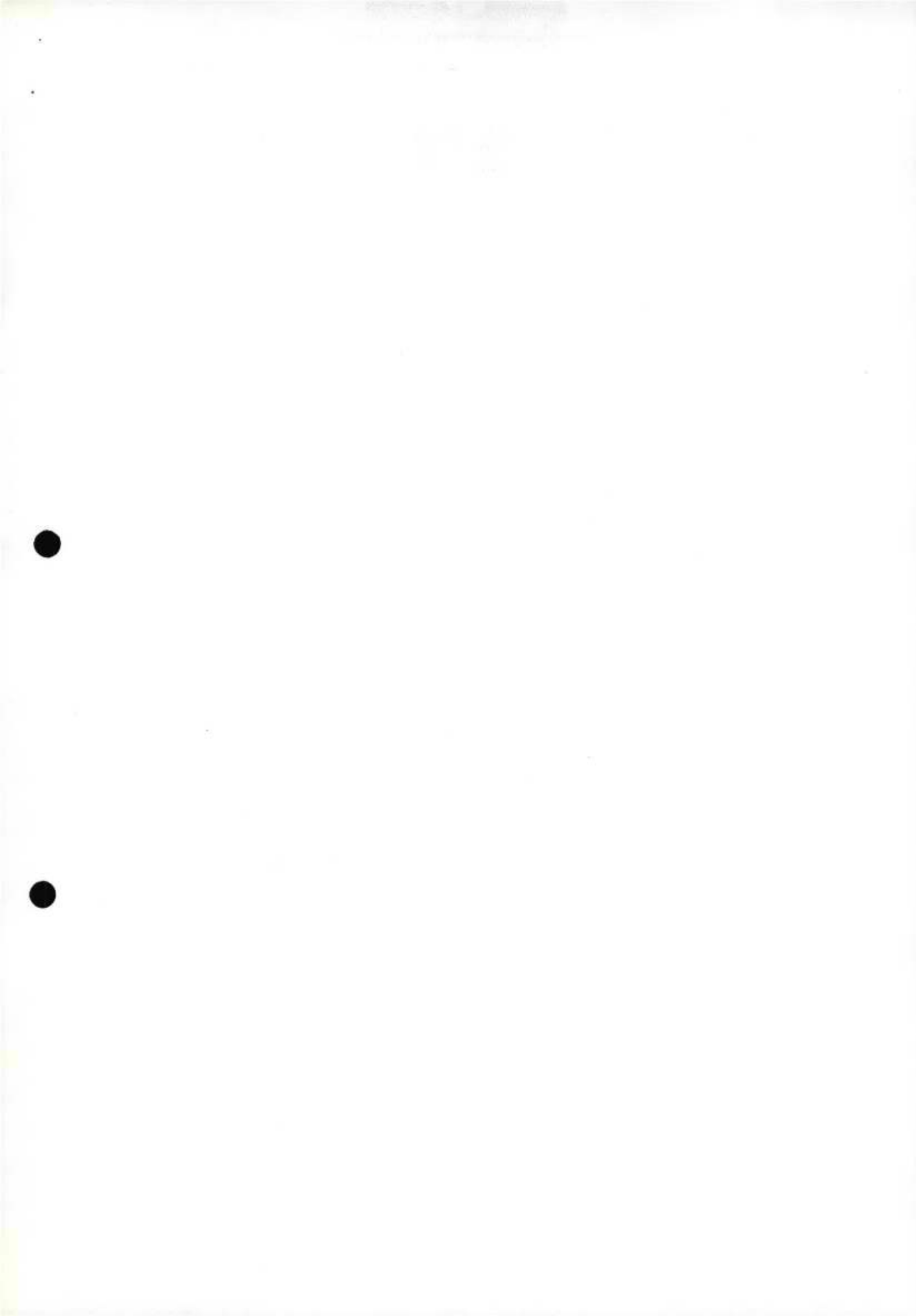
REP. OBEY: IF YOU'RE SHORT, SURE.

REP. MCHUGH: WELL, I HOPE I'M NOT THE VILLAIN OF THIS PIECE, BECAUSE I'VE -- THE TIME GETS SHORTER AND SHORTER AS WE GO DOWN THE TABLE.

LET ME ASK YOU ONE MORE QUESTION -- (LAUGHTER) --

SEC. BAKER: DEMOCRACY IS MESSY, ISN'T IT, MR. MCHUGH?

REP. MCHUGH: YES. (LAUGHTER.) LET ME ASK YOU ONE QUICK QUESTION.



SEC. BAKER: NO. WHAT I -- THE INDICATION FROM KING HUSSEIN IS THAT HE THINKS THIS IS A VERY IMPORTANT TIME. HE THINKS THAT HAVING A PEACE PROCESS IS VERY, VERY IMPORTANT. IT IS IMPORTANT, AND I'M NOT GOING TO QUOTE HIM NOW BY SAYING THIS, BUT MAKE THIS OUR VIEW -- IT IS IMPORTANT THAT THERE BE A PEACE PROCESS IF WE ARE GOING TO RESIST RADICALIZATION IN THE ARAB WORLD. THE KING IS WILLING TO COME TO THE CONFERENCE AS PART OF A JOINT PALESTINIAN-JORDANIAN DELEGATION IF THAT'S WHAT THE PALESTINIANS WANT. AND SO FAR AT LEAST, IN THE DISCUSSIONS THAT I'VE HAD WITH PALESTINIANS, IT WOULD APPEAR THAT THAT'S AN APPROACH THAT THEY WOULD BE FAVORABLY DISPOSED TOWARD. AND IT WOULD -- IT'S AN APPROACH THAT OTHERS ARE FAVORABLY DISPOSED TOWARD.

REP. MCHUGH: ONE OTHER QUESTION ON THIS, AND THEN I'D LIKE TO PASS ON, GIVEN OUR LIMITED TIME, TO ANOTHER AREA. HAS THE SUBJECT IN YOUR DISCUSSIONS OF PARTICIPATION BY PALESTINIANS IN EAST JERUSALEM, A VERY SENSITIVE ISSUE, BEEN RAISED? WOULD A PALESTINIAN DELEGATION INCLUDE OR EXCLUDE PALESTINIANS WHO RESIDE IN EAST JERUSALEM?

SEC. BAKER: WELL, THE QUESTION -- THE SUBJECT HAS BEEN RAISED, AND IT IS VERY SENSITIVE, AND I'M NOT GOING TO GET INTO IT HERE. (LAUGHTER.)

REP. MCHUGH: IT HAS NOT BEEN RESOLVED THEN, I ASSUME?

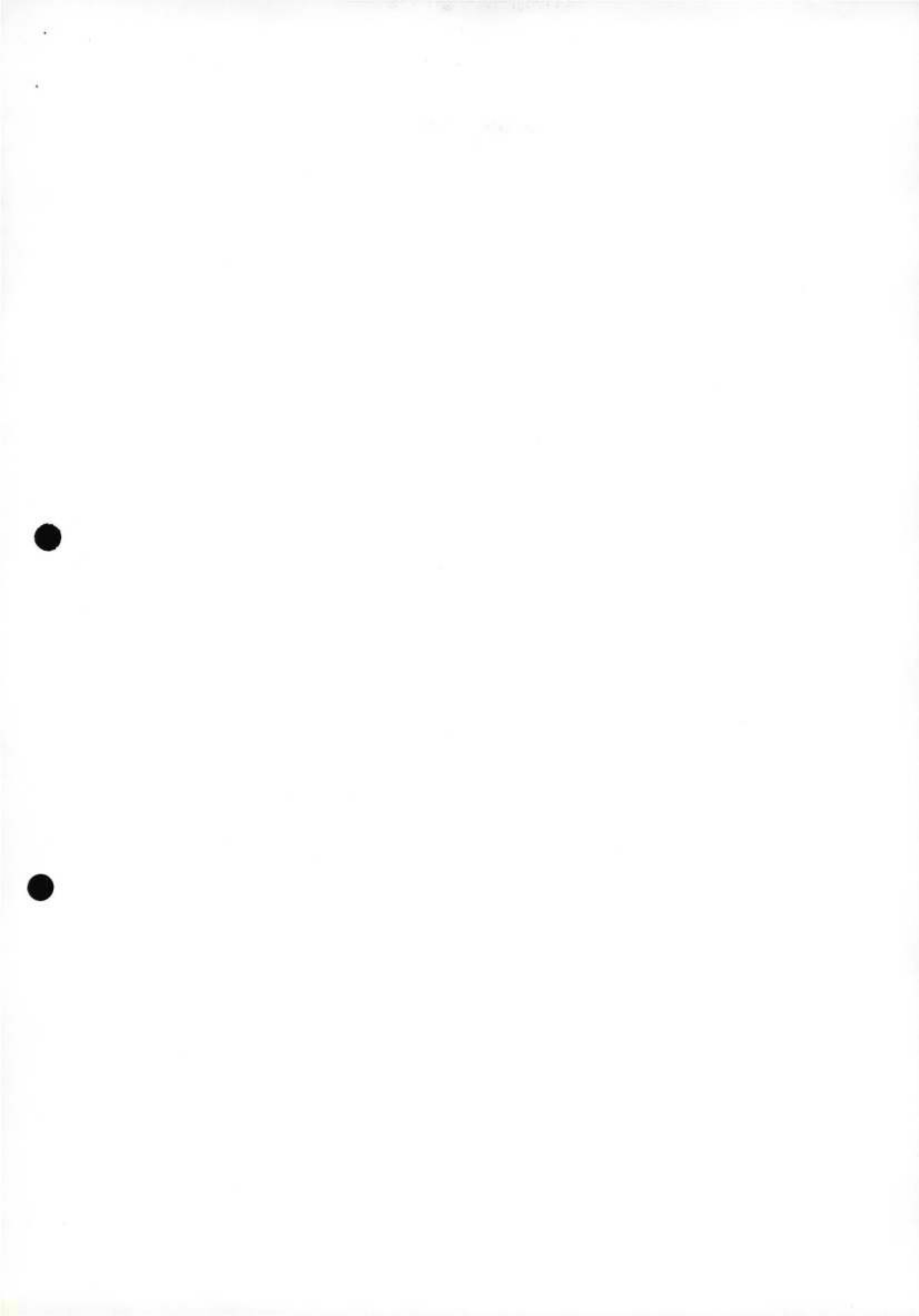
SEC. BAKER: I DIDN'T SAY THAT. (LAUGHTER.) IT MAY NOT HAVE BEEN, BUT THEN AGAIN, IT MIGHT'VE. (LAUGHTER.)

REP. MCHUGH: OKAY. DO WE HAVE A FIVE-MINUTE RULE? I CAN'T PRESS HIM ON -- (LAUGHTER) --

LET ME MOVE ON, IF I MAY, BRIEFLY TO IRAQ. I RECENTLY HAD THE OPPORTUNITY AT THE SPEAKER'S REQUEST TO LEAD A SMALL DELEGATION TO THE IRAQI-KUWAITI BORDER AREAS. LET ME SAY THAT AMONG THE CONCLUSIONS WE REACHED WAS THAT THE PRESIDENT WAS QUITE CORRECT IN USING AMERICAN FORCES TO DELIVER HUMANITARIAN ASSISTANCE. WE OBSERVED A WONDERFUL JOB BEING DONE BY OUR PEOPLE, AND CLEARLY A LOT MORE FOLKS WOULD HAVE DIED HAD THEY NOT BEEN USED.

I ALSO AGREE THAT IT SHOULD BE OUR PURPOSE TO WITHDRAW US AND COALITION MILITARY FORCES AS SOON AS POSSIBLE AND HAVE THEM REPLACED BY SOME UN FORCE, IF THAT IS NECESSARY. THE REAL QUESTION IS HOW WE CAN ACCOMPLISH THAT. THE REFUGEES WHOM WE SPOKE TO WERE DEEPLY FEARFUL OF THE IRAQI MILITARY. THEY WERE VERY SKEPTICAL OF ANYONE PROVIDING CREDIBLE ASSURANCE -- CREDIBLE SECURITY ASSURANCES OTHER THAN THE UNITED STATES AND COALITION FORCES. AND, THEREFORE, SO LONG AS THEY CONTINUE TO LIVE IN FEAR OF SADDAM HUSSEIN'S MILITARY, IT SEEMS TO ME THAT THEY'RE GOING TO WANT CONTINUING CREDIBLE SECURITY ASSURANCES FROM THE US AND COALITION FORCES, WHICH RUNS COUNTER TO OUR IN GETTING OUR FORCES OUT.





AS IT IS.

THERE IS -- YOU'VE GIVEN US A -- I THINK, A CLEAR AND FAIRLY COMPREHENSIVE STATEMENT ON YOUR PROGRESS TO DATE AND THE OBSTACLES YOU FACE. THERE'S ONE AREA THAT I'M A LITTLE UNCLEAR ABOUT. PERHAPS YOU CAN CLARIFY IT FOR ME. IN LISTING THE POINTS OF CONSENSUS, YOU INDICATED THAT ONE OF THE POINTS WAS THAT THE PALESTINIANS WOULD BE REPRESENTED BY PALESTINIAN LEADERS IN THE TERRITORIES. THEN YOU HAD A SECOND CATEGORY OF ISSUES WHICH REMAINED UNRESOLVED, AND IN THAT CATEGORY I ALSO HEARD THAT PALESTINIAN REPRESENTATION WAS ONE OF THE ISSUES UNRESOLVED. YOU INDICATED THAT YOUR PREFERENCE, ALTHOUGH THE PALESTINIANS THEMSELVES SHOULD CHOOSE THEIR LEADERSHIP, YOUR PREFERENCE WAS THAT THERE BE NEGOTIATIONS INCLUDING A JOINT JORDANIAN-PALESTINIAN DELEGATION. SO I'M A LITTLE CONFUSED. IS THE QUESTION OF WHO REPRESENTS THE PALESTINIANS A SETTLED ISSUE? OR IS IT ONE OF THE REMAINING UNRESOLVED ISSUES? AND, IF SO, WHAT REMAINS UNRESOLVED?

SEC. BAKER: MR. MCHUGH, I THINK IT IS SETTLED IN TERMS OF THE GENERIC APPROACH, BUT THAT DOES NOT MEAN THAT, AS -- WHEN THE TIME COMES FOR PALESTINIANS TO DETERMINE WHAT THEIR REPRESENTATION WILL BE, THAT QUESTIONS MIGHT NOT ARISE. I CAN'T GIVE YOU AN ABSOLUTE GUARANTEE HERE THIS MORNING THAT THAT ISSUE WOULD NOT -- THAT THERE WOULD NOT BE SOME DIFFICULTIES AS THAT ISSUE WERE APPROACHED IN PRACTICE. IT IS THE VIEW, I THINK, OF ALMOST EVERYONE WITH WHOM I HAVE TALKED, INCLUDING PALESTINIANS IN THE TERRITORIES, ISRAEL, EGYPT, THE UNITED STATES, THE SOVIET UNION, JORDAN, THAT A JOINT PALESTINIAN-JORDANIAN DELEGATION WOULD BE THE BEST WAY TO PROCEED, AND THAT WOULD BE THE WAY THAT WE WOULD HOPE WOULD BE THE ROUTE THAT WOULD BE CHOSEN.

WHAT I'M SAYING IS I CAN'T SIT HERE THIS MORNING AND TELL YOU THAT A QUESTION MIGHT NOT COME UP INVOLVING PALESTINIAN REPRESENTATION. BUT THE TRUTH OF THE MATTER IS, IF WE COULD GET AGREEMENT BETWEEN ISRAEL AND SYRIA ON TWO ISSUES, I THINK WE WOULD BE IN A POSITION TO SEE DIRECT NEGOTIATIONS BEGIN. AND THOSE TWO ISSUES ARE: SHOULD THERE BE ANY ROLE FOR THE UN? AND, SECONDLY, SHOULD THIS CONFERENCE BE A ONE-TIME MEETING, OR SHOULD IT HAVE THE ABILITY TO RECONVENE? THOSE ARE THE TWO ISSUES RIGHT NOW THAT I THINK STAND IN THE WAY OF PROGRESS. AND BECAUSE THEY ARE PRIMARILY, IN MY VIEW AT LEAST, ISSUES OF FORM RATHER THAN SUBSTANCE, I WOULD HOPE THAT THE PARTIES COULD GET TOGETHER AND FIND A WAY TO BRIDGE THEIR DIFFERENCES ON THESE TWO ISSUES.

REP. MCHUGH: IS KING HUSSEIN NOW PREPARED TO PARTICIPATE IN A JOINT DELEGATION? BECAUSE, AS YOU RECALL, AFTER MAKING SUBSTANTIAL EFFORTS TO PUT ONE TOGETHER SOME YEARS AGO, HE IN EFFECT WASHED HIS HANDS OF THAT EFFORT. AND WHAT YOU'RE SUGGESTING, I THINK, IS THAT HE'S CHANGED HIS MIND AND IS NOW PREPARED TO PARTICIPATE. IS THAT -- DID YOU GET AN INDICATION FROM HIM THAT HE WILL?





REP. PORTER: I WOULD HOPE, MR. SECRETARY, THAT THE PRESIDENT'S TASK FORCE ON INTERNATIONAL BROADCASTING MIGHT TAKE UP THE QUESTION OF WHETHER WE CAN'T IMPACT THAT SOCIETY MORE GREATLY WITH A PROGRAM SIMILAR TO RADIO FREE EUROPE CALLED RADIO FREE CHINA THAT I HAVE INTRODUCED IN THE CONGRESS.

FINALLY, LET ME ASK ONE FINAL, QUICK QUESTION. ELECTIONS ARE GOING TO BE HELD IN HONG KONG TO ELECT A (LEG CO ?) FOR THE FIRST TIME THIS YEAR. AND IT SEEMS TO ME THAT WE WANT TO DO EVERYTHING WE POSSIBLY CAN SINCE THAT CROWN COLONY IS COMING UNDER THE CONTROL OF BEIJING IN 1997, TO PUT INTO PLACE DEMOCRATIC INSTITUTIONS. IF WERE TO SEND OBSERVERS TO THAT ELECTION THIS YEAR, WOULDN'T IT HELP TO CREATE A PRECEDENT OF INTERNATIONAL PARTICIPATION THAT MIGHT CARRY FORWARD TO ELECTIONS THAT HAVE BEEN PROMISED AFTER BEIJING TAKES OVER IN 1997 AND WHERE WE CAN SET A BASIS FOR COMMITMENT TO FREE ELECTIONS THAT MIGHT NOT OCCUR UNDER THE PRESENT REGIME, AT LEAST AFTER 1997?

SEC. BAKER: WHAT IS THE ATTITUDE -- I'M NOT SURE I KNOW, MR. PORTER, WHAT THE ATTITUDE OF THE UK IS ON THAT. THAT'S NOT AN ISSUE THAT I HAVE LOOKED AT, SO I'LL BE GLAD TO --

REP. PORTER: IF THEY WERE --

SEC. BAKER: -- TAKE THE QUESTION AND GIVEN YOU ANSWER.

REP. PORTER: IF THEY WERE WILLING, WOULD WE BE WILLING TO SEND ELECTION OBSERVERS THIS TIME?

SEC. BAKER: OBVIOUSLY, THE BEST HOPE FOR -- THE BEST ASSURANCES FOR HONG KONG'S FUTURE WILL BE THE CHANGES THAT OUR POLICY AIMS TO PROMOTE IN CHINA, AND THAT IS RESPECT FOR HUMAN RIGHTS, PROMOTION OF FREE-MARKET ECONOMIC REFORMS, AND POLITICAL PLURALISM. I THINK YOU WOULD HAVE TO WEIGH WHETHER OR NOT OUR SENDING OBSERVERS WOULD BE SEEN AS SOME SORT OF -- I THINK WE'D NEED TO KNOW A LITTLE MORE ABOUT WHAT THE REACTION WOULD BE TO THAT FROM THE MAINLAND AND PARTICULAR FROM THE UNITED KINGDOM, BECAUSE I DO NOT KNOW. I MEAN, THE ISSUE HAS NOT BEEN BROACHED TO ME, MR. PORTER, AND I'LL BE GLAD TO LOOK INTO IT.

REP. PORTER: THANK YOU, MR. SECRETARY.

REP. OBEY: THE GENTLEMAN'S TIME HAS EXPIRED.

MR. MCHUGH.

REP. MATTHEW MCHUGH (D-NY): THANK YOU, MR. CHAIRMAN. MR. SECRETARY, LET ME QUICKLY ADD MY VOICE TO THOSE OF MY COLLEAGUES WHO HAVE COMPLIMENTED YOU ON YOUR WORK. IT IS CLEARLY IN THE INTEREST OF THE UNITED STATES TO TRY TO RESOLVE SOME OF THE UNDERLYING ISSUES IN THE MIDDLE EAST AND CERTAINLY IN THE INTEREST OF THE PARTIES OUT THERE, AND I WISH YOU MUCH SUCCESS, AS DIFFICULT



SEC. BAKER: WELL, MR. PORTER, WE'VE GOTTEN MORE ACTIVE WITH RESPECT TO THE -- TO THE PROBLEMS IN CYPRUS, AND THAT'S ONE INDICATION OF SOME OF OUR ACTIVITY. WE HAVE BEEN -- WE HAVE BEEN REQUESTING THAT THERE BE SOME FOCUS ON THE QUESTION OF DISPLACED PERSONS AND PERCENTAGE OF TERRITORY THAT MIGHT BE -- THAT MIGHT BE USED IN ANY RESOLUTION OR -- OR PEACEFUL SETTLEMENT OF THIS ISSUE, AND THAT'S REALLY ABOUT ALL I CAN TELL YOU RIGHT NOW WITHOUT -- WITHOUT GOING FURTHER THAN I OUGHT TO. THIS IS A VERY TOUGH ISSUE, TOO. BUT WE ARE WILLING TO TRY AND BE HELPFUL WHERE WE CAN WITHOUT, IN ANY WAY, UNDERCUTTING OR UNDERMINING THE EFFORTS OF THE SECRETARY GENERAL OF THE UNITED NATIONS, WHICH EFFORTS WE SUPPORT VERY, VERY STRONGLY.

BUT WE HAVE -- WE HAVE, OF COURSE, WORKED VERY CLOSELY WITH TURKEY. THEY'VE BEEN A VERY STRONG ALLY IN THE GULF WAR. THEY IMMEDIATELY CUT OFF THE IRAQI OIL PIPELINE. THEY TOOK ACTIONS WITHOUT WHICH, I DARE SAY, WE WOULD HAVE HAD A MUCH MORE DIFFICULT TIME THAN WE DID HAVE IN -- IN ACHIEVING THE RESULT WE DID, AND WE WANTED TO TAKE ADVANTAGE OF THAT TO SEE IF WE COULD WORK TO ENGENDER A SIGNIFICANTLY GREATER DEGREE OF INTEREST ON THE PART OF THE TURKISH LEADERSHIP IN ADDRESSING THE SPECIFIC AND PRECISE ISSUES THAT ARE -- THAT ARE -- THAT ARE STILL OUTSTANDING IN CONNECTION WITH THE CYPRUS PROBLEM.

REP. PORTER: MR. SECRETARY, CHINA REMAINS ONE OF THE PLACES IN THE WORLD WHERE THERE ARE TREMENDOUS ABUSES OF HUMAN RIGHTS AND WHERE BASIC HUMAN FREEDOMS ARE NOT ALLOWED TO A -- A POPULATION OF OVER ONE BILLION PEOPLE, AND WE HAVE KEPT THE DOOR OPEN WITH DISCUSSIONS WITH THE LEADERS IN BEIJING. WHAT ONGOING EFFORTS DOES THE UNITED STATES HAVE TO IMPACT NOT THE LEADERSHIP OF CHINA, WHICH INCREASINGLY PEOPLE BELIEVE IS OUT OF TOUCH WITH ITS OWN POPULATION, BUT EFFORTS TO REACH THE PEOPLE OF CHINA WITH MESSAGES REGARDING DEMOCRACY AND HUMAN FREEDOM AND FREE ENTERPRISE, IF I MAY ADD THAT TO IT? WHAT EFFORT ARE WE MAKING TO -- TO REACH OUT TO PEOPLE THERE AND TRY TO MOVE THAT SOCIETY INTO A GREATER PARALLEL -- PARALLEL POSITION WITH OTHERS THAT ARE MOVING TOWARD DEMOCRACY AND HUMAN FREEDOM?

SEC. BAKER: WE'VE BEEN VERY ACTIVE, MR. PORTER, THROUGH OUR -- THROUGH OUR EMBASSY IN SETTING FORTH OUR VIEWS AND IN PROMOTING THE CONCEPTS OF RESPECT FOR HUMAN RIGHTS AND DEMOCRACY.

I THINK YOU DO KNOW THE PRESIDENT'S -- PRESIDENT'S STRONGLY HELD VIEW THAT WE SHOULD NOT ISOLATE CHINA, THAT WE SHOULD NOT SIMPLY REFUSE TO DEAL WITH CHINA BECAUSE THEY HAVE A -- A RECORD ON HUMAN RIGHTS OF WHICH WE ARE CRITICAL. WE HAVE SOUGHT VERY, VERY ARDENTLY TO BALANCE OUR OUTRAGE AT WHAT HAPPENED IN TIANANMEN WITH THE NATIONAL INTEREST IN REMAINING ENGAGED WITH THE PEOPLE'S REPUBLIC OF CHINA, AND WE WILL BE -- THE PRESIDENT WILL BE MAKING A DECISION HERE VERY SOON WITH RESPECT TO THE QUESTION OF RENEWAL OF MFN FOR CHINA.





THE WAR, THEY WERE ONE OF THE MOST STRICT ADHERENTS TO THE BOYCOTT AND -- AND TO THE SECONDARY BOYCOTT, THAT IS, REFUSING TO DO BUSINESS WITH COMPANIES THAT TRADED AT ALL WITH ISRAEL. HAVE YOU HAD ANY DISCUSSIONS WITH THE KUWAITI LEADERS REGARDING THIS -- THE BOYCOTT AND SECONDARY BOYCOTT? AND AREN'T US FIRMS PUT AT A COMPETITIVE DISADVANTAGE BECAUSE US LAW FORBIDS THEM FROM COMPLYING WITH THE ARAB BOYCOTT?

SEC. BAKER: THE -- THE ISSUE HAS BEEN DISCUSSED, MR. PORTER, AND -- AND THERE HAS BEEN, IN MY VIEW, SOME CHANGE IN THE ATTITUDE AND APPROACH OF THE GOVERNMENT OF KUWAIT, PARTICULARLY WITH RESPECT TO THE QUESTION OF NEGATIVE CERTIFICATION, AND WE WOULD -- WE WOULD HAVE TO SEE THAT AS A POSITIVE RESULT.

REP. PORTER: JUST LAST WEEK, THE ARAB LEAGUE'S BOYCOTT OF ISRAEL OFFICE ADDED 110 COMPANIES TO THE BLACK LIST OF COMPANIES THAT DO BUSINESS WITH ISRAEL. WHAT REACTION -- WAS THERE ANY OFFICIAL REACTION BY THE STATE DEPARTMENT TO THAT LIST, AND HAS THAT -- THAT ISSUE BEEN RAISED IN MEETING WITH ARAB LEADERS?

SEC. BAKER: I DON'T THINK WE HAD ANY -- ANY REACTION FROM THE PODIUM AT THE STATE DEPARTMENT.

REP. PORTER: WELL, IF I COULD --

SEC. BAKER: LET ME -- LET ME -- LET ME RESERVE ON THAT, MR. PORTER. I WAS OUT -- I WAS IN -- OUT OF THE COUNTRY, SO LET ME CHECK AND SEE. IT MAY VERY WELL HAVE BEEN.

OBVIOUSLY, WE DO NOT -- WE DO NOT SUPPORT THE IDEA OF THE BOYCOTT, AND ADDING 100 COMPANIES IS NOT SOMETHING THAT WE WOULD LOOK ON WITH ANY FAVOR WHATSOEVER. AT THE SAME TIME THAT THAT ANNOUNCEMENT WAS MADE, IF I RECALL CORRECTLY, THERE WAS A DELETION OF A MAJOR COMPANY OR TWO. BUT THAT DOESN'T EXCUSE ADDING A WHOLE HOST OF OTHER COUNTRIES. WE DO NOT SUPPORT THE BOYCOTT AND --

REP. PORTER: AND WE -- AND WE RAISED THIS IN OUR DISCUSSIONS WITH THE ARAB LEADERS AS OFTEN AS POSSIBLE.

SEC. BAKER: WE RAISED IT ALL THE TIME.

REP. PORTER: MR. SECRETARY, YOU MET NOT LONG AGO WITH RAUF DENKTASH TO DISCUSS THE SITUATION IN CYPRUS AND SAID AT THE TIME THAT THE MEETING DID NOT REPRESENT ANY TYPE OF OFFICIAL RECOGNITION OF AN INDEPENDENT GOVERNMENT FOR NORTHERN CYPRUS. AND OF COURSE, I'M GLAD THAT THAT -- THAT DISCLAIMER WAS MADE. I COMMEND YOU FOR DEVOTING ATTENTION TO THIS ISSUE. CAN YOU BRING US UP TO DATE? DID ANYTHING COME OF THE MEETING WITH MR. DENKTASH AS TO THE COURSE OF FUTURE NEGOTIATIONS IN CYPRUS, AND WHERE IS THAT IN THE LIST OF PRIORITIES SINCE THIS IS A COUNTRY THAT, IT SEEMS TO ME, WITH SOME GOOD STRONG US PRESSURE, MIGHT BE REUNITED AGAIN?





MISUNDERSTANDING ON WHAT I SAID REGARDING SYRIA. THE -- THERE -- THERE HAVE BEEN A CLEAR REDUCTION IN TERRORIST ACTIVITIES BY THESE GROUPS RESIDENT IN SYRIA AGAINST US AND WESTERN INTERESTS SINCE THE -- SINCE THE IRAQI INVASION OF KUWAIT. THAT STILL HAS NOT BEEN ENOUGH FOR US TO REMOVE SYRIA FROM THE TERRORISM LIST FOR OTHER REASONS.

BUT WE HAVE -- IF WE'RE GOING TO HAVE PEACE IN THE MIDDLE EAST, WE REALLY ARE GOING TO HAVE TO MAKE EVERY EFFORT TO BRING ALL OF THE IMPORTANT PARTIES TO THE TABLE. ISRAEL HAS BEEN VERY ANXIOUS TO SEE A TWO-TRACK APPROACH, AND THIS APPROACH IS WHAT WE HAVE EMBRACED AND BEEN -- AND BEEN PURSUING. THEY WOULD LIKE VERY MUCH TO SIT WITH THEIR ARAB NEIGHBORS AND NEGOTIATE THE DIFFERENCES THEY HAVE. ONE OF THOSE ARAB NEIGHBORS WITH WHOM THEY HAVE THE MOST SIGNIFICANCE DIFFERENCE IS SYRIA. THIS IS DIFFERENT THAN THE APPROACH WE TOOK LAST YEAR OR A YEAR AND A HALF OR SO AGO, MR. YATES, WHEN WE WERE TRYING TO CREATE AN ISRAELI-PALESTINIAN DIALOGUE, SOLELY ONE TRACK. SO WE MUST WORK TO -- IF YOU'RE GOING TO -- IF WE'RE GOING TO BE INSTRUMENTAL IN TRYING TO GET SUCH A PROCESS GOING, WE HAVE GOT TO TALK TO BOTH SIDES.

REP. OBEY: THE GENTLEMAN'S TIME HAS EXPIRED.

REP. YATES: I JUST WANT TO TERMINATE -- CONCLUDE MY TIME, MR. CHAIRMAN, BY POINTING OUT THAT THERE'S ONLY ONE ARAB COUNTRY THAT SAT DOWN WITH ISRAEL, AND THAT WAS EGYPT, AND EGYPT AND ISRAEL WERE ABLE TO WORK IT OUT, AND ISRAEL PROVED VERY GENEROUS IN CONNECTION WITH ITS NEGOTIATIONS WITH EGYPT. IT GAVE BACK EVERY INCH OF LAND THAT IT HAD TAKEN FROM EGYPT DURING THE 1973 WAR, AND WHILE THEY DON'T HAVE A -- A -- WHILE THEY HAVE A COLD PEACE RATHER THAN A HOT WAR GOING AT THE PRESENT TIME, AT ANY RATE, THEY HAVE A RELATIONSHIP WITH WHICH THEY CAN GET ALONG.

I WANT TO CONCLUDE BY -- BY POINTING OUT WHAT SOME WISE MAN SAID. HE SAID THAT IN THE MIDDLE EAST, EVEN THE PAST IS UNPREDICTABLE.

REP. OBEY: MR. PORTER.

REP. PORTER: THANK YOU, MR. CHAIRMAN. MR. SECRETARY OF STATE, YOU MUST BE ABSOLUTELY EXHAUSTED. THE AMERICAN PEOPLE AND THE MEMBERS OF CONGRESS VERY MUCH APPRECIATE YOUR TREMENDOUS EFFORTS TO FIND THE KEY TO PEACE IN THE MIDDLE EAST, AND WE HOPE YOU GET A CHANCE TO GET SOME REST.

I'VE BEEN INFORMED I'M NOW UNDER THE FIVE-MINUTE RULE, EVEN THOUGH WE HAVEN'T OBSERVED IT UP TO THIS POINT, AND SO I'M GOING TO ASK MY QUESTIONS AS QUICKLY AS I CAN.

I WANT TO -- I WANT TO GO BACK TO SOMETHING MY COLLEAGUE FROM ILLINOIS RAISED, AND THAT IS THE -- THE KUWAITI ADHERENCE TO THE BOYCOTT OF ISRAEL -- THE ARAB BOYCOTT OF ISRAEL. PRIOR TO THE -- TO



BETTER ATMOSPHERE FOR PEACE NEGOTIATIONS, AND I SUGGESTED -- I SUGGESTED TO THE ARABS, FOR INSTANCE, THAT THEY CONSIDER SUSPENDING -- AGREEING TO SUSPEND THE STATE OF BELLIGERENCY DURING THE TENDENCY OF ANY PEACE DISCUSSIONS IF THE ISRAELIS WOULD, ON THE OTHER HAND, SUSPEND SETTLEMENT ACTIVITY, THE -- THE ACTION OF SETTLING THE WEST BANK -- THE OCCUPIED TERRITORIES.

I DIDN'T GET ANY TAKERS ON EITHER SIDE. I'VE ALSO SUGGESTED THAT THEY -- THAT THEY PERHAPS CONSIDER AGREEING TO SUSPEND THE BOYCOTT -- THE ARAB BOYCOTT OF ISRAEL AGAINST A SUSPENSION BY ISRAEL OF SETTLEMENT ACTIVITY, AND I HAVEN'T GOTTEN ANY TAKERS ON EITHER SIDE. THESE THINGS ARE ALL IMPEDIMENTS TO PEACE, IN MY VIEW, AND WE OUGHT TO KEEP WORKING. I'M NOT SAYING THE FACT THAT WE DON'T HAVE TAKERS YET MEANS THAT WE'LL NEVER HAVE -- THAT WE WILL NEVER HAVE TAKERS.

IN THE GULF WAR, THE UNITED STATES HAPPENED TO SHARE A COMMON GOAL WITH SYRIA, AND -- AND SYRIA SENT FORCES TO THE GULF, ACTUALLY FOUGHT IN THAT WAR, FOUGHT ALONGSIDE US FORCES, EGYPTIAN FORCES, GULF FORCES. BUT WE STILL HAVE SYRIA ON OUR TERRORISM LIST BECAUSE WE HAVE SOME FUNDAMENTAL PROBLEMS WITH -- WITH THEIR APPROACH TO THIS ISSUE.

I WILL SAY THAT WE'VE HAD SOME DISCUSSION WITH THEM WHICH HAVE BEEN, I THINK, PRODUCTIVE, MR. YATES. AND OUR INTELLIGENCE --

REP. YATES: PRODUCTIVE IN WHAT WAY?

SEC. BAKER: THERE HAS BEEN A -- THERE HAS BEEN A VERY CLEAR REDUCTION IN TERRORIST ACTIVITY BY GROUPS RESIDENT IN THAT COUNTRY SINCE THE OUTBREAK OF THE -- OF IRAQ'S INVASION OF KUWAIT.

REP. YATES: MAY I INTERRUPT YOU, MR. SECRETARY, AND JUST POINT UP A -- A COUPLE OF INSTANCES, SINCE IT SEEMED TO ME TO BE MARKED IRRITANTS THAN ANYTHING ELSE? KUWAIT, FOR EXAMPLE, STILL OBSERVES THE BOYCOTT OF ISRAEL, AS FAR AS ECONOMIC RELATIONSHIPS BETWEEN ISRAEL AND AMERICAN CORPORATIONS ARE CONCERNED OR OTHER CORPORATIONS ARE CONCERNED.

THE WORD I GET, TOO, IS THAT A SENATOR WANTING TO VISIT SAUDI ARABIA -- UNITED STATES SENATOR WANTING TO VISIT SAUDI ARABIA WAS -- WAS BARRED, BOYCOTTED BECAUSE HE HAD AN ISRAELI STAMP IN HIS PASSPORT -- SAUDI ARABIA, OUR CLOSE FRIEND. AND THE UNITED STATES SENATOR COULDN'T GET IN THERE BECAUSE OF THE ISRAEL STAMP. WHY DO SUCH THINGS AS THAT HAPPEN STILL?

SEC. BAKER: BECAUSE WE DON'T HAVE PEACE IN THE MIDDLE EAST. IT'S THE SAME -- IT'S PART OF THE FUNDAMENTAL PROBLEM. WE -- YOU KNOW, THAT'S INEXCUSABLE -- SENATOR LAUTENBERG'S EXPERIENCE -- AND WE SPEAK OUT AGAINST THAT AND WEIGH IN AGAINST THAT.

LET ME SAY THIS ONE THING AND MAKE CERTAIN THERE'S NO





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SEC. BAKER: YES, SIR.

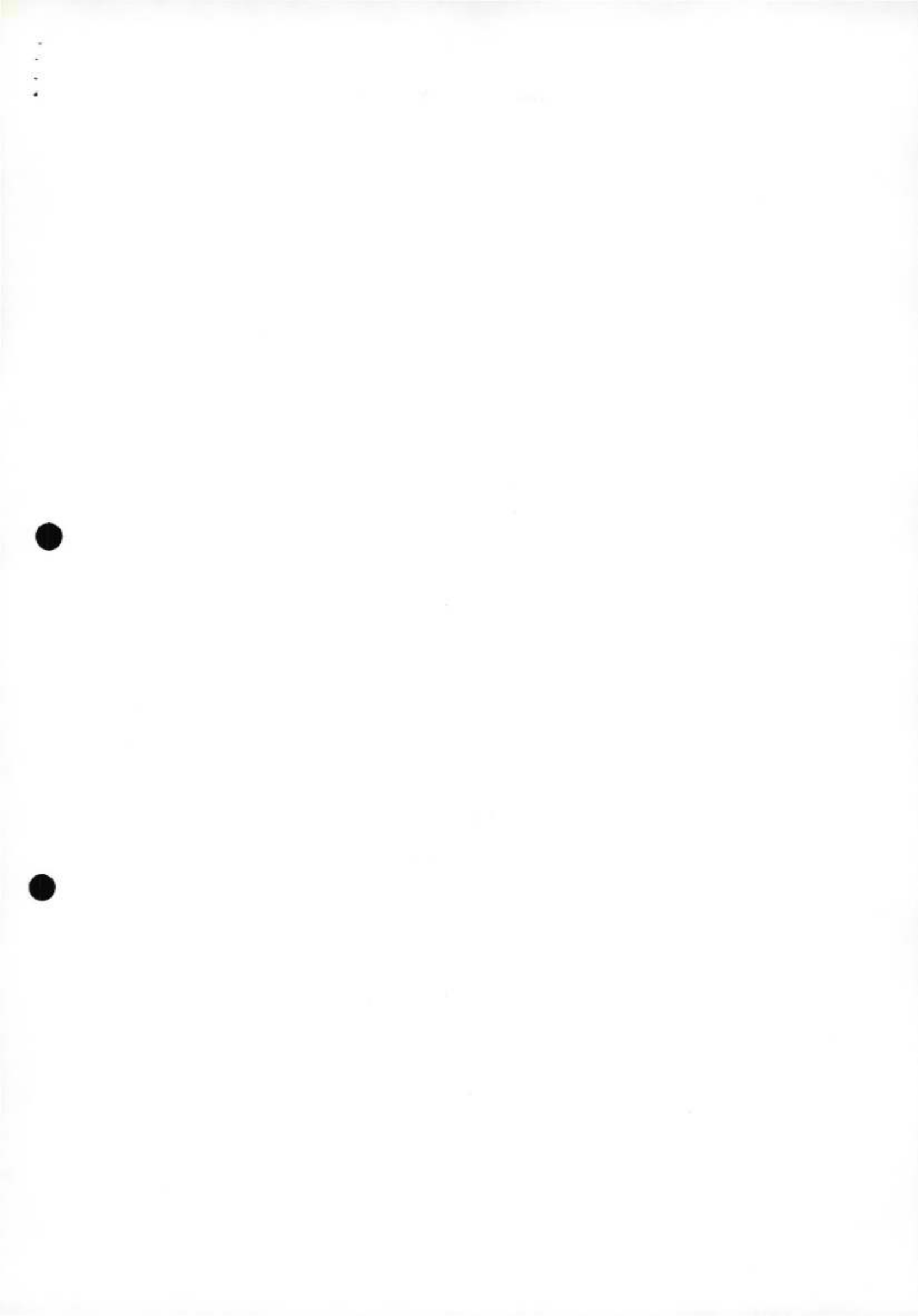
REP. YATES: IT IS. IT'S STILL A TERRORIST STATE.

IS THERE ANY KIND OF A DEAL THAT WE HAVE GONE WITH SYRIA? WHY DIDN'T WE GET -- WHY DID SYRIA BECOME A SO-CALLED "ALLY"? I SAY A "SO-CALLED ALLY" BECAUSE NEWSWEEK FOR MARCH 18TH, IN DISCUSSING THE SECRET HISTORY OF THE WAR, SAYS THIS ON PAGE 30, "FINALLY, THERE WAS THE SHEER COMPLICATION OF MOUNTING SUCH AN ENORMOUS AIR OPERATION WITH SORTIES AVERAGING 2,000 TO 3,000 A DAY. AWAC AND GROUND RADAR CREWS HAD TO DEVISE SOPHISTICATED COMPUTERIZED FLIGHT PLANS TO KEEP PLANES FROM RUNNING INTO ONE ANOTHER. AN ARMADA OF TANKERS HAD TO BE KEPT IN THE AIR PRACTICALLY AROUND THE CLOCK TO ACT AS MOBILE GAS STATIONS FOR JET ENGINES. THIS TEST TASK WAS COMPLICATED WHEN SYRIA REFUSED TO LET ALLIED PLANES FLY THROUGH ITS AIR SPACE, FORCING BOMBERS BASED IN CENTRAL TURKEY TO TAKE A ROUND-ABOUT ROUTE TO THE TARGETS." WELL, THIS IS THE FIRST TIME I'VE READ OF THAT. I HADN'T SEEN THAT IN THE PAPERS BEFORE. IS THAT -- THAT ISN'T COMMON KNOWLEDGE, IS IT, THAT SYRIA REFUSED TO COOPERATE WITH OUR -- OUR FLYING MISSIONS TO ATTACK IRAQ?

SEC. BAKER: I DON'T KNOW WHETHER THAT'S COMMON KNOWLEDGE OR NOT, MR. YATES. IT'S NOT -- THAT'S NOT THE WHOLE PICTURE. BUT I CAN'T GO INTO ANY MORE DETAIL THAN THAT.

LET ME COMMENT ON SOME OF THE -- SOME OF THE THINGS YOU'VE SAID THOUGH. FIRST OF ALL, I THINK THAT -- I REALLY DO BELIEVE BOTH SIDES ARE SERIOUS. THEY MAY NOT BE. THEY MAY JUST BE HIDING BEHIND THESE TWO SYMBOLIC ISSUES. BUT I THINK THAT THEY'RE SERIOUS. I THINK THAT I'VE ALREADY MENTIONED, IN ANSWER TO THE CHAIRMAN'S QUESTION, THAT IT'S VERY SIGNIFICANT THAT THESE GULF STATES WOULD -- WOULD COME FORWARD AND SAY, YES, THEY ARE GOING TO BREAK WITH SOME YEARS AND YEARS AND YEARS OF TRADITION AND CUSTOM AND BE WILLING TO SIT DOWN FACE TO FACE WITH ISRAEL. THAT IS A SIGNIFICANT STEP.

THE QUESTION OF THE STATE OF WAR IS VERY -- IS A VERY DISTURBING ONE. LET ME -- LET ME SAY TO YOU THAT I HAVE APPROACHED BOTH SIDES WITH THE IDEA THAT PERHAPS THERE COULD BE SOME -- THERE COULD BE SOME STEPS TAKEN BY EACH THAT WOULD -- THAT WOULD PROMOTE A





SEC. BAKER: THANK YOU VERY MUCH.

REP. OBEY: MR. YATES.

REP. SIDNEY YATES (D-IL): MR. SECRETARY, WELCOME. I WANT TO JOIN MY FRIEND MICKEY EDWARDS IN EXPRESSING MY ADMIRATION AS WELL FOR YOUR ENERGY AND FOR YOUR DETERMINATION IN TRYING TO BRING ABOUT BETTER RELATIONS WITH THE SOVIET UNION AND BETWEEN THE COUNTRIES IN THE MIDDLE EAST. I DON'T KNOW OF A MORE FRUSTRATING MISSION THAN TRYING TO BRING PEACE BETWEEN THE COUNTRIES IN THE MIDDLE EAST, BUT

RING OF THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE HOUSE  
ROPRIATIONS COMMITTEE SUBJECT: FISCAL YEAR '92 APPROPRIATIONS  
IR: REP. DAVID OBEY (D-WI) WITNESS: SECY OF STATE JAMES A. BAKER III  
0 RAYBURN HOUSE OFFICE BUILDING WEDNESDAY, MAY 22, 1991

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IT'S ONE THAT'S A NECESSARY ONE AND I CERTAINLY WANT TO GIVE YOU A PAT ON THE BACK FOR WHAT YOU'VE DONE.

I SAID IT WAS A FRUSTRATING MISSION; IT SEEMS TO BE "MISSION IMPOSSIBLE" TO ME, RATHER THAN A MERE FRUSTRATING MISSION, BECAUSE THE ARAB NATIONS DON'T SEEM TO BE DISPOSED TO CHANGE THEIR ANCIENT WAYS, LET ALONE MAKE PEACE WITH ISRAEL. I REMEMBER DURING THE RECENT WAR IT WAS HOPED THAT THE WAR MIGHT PERSUADE THEM TO CHANGE SOME OF THEIR ATTITUDES; IT WAS HOPED THAT BECAUSE ISRAEL WAS SHOWING RESTRAINT IN NOT REPLYING TO THE ATTACK BY THE SCUDS -- OF THE SCUDS, THAT MAYBE THEY'D HAVE A DIFFERENT ATTITUDE TOWARD ISRAEL ONCE THE WAR WAS OVER.

BUT I CAN'T HELP THINKING OF THE FRENCH TRUISM: LE PLUS CA CHANGE, LE PLUS, C'EST LA MEME CHOSE -- THE MORE THINGS CHANGE THE MORE THEY ARE THE SAME. AND I CAN'T ESCAPE THE CONCLUSION THAT ISRAEL REALLY DOES WANT PEACE WITH THE ARAB NATIONS, THE ARAB NATIONS DON'T WANT PEACE WITH ISRAEL, THAT THEY'RE USING THE PALESTINIANS, THEY'RE ADVANCING THE PALESTINIANS AS A FOIL TO PREVENT REALLY THEIR OWN PARTICIPATION IN ANY KIND OF A PEACE TREATY. UNLESS I'M MISTAKEN, DOESN'T A STATE OF WAR STILL EXIST BETWEEN THE ARAB NATIONS AND ISRAEL?

סוף חלק 3

תפוצה: שהח, @ (רהמ), סשהח, מנכל, ממנכל, @ (שהבט), ר/מרכז,  
ממד, @ (רם), @ (אמן), בנצור, מצפא, רביב,  
מעט, הסברה, @ (דוצ), @ (נוה/משהבט)



WE ALSO KNOW THAT SOMETIMES DEMOCRACY CAN BE MESSY. WE ALSO KNOW

RING OF THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE HOUSE  
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THAT SOMETIMES THE -- THE RESTRAINT OR THE PATIENCE, IS A BETTER  
WORD, PATIENCE OF THE PEOPLE IS LIMITED, AND THEREFORE YOU HAVE TO  
PRODUCE SOME RESULTS IN A REASONABLY -- REASONABLE TIME FRAME IF  
EFFORTS TO DEMOCRATIZE ARE GOING TO SUCCEED.

SO I DO NOT THINK THAT WE'RE OUT OF WHACK IN THE WAY WE ARE  
APPROACHING THE SITUATION IN THOSE EMERGING DEMOCRACIES OF CENTRAL  
AND EASTERN EUROPE. THERE ARE MANY THINGS THAT CAN BE DONE ON THE  
POLITICAL SIDE -- MORE THINGS THAT CAN BE DONE, I THINK. THEY ARE  
CRYING OUT, FOR INSTANCE, FOR ASSISTANCE IN LEARNING DEMOCRATIC  
TRADITIONS IN TALKING ABOUT INVESTMENT REGIMES, IN TALKING ABOUT  
CONSTITUTIONS, IN LEARNING ENGLISH. THE CZECHOSLOVAKS, FOR  
INSTANCE, CONTINUE TO ASK US TO SEE IF WE CAN SEND SOME PEOPLE WHO  
CAN ASSIST THEM IN LEARNING ENGLISH AND IN LEARNING OUR DEMOCRATIC  
SYSTEM AND THE INCIDENTS THEREOF. SO I DON'T THINK THAT WE'RE OFF  
BASE.

REP. EDWARDS: WELL, MY OTHER QUESTION IS JUST A FOLLOWUP ON  
THAT. ONE OF THE THINGS THAT'S IN YOUR BUDGET REQUEST IS A  
CONTINGENCY FUND TO BE ABLE TO MEET THE EMERGING DEMOCRACY  
OPPORTUNITIES, AND I JUST WONDERED IF YOU COULD ELABORATE A LITTLE  
BIT ON HOW YOU WOULD DO THAT. HOW WOULD YOU USE THAT FUND IN ORDER  
TO ACCOMPLISH THE ENDS YOU'VE JUST DESCRIBED?

SEC. BAKER: WELL, THERE ARE A NUMBER OF THINGS. ONE OF THE --  
ONE EXAMPLE, I JUST CITED FOR YOU. LAST MARCH, THE PRESIDENT  
ANNOUNCED A TRADE ENHANCEMENT INITIATIVE, AMERICAN BUSINESS AND  
PRIVATE SECTOR DEVELOPMENT INITIATIVE ON THE ECONOMIC SIDE: WE'VE  
ESTABLISHED AN OFFICE FOR ASSISTANCE TO EASTERN EUROPE OVERSEAS; WE  
WILL HAVE AID REPRESENTATIVES IN EACH OF THESE COUNTRIES BY LATE  
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REP. EDWARDS: LET ME JUST CONCLUDE, MR. CHAIRMAN, BY SAYING I  
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FOREIGN ASSISTANCE, AND SECOND, TO MAKE A LIST OF WHAT COUNTRIES ARE OFF-LIMITS WHO WE DO NOT WANT AMERICAN TAX DOLLARS GOING TO, AND AFTER THAT IT OUGHT TO BE UP TO YOU TO DECIDE HOW TO USE THEM MOST EFFECTIVELY. AND I HOPE WE CAN CONTINUE TO MOVE IN THAT DIRECTION. I HOPE WE WILL CONTINUE TO WORK IN THE DIRECTION OF MORE CONSULTATION ABOUT MAJOR DECISIONS, PRIOR CONSULTATION BEFORE THEY'RE ANNOUNCED. I THINK THERE IS STILL TOO MUCH TENDENCY TO HAVE THE ADMINISTRATION MAKE DECISIONS AND THEN COME TELL US WHAT THE DECISION WAS AND THAT WE HAVE TO SUPPORT IT BECAUSE THE PRESIDENT'S CREDIBILITY IS ON THE LINE. AND I WOULD SUGGEST TO YOU THAT WHAT HAPPENED IN TERMS OF THE PERSIAN GULF, WHERE THE PRESIDENT REALLY WENT OUT OF HIS WAY, AND YOU DID AND SECRETARY CHENEY DID, TO KEEP THE MEMBERS OF CONGRESS VERY CLOSELY INFORMED WITH A WHOLE SERIES OF MEETINGS, I THINK THAT'S A GOOD PATTERN TO FOLLOW FOR THE FUTURE.

FINALLY, LET ME JUST SAY IN TERMS OF WHAT YOU HAD IN YOUR PREPARED STATEMENT, THE MOST IMPORTANT PART, I THINK, WAS YOUR EMPHASIS ON HELPING THE EMERGENCE OF DEMOCRACY AROUND THE WORLD. THAT'S A VERY IMPORTANT GOAL. WE HAVE TO NOT ONLY HELP THE COUNTRIES WHICH HAVE STARTED TO MOVE IN THAT DIRECTION, BUT WE HAVE TO LOOK TOWARD OTHER PEOPLE AS WELL, IN AFRICA, THE ALBANIANS, THE RUSSIAN REPUBLICS, AND SO FORTH, TO TRY TO CONTINUE TO PROMOTE DEMOCRACY.

SO HAVING SAID THAT, LET ME -- I HAVE, MR. CHAIRMAN, A COUPLE OF BRIEF QUESTIONS. THE FIRST OF THEM IS, WE ARE NOW -- "WE" MEANING THE WEST RATHER THAN THE UNITED STATES SPECIFICALLY -- POURING ABOUT DOLLAR 17 BILLION IN AID INTO EASTERN EUROPE THIS YEAR, AND THE QUESTION IS WHETHER OR NOT POLAND AND CZECHOSLOVAKIA AND OTHERS CAN ABSORB THAT MONEY AND MAKE GOOD USE OF IT. AND PART OF THE PROBLEM HAS BEEN THAT THEY REALLY -- THEY'RE GETTING MONEY BUT THEY REALLY DON'T HAVE DEMOCRACY IN PLACE. AND I'M WONDERING, DO YOU THINK THAT IT WOULD BE HELPFUL IF WE INCREASE OUR PROMOTION OF DEMOCRACY IN EASTERN EUROPE THROUGH NED (?) IN PARTICULAR, BUT ALSO OTHERWISE, BEFORE WE COMMIT ADDITIONAL DIRECT CASH AID?

SEC. BAKER: WELL, THOSE COUNTRIES HAVE ALL EXPRESSED A DESIRE TO MOVE TOWARD DEMOCRACY, MR. EDWARDS, AND THEY HAVE EXPRESSED SUPPORT FOR POLITICAL PLURALISM. IT'S MY VIEW, ALWAYS HAS BEEN, THAT DEMOCRATIZATION AND A MOVE TO FREE MARKET ECONOMICS HAVE TO MOVE IN TANDEM, HAVE TO PROCEED IN TANDEM. IF YOU GET -- WITHOUT MY CITING THE NAMES OF COUNTRIES, WHICH WOULD NOT BE A DIPLOMATIC THING TO DO, YOU CAN THINK OF COUNTRIES WHERE THE POLITICAL PROCESS GOT OUT AHEAD OF THE ECONOMIC REFORM -- POLITICAL REFORM GOT AHEAD OF ECONOMIC REFORM, AND YOU CAN THINK OF COUNTRIES WHERE ECONOMIC REFORM GOT AHEAD OF POLITICAL REFORM. THE TWO HAVE TO PROCEED APACE.

BUT THE EMERGING DEMOCRACIES OF CENTRAL AND EASTERN EUROPE ARE GOING TO BE -- I MEAN, THEY ARE REAL TEST CASES, I THINK, AND THEY ARE VERY IMPORTANT TO US AS A CONSEQUENCE, BECAUSE OUR SYSTEM -- SYSTEMS -- ARE BEING TESTED HERE. WE KNOW HOW SUCCESSFUL DEMOCRACY CAN BE AND WE KNOW HOW SUCCESSFUL A FREE MARKET ECONOMY CAN BE. BUT





SOME OF OUR CLOSEST ALLIES ROSE TO MEET SADDAM'S CHALLENGE, THAT THE EFFORTS THAT WE HAD MADE THROUGH YOUR LEADERSHIP IN WORKING WITH TURKEY AND EGYPT AND ISRAEL AND OTHERS WERE REALLY PAYING OFF.

OUR FOREIGN AID TODAY IS AT A CROSSROADS, AND I WANT TO GET INTO A COUPLE OF POINTS. IF WE'RE GOING TO MAKE OUR FOREIGN AID MEANINGFUL, WE ARE GOING TO HAVE TO REFORM, AND WE'VE TALKED ABOUT THIS BEFORE, THE ENTIRE FOREIGN AID PROCESS, AND PLACING A SPECIAL EMPHASIS ON EMERGING DEMOCRACIES AS YOU HAVE DONE IN YOUR STATEMENT. I WAS VERY PLEASED BY YOUR LIST OF THE FIVE PRIORITIES. I WAS DISTURBED, I HAVE TO TELL YOU, THAT THERE WAS NOT MORE IN YOUR STATEMENT ABOUT ANY SUBSTANTIAL REVISION OF FOREIGN AID PROGRAMS EXCEPT IN TERMS OF PROVIDING MORE FLEXIBILITY FOR THE ADMINISTRATION, AND I HOPE THAT WE CAN GET MORE INTO THAT.

I THINK IT'S CLEAR THAT FOREIGN AID HAS A ROLE TO PLAY IN INTERNATIONAL RELATIONS, BUT I THINK IT'S ALSO CLEAR THAT WE HAVE TO MAKE SOME VERY SUBSTANTIAL REVISIONS IN THE WAY WE PROVIDE FOREIGN AID. I THINK YOUR FIVE PRIORITIES DO MOVE US IN THAT DIRECTION. I, AS YOU KNOW, HAVE ADVOCATED -- I'M PROBABLY THE ONLY ONE IN CONGRESS WHO ADVOCATES IT -- BUT I THINK TO BE MORE HONEST IN HOW WE PRESENT OUR BUDGETS, WE OUGHT TO PROVIDE THE MILITARY ASSISTANCE THAT WE GIVE TO OTHER COUNTRIES AS A PART OF OUR DEFENSE BUDGET RATHER THAN AS A PART OF OUR FOREIGN ASSISTANCE BUDGET. I WOULD BE DELIGHTED IF WE REACHED A POINT WHERE WE BEGAN TO MAKE SUBSTANTIAL REDUCTIONS IN THE AMOUNT OF ARMS THAT WE SELL TO COUNTRIES AROUND THE WORLD. IT SEEMS I HAVE A VERY DIFFICULT TIME RECONCILING MY OWN VIEWS WITH THE FACT THAT WE STILL FIND OVER 100 COUNTRIES IN THE WORLD THAT WE JUST HAVE TO SELL WEAPONS TO. I THINK THAT'S SOMETHING THAT I HOPE WE WILL SERIOUSLY LOOK AT, AND AS WE'VE TALKED ABOUT BEFORE, I HOPE THAT THERE WILL BE CONSIDERABLY MORE EMPHASIS IN THE FUTURE ON BILATERAL RELATIONS AND BILATERAL ASSISTANCE RATHER THAN MULTILATERAL, ALTHOUGH I KNOW SOME OF MY COLLEAGUES ON THE COMMITTEE WOULD NOT AGREE WITH ME.

THERE IS PROBABLY NOT VERY MUCH CONSENSUS TO PASS A FOREIGN AID REAUTHORIZATION REWRITE THIS YEAR, SO THIS COMMITTEE, THIS SUBCOMMITTEE MAY BE THE ONLY VEHICLE FOR MAKING WHATEVER CHANGES WE CAN MAKE. BUT WE WOULD LIKE TO WORK WITH YOU IN DOING THAT, AND ONE OF THEM THAT WE CAN WORK ON THAT I KNOW YOU SUPPORT IS TO REDUCE THE AMOUNT OF EARMARKING. WITH THE CHAIRMAN'S LEADERSHIP, WE HAVE BEEN SUCCESSFUL IN THIS SUBCOMMITTEE IN REDUCING EARMARKING AND GIVING THE ADMINISTRATION MORE

RING OF THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE HOUSE  
APPROPRIATIONS COMMITTEE SUBJECT: FISCAL YEAR '92 APPROPRIATIONS  
IR: REP. DAVID OBEY (D-WI) WITNESS: SECY OF STATE JAMES A. BAKER III  
0 RAYBURN HOUSE OFFICE BUILDING WEDNESDAY, MAY 22, 1991  
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FLEXIBILITY. I THINK WE SHOULD -- I STILL THINK IT'S OUR ROLE IN CONGRESS TO DETERMINE, FIRST OF ALL, HOW MUCH MONEY YOU CAN SPEND ON



REP. OBEY: NO QUESTION. I'LL GET BACK TO YOU WITH SOME OTHER MIDDLE EASTERN QUESTIONS.

MR. EDWARDS?

REP. EDWARDS: THANK YOU, MR. CHAIRMAN.

MR. SECRETARY, GLAD TO HAVE YOU HERE.

SEC. BAKER: THANK YOU.

REP. EDWARDS: YOU'VE BEEN KEEPING UP AN EXHAUSTING PACE FOR THE LAST FEW MONTHS SO I APPRECIATE YOU TAKING THE TIME TO BE WITH US. I'LL -- IN ADDITION TO ASKING A COUPLE OF QUESTIONS MAKE A COUPLE OF OPENING REMARKS BECAUSE I WAS LATE. AND I APOLOGIZE FOR BEING LATE BUT, AS YOU KNOW, TODAY WE HAD THE OCCASION OF HAVING THE SWEARING-IN OF A NEW REPUBLICAN MEMBER OF THE HOUSE, AND SINCE THAT'S DOESN'T HAPPEN VERY OFTEN, AND ESPECIALLY SINCE IT WAS A TEXAN I THOUGHT I WOULD BE THERE AND YOU WOULD FORGIVE ME FOR IT.

I WANT TO THANK YOU FOR --

REP. : (OFF MIKE).

(LAUGHTER.)

REP. EDWARDS: THAT'S TRUE. THERE ARE NOW SEVEN OF US, SO WE'RE GAINING ON YOU.

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SEC. BAKER: I'M OUT OF POLITICS, MR. EDWARDS, OR I WOULD FORGIVE YOU. (LAUGHTER.)

REP. EDWARDS: I WANT TO THANK YOU FOR YOUR EFFORTS TO FURTHER THE CAUSE OF PEACE IN THE MIDDLE EAST. AND PEOPLE HAVE ARGUED ABOUT WHETHER OR NOT THERE REALLY WAS A WINDOW OF OPPORTUNITY FOR PEACE WHEN YOU BEGAN YOUR EFFORTS. YOU KNOW BETTER THAN WE DO WHETHER THERE WAS OR NOT. BUT YOU'VE MADE A VERY GOOD CONTRIBUTION AND YOU'VE CERTAINLY HELPED TO TRY TO OPEN ONE AND WE ALL ADMIRE YOU FOR THAT.

IT'S NOT OFTEN THAT THOSE OF US WHO WORK ON THIS SIDE OF THE BUDGET IN FOREIGN ASSISTANCE SEE VERY MANY DIRECT OR CONCRETE BENEFITS FROM WHAT WE DO. BUT IN THE MIDDLE EAST, WE SAW JUST THAT. I THINK THAT FROM THE VERY BEGINNING OF THE GULF CONFLICT, WE SAW, AS





AROUND THE WORLD.

BUT, WE ALSO HAVE TO I THINK LOOK AT SOME ISSUES ON THE POLITICAL SIDE. WHEN YOU CONSIDER THAT THE SOVIET UNION DOES RETAIN AND REMAIN -- DOES RETAIN THE CAPABILITY TO INFLICT GREAT DAMAGE UPON THE UNITED STATES, IT'S IMPORTANT I THINK THAT WE KNOW THAT IF WE'RE GOING TO GET INTO THAT BUSINESS IN A BIG WAY, THAT WE RESOLVE SOME OF THESE -- THAT SOME OF THESE POLITICAL ISSUES ARE MOVING IN THE RIGHT DIRECTION, MR. CHAIRMAN. AND I DON'T THINK THAT YOU CAN JUST SEGREGATE IT AND PUT IT OVER HERE IN AN ECONOMIC BOX.

REP. OBEY: NOBODY'S SUGGESTING THAT. MR. SACHS ISN'T SUGGESTING THAT. IF FACT, MR. SACHS IN HIS PROPOSAL, WHICH AS YOU NOTE REPRESENTS ROUGHLY A DOLLAR 30 BILLION PACKAGE OVER FIVE YEARS, NOT PROVIDED BY US, PROVIDED BY THE WEST, WHICH IS A LOT SMALLER PACKAGE THAN WE HAVE PROVIDED TO EGYPT, I WOULD POINT OUT, IN A ONE-YEAR PERIOD -- IF YOU COMPARE -- IF YOU COMPARE IT ALL. HE'S SUGGESTING THAT WE NOT ONLY LINK ECONOMIC PERFORMANCE, BUT PERFORMANCE ON DEMOCRATIZATION, AND IF WE WANT, PERFORMANCE AS WELL ON ARMS CONTROL, EVERY OTHER ISSUE WHICH WE FEEL IS LEGITIMATE. BUT IT

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JUST SEEMS TO ME THAT IN CONTRAST TO LAST FALL, WHEN EVERYTHING WAS GOING THE WRONG DIRECTION, THERE SEEMS AN OPPORTUNITY NOW TO INFLUENCE THE PROCESS IN A POSITIVE WAY BY -- NOT BY DOING SOMETHING BUT BY SPELLING OUT WHAT WE WOULD BE WILLING TO DO IF THEY DO SOMETHING, AND SPELL OUT WHAT THAT SOMETHING IS IN SUFFICIENT DETAIL SO THAT IT COULD GIVE THE REFORMERS SOME STANDARDS BY WHICH TO ASSESS THE ACTION OF THE CENTRAL GOVERNMENT.

SEC. BAKER: WELL, AS I INDICATED IN MY -- IN MY OPENING REMARKS, MR. CHAIRMAN, WE ARE -- WE ARE ENCOURAGED BY THE EVENTS OF APRIL 23RD AND THEREAFTER. WE SEE SIGNS THAT THE REFORM COURSE IS BEING -- IS CONTINUING TO BE PURSUED BY THE CENTRAL AUTHORITIES IN THE SOVIET UNION IN A MANNER THAT THERE MAY HAVE BEEN SOME QUESTION ABOUT DURING THE PERIOD FROM SEPTEMBER UP TILL ROUGHLY THE FIRST OF THIS MONTH OR THE END OF APRIL. SO THESE THINGS ARE THINGS I THINK THAT WE CAN PROPERLY CONSIDER.

I'M NOT FAMILIAR WITH THE DETAILS OF THE PLAN YOU TALK ABOUT. I AM FAMILIAR WITH THE IDEA THAT IT -- THAT IN EXCHANGE FOR A FIRM COMMITMENT AND SOME ASSURANCE OF IMPLEMENTATION ON THE PART OF THE SOVIET UNION WITH RESPECT TO ECONOMIC REFORM, THE WEST SHOULD CONSIDER WHAT IT MIGHT BE WILLING TO DO, BUT YOU WILL HAVE TO EXAMINE I THINK AS WELL THE POLITICAL ISSUES THAT -- THE POLITICAL CONDITIONS THAT WOULD HAVE TO BE ATTACHED.





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DEST=HILL, HSAPPROP, SSD, DOS, FORPOLUS, XFORPOLUS, MIDEAST, PERGULF, ISRAEL, T  
DEST+=FNS11090, FNS13126, FNS10327, FNS14187, SAUDIAR, ARAB, INTARMS, WEAP  
DEST+=ARMSCONT, USSR, HUMRT, CONVARM, EGYPT, SYRIA, UN, KUWAIT, IMF, ALB, AFRICA  
DEST+=FNS33145, FNS10269, FORTR, CZECH, ECAID, EASTEUR, USAID, BUDGUS, PAL  
DATA

OUR ECONOMIC ASSISTANCE ON FREE MARKET REFORMS ON STRUCTURAL  
ADJUSTMENT THAT MOVES COUNTRIES TOWARD THE MODEL THAT WE KNOW AS THE  
MOST SUCCESSFUL MODEL. SO, IF WE WERE EVER GOING TO GET INTO THE  
BUSINESS OF ECONOMIC ASSISTANCE FOR THE SOVIET UNION, CLEARLY WE  
OUGHT TO DO SO ON A BASIS WHICH WOULD SEE THAT ASSISTANCE --

REP. OBEY: NO QUESTION --

SEC. BAKER: -- HAVE SOME CHANCE --

REP. OBEY: -- NO QUESTION --

SEC. BAKER: -- OF SUCCESS AND BE USED ONLY TO SUPPORT FREE  
MARKET ECONOMIC REFORMS. I DON'T THINK THOUGH THAT IT'S -- THAT WE  
ARE -- THAT WE ARE AT THE POINT THAT WE CAN LOOK AT THIS SOLELY AS  
AN ECONOMIC ISSUE.

REP. OBEY: I AGREE WITH THAT.

SEC. BAKER: AND THEREFORE, I DON'T THINK THAT I CAN -- I CAN'T  
ANSWER YOUR QUESTION WITH RESPECT TO SOME OF THE SUGGESTIONS THAT  
HAVE BEEN PROFFERED ABOUT THE "GRAND BARGAIN." THAT IS, IF THE  
SOVIET UNION WILL COMMIT TO MAKE TRUE FREE MARKET REFORMS AND  
IMPLEMENT THOSE REFORMS, AND THEN THE WEST SHOULD COME IN AND IN A  
CONDITIONED WAY OFFER MASSIVE AMOUNTS OF ASSISTANCE. CERTAINLY, IT  
IS SOMETHING THAT SHOULD BE LOOKED AT. IT IS SOMETHING THAT WOULD  
HAVE TO BE CONSIDERED BECAUSE IT IS NOT INCONSISTENT WITH WHAT OUR  
INTERNATIONAL ECONOMIC POLICY APPROACH HAS BEEN TO OTHER COUNTRIES



ADMIRATION FOR THE WORK THAT YOU'RE DOING.

SEC. BAKER: THANK YOU VERY MUCH.

REP. OBEY: MR. YATES.

REP. SIDNEY YATES (D-IL): MR. SECRETARY, WELCOME. I WANT TO JOIN MY FRIEND MICKEY EDWARDS IN EXPRESSING MY ADMIRATION AS WELL FOR YOUR ENERGY AND FOR YOUR DETERMINATION IN TRYING TO BRING ABOUT BETTER RELATIONS WITH THE SOVIET UNION AND BETWEEN THE COUNTRIES IN THE MIDDLE EAST. I DON'T KNOW OF A MORE FRUSTRATING MISSION THAN TRYING TO BRING PEACE BETWEEN THE COUNTRIES IN THE MIDDLE EAST, BUT IT'S ONE THAT'S A NECESSARY ONE AND I CERTAINLY WANT TO GIVE YOU A PAT ON THE BACK FOR WHAT YOU'VE DONE.

I SAID IT WAS A FRUSTRATING MISSION; IT SEEMS TO BE "MISSION IMPOSSIBLE" TO ME, RATHER THAN A MERE FRUSTRATING MISSION, BECAUSE THE ARAB NATIONS DON'T SEEM TO BE DISPOSED TO CHANGE THEIR ANCIENT WAYS, LET ALONE MAKE PEACE WITH ISRAEL. I REMEMBER DURING THE RECENT WAR IT WAS HOPED THAT THE WAR MIGHT PERSUADE THEM TO CHANGE SOME OF THEIR ATTITUDES; IT WAS HOPED THAT BECAUSE ISRAEL WAS SHOWING RESTRAINT IN NOT REPLYING TO THE ATTACK BY THE SCUDS -- OF THE SCUDS, THAT MAYBE THEY'D HAVE A DIFFERENT ATTITUDE TOWARD ISRAEL ONCE THE WAR WAS OVER.

BUT I CAN'T HELP THINKING OF THE FRENCH TRUISM: LE PLUS CA CHANGE, LE PLUS, C'EST LA MEME CHOSE -- THE MORE THINGS CHANGE THE MORE THEY ARE THE SAME. AND I CAN'T ESCAPE THE CONCLUSION THAT ISRAEL REALLY DOES WANT PEACE WITH THE ARAB NATIONS, THE ARAB NATIONS DON'T WANT PEACE WITH ISRAEL, THAT THEY'RE USING THE PALESTINIANS, THEY'RE ADVANCING THE PALESTINIANS AS A FOIL TO PREVENT REALLY THEIR OWN PARTICIPATION IN ANY KIND OF A PEACE TREATY. UNLESS I'M MISTAKEN, DOESN'T A STATE OF WAR STILL EXIST BETWEEN THE ARAB NATIONS AND ISRAEL?

סוף חלק 2

תפוצה: שהח, @ (רהמ), סשהח, מנכל, ממנכל, @ (שהבט), ר/מרכז,  
ממד, @ (רם), @ (אמן), בנצור, מצפא, רביב,  
מעח, הסברה, @ (דוצ), @ (נוה/משהבט)

סססס





OUT AHEAD OF THE ECONOMIC REFORM -- POLITICAL REFORM GOT AHEAD OF ECONOMIC REFORM, AND YOU CAN THINK OF COUNTRIES WHERE ECONOMIC REFORM GOT AHEAD OF POLITICAL REFORM. THE TWO HAVE TO PROCEED APACE.

BUT THE EMERGING DEMOCRACIES OF CENTRAL AND EASTERN EUROPE ARE GOING TO BE -- I MEAN, THEY ARE REAL TEST CASES, I THINK, AND THEY ARE VERY IMPORTANT TO US AS A CONSEQUENCE, BECAUSE OUR SYSTEM -- SYSTEMS -- ARE BEING TESTED HERE. WE KNOW HOW SUCCESSFUL DEMOCRACY CAN BE AND WE KNOW HOW SUCCESSFUL A FREE MARKET ECONOMY CAN BE. BUT WE ALSO KNOW THAT SOMETIMES DEMOCRACY CAN BE MESSY. WE ALSO KNOW THAT SOMETIMES THE -- THE RESTRAINT OR THE PATIENCE, IS A BETTER WORD, PATIENCE OF THE PEOPLE IS LIMITED, AND THEREFORE YOU HAVE TO PRODUCE SOME RESULTS IN A REASONABLY -- REASONABLE TIME FRAME IF EFFORTS TO DEMOCRATIZE ARE GOING TO SUCCEED.

SO I DO NOT THINK THAT WE'RE OUT OF WHACK IN THE WAY WE ARE APPROACHING THE SITUATION IN THOSE EMERGING DEMOCRACIES OF CENTRAL AND EASTERN EUROPE. THERE ARE MANY THINGS THAT CAN BE DONE ON THE POLITICAL SIDE -- MORE THINGS THAT CAN BE DONE, I THINK. THEY ARE CRYING OUT, FOR INSTANCE, FOR ASSISTANCE IN LEARNING DEMOCRATIC TRADITIONS IN TALKING ABOUT INVESTMENT REGIMES, IN TALKING ABOUT CONSTITUTIONS, IN LEARNING ENGLISH. THE CZECHOSLOVAKS, FOR INSTANCE, CONTINUE TO ASK US TO SEE IF WE CAN SEND SOME PEOPLE WHO CAN ASSIST THEM IN LEARNING ENGLISH AND IN LEARNING OUR DEMOCRATIC SYSTEM AND THE INCIDENTS THEREOF. SO I DON'T THINK THAT WE'RE OFF BASE.

REP. EDWARDS: WELL, MY OTHER QUESTION IS JUST A FOLLOWUP ON THAT. ONE OF THE THINGS THAT'S IN YOUR BUDGET REQUEST IS A CONTINGENCY FUND TO BE ABLE TO MEET THE EMERGING DEMOCRACY OPPORTUNITIES, AND I JUST WONDERED IF YOU COULD ELABORATE A LITTLE BIT ON HOW YOU WOULD DO THAT. HOW WOULD YOU USE THAT FUND IN ORDER TO ACCOMPLISH THE ENDS YOU'VE JUST DESCRIBED?

SEC. BAKER: WELL, THERE ARE A NUMBER OF THINGS. ONE OF THE -- ONE EXAMPLE, I JUST CITED FOR YOU. LAST MARCH, THE PRESIDENT ANNOUNCED A TRADE ENHANCEMENT INITIATIVE, AMERICAN BUSINESS AND PRIVATE SECTOR DEVELOPMENT INITIATIVE ON THE ECONOMIC SIDE: WE'VE ESTABLISHED AN OFFICE FOR ASSISTANCE TO EASTERN EUROPE OVERSEAS; WE WILL HAVE AID REPRESENTATIVES IN EACH OF THESE COUNTRIES BY LATE SUMMER. SO, THERE ARE ANY NUMBER OF WAYS THAT WE CAN USE THAT FUNDING TO BOTH PROMOTE POLITICAL REFORM AND ECONOMIC REFORM, WAYS IN WHICH WE CAN USE IT VERY PRODUCTIVELY.

REP. EDWARDS: LET ME JUST CONCLUDE, MR. CHAIRMAN, BY SAYING I -- YOU KNOW, I HAVE BEEN ON THIS SUBCOMMITTEE NOW FOR I THINK 11 YEARS, AND I HAVE NOT PREVIOUSLY BEEN AS IMPRESSED BY THE WORK THAT A SECRETARY OF STATE WAS DOING ON A BROAD NUMBER OF FRONTS, AS I HAVE BEEN BY WHAT YOU'VE BEEN DOING, BOTH IN WORKING WITH THE SOVIETS, WORKING IN THE MIDDLE EAST TO TRY TO FIND SOME OPENING TO CREATE PEACE THERE AS A FOLLOW-UP TO WHAT HAPPENED IN THE GULF. SO, I JUST WANT TO USE THIS OPPORTUNITY TO PUBLICLY EXPRESS MY





THERE IS PROBABLY NOT VERY MUCH CONSENSUS TO PASS A FOREIGN AID REAUTHORIZATION REWRITE THIS YEAR, SO THIS COMMITTEE, THIS SUBCOMMITTEE MAY BE THE ONLY VEHICLE FOR MAKING WHATEVER CHANGES WE CAN MAKE. BUT WE WOULD LIKE TO WORK WITH YOU IN DOING THAT, AND ONE OF THEM THAT WE CAN WORK ON THAT I KNOW YOU SUPPORT IS TO REDUCE THE AMOUNT OF EARMARKING. WITH THE CHAIRMAN'S LEADERSHIP, WE HAVE BEEN SUCCESSFUL IN THIS SUBCOMMITTEE IN REDUCING EARMARKING AND GIVING THE ADMINISTRATION MORE FLEXIBILITY. I THINK WE SHOULD -- I STILL THINK IT'S OUR ROLE IN CONGRESS TO DETERMINE, FIRST OF ALL, HOW MUCH MONEY YOU CAN SPEND ON FOREIGN ASSISTANCE, AND SECOND, TO MAKE A LIST OF WHAT COUNTRIES ARE OFF-LIMITS WHO WE DO NOT WANT AMERICAN TAX DOLLARS GOING TO, AND AFTER THAT IT OUGHT TO BE UP TO YOU TO DECIDE HOW TO USE THEM MOST EFFECTIVELY. AND I HOPE WE CAN CONTINUE TO MOVE IN THAT DIRECTION. I HOPE WE WILL CONTINUE TO WORK IN THE DIRECTION OF MORE CONSULTATION ABOUT MAJOR DECISIONS, PRIOR CONSULTATION BEFORE THEY'RE ANNOUNCED. I THINK THERE IS STILL TOO MUCH TENDENCY TO HAVE THE ADMINISTRATION MAKE DECISIONS AND THEN COME TELL US WHAT THE DECISION WAS AND THAT WE HAVE TO SUPPORT IT BECAUSE THE PRESIDENT'S CREDIBILITY IS ON THE LINE. AND I WOULD SUGGEST TO YOU THAT WHAT HAPPENED IN TERMS OF THE PERSIAN GULF, WHERE THE PRESIDENT REALLY WENT OUT OF HIS WAY, AND YOU DID AND SECRETARY CHENEY DID, TO KEEP THE MEMBERS OF CONGRESS VERY CLOSELY INFORMED WITH A WHOLE SERIES OF MEETINGS, I THINK THAT'S A GOOD PATTERN TO FOLLOW FOR THE FUTURE.

FINALLY, LET ME JUST SAY IN TERMS OF WHAT YOU HAD IN YOUR PREPARED STATEMENT, THE MOST IMPORTANT PART, I THINK, WAS YOUR EMPHASIS ON HELPING THE EMERGENCE OF DEMOCRACY AROUND THE WORLD. THAT'S A VERY IMPORTANT GOAL. WE HAVE TO NOT ONLY HELP THE COUNTRIES WHICH HAVE STARTED TO MOVE IN THAT DIRECTION, BUT WE HAVE TO LOOK TOWARD OTHER PEOPLE AS WELL, IN AFRICA, THE ALBANIANS, THE RUSSIAN REPUBLICS, AND SO FORTH, TO TRY TO CONTINUE TO PROMOTE DEMOCRACY.

SO HAVING SAID THAT, LET ME -- I HAVE, MR. CHAIRMAN, A COUPLE OF BRIEF QUESTIONS. THE FIRST OF THEM IS, WE ARE NOW -- "WE" MEANING THE WEST RATHER THAN THE UNITED STATES SPECIFICALLY -- POURING ABOUT DOLLAR 17 BILLION IN AID INTO EASTERN EUROPE THIS YEAR, AND THE QUESTION IS WHETHER OR NOT POLAND AND CZECHOSLOVAKIA AND OTHERS CAN ABSORB THAT MONEY AND MAKE GOOD USE OF IT. AND PART OF THE PROBLEM HAS BEEN THAT THEY REALLY -- THEY'RE GETTING MONEY BUT THEY REALLY DON'T HAVE DEMOCRACY IN PLACE. AND I'M WONDERING, DO YOU THINK THAT IT WOULD BE HELPFUL IF WE INCREASE OUR PROMOTION OF DEMOCRACY IN EASTERN EUROPE THROUGH NED (?) IN PARTICULAR, BUT ALSO OTHERWISE, BEFORE WE COMMIT ADDITIONAL DIRECT CASH AID?

SEC. BAKER: WELL, THOSE COUNTRIES HAVE ALL EXPRESSED A DESIRE TO MOVE TOWARD DEMOCRACY, MR. EDWARDS, AND THEY HAVE EXPRESSED SUPPORT FOR POLITICAL PLURALISM. IT'S MY VIEW, ALWAYS HAS BEEN, THAT DEMOCRATIZATION AND A MOVE TO FREE MARKET ECONOMICS HAVE TO MOVE IN TANDEM, HAVE TO PROCEED IN TANDEM. IF YOU GET -- WITHOUT MY CITING THE NAMES OF COUNTRIES, WHICH WOULD NOT BE A DIPLOMATIC THING TO DO, YOU CAN THINK OF COUNTRIES WHERE THE POLITICAL PROCESS GOT



WE'RE GAINING ON YOU.

SEC. BAKER: I'M OUT OF POLITICS, MR. EDWARDS, OR I WOULD FORGIVE YOU. (LAUGHTER.)

REP. EDWARDS: I WANT TO THANK YOU FOR YOUR EFFORTS TO FURTHER THE CAUSE OF PEACE IN THE MIDDLE EAST. AND PEOPLE HAVE ARGUED ABOUT WHETHER OR NOT THERE REALLY WAS A WINDOW OF OPPORTUNITY FOR PEACE WHEN YOU BEGAN YOUR EFFORTS. YOU KNOW BETTER THAN WE DO WHETHER THERE WAS OR NOT. BUT YOU'VE MADE A VERY GOOD CONTRIBUTION AND YOU'VE CERTAINLY HELPED TO TRY TO OPEN ONE AND WE ALL ADMIRE YOU FOR THAT.

IT'S NOT OFTEN THAT THOSE OF US WHO WORK ON THIS SIDE OF THE BUDGET IN FOREIGN ASSISTANCE SEE VERY MANY DIRECT OR CONCRETE BENEFITS FROM WHAT WE DO. BUT IN THE MIDDLE EAST, WE SAW JUST THAT. I THINK THAT FROM THE VERY BEGINNING OF THE GULF CONFLICT, WE SAW, AS SOME OF OUR CLOSEST ALLIES ROSE TO MEET SADDAM'S CHALLENGE, THAT THE EFFORTS THAT WE HAD MADE THROUGH YOUR LEADERSHIP IN WORKING WITH TURKEY AND EGYPT AND ISRAEL AND OTHERS WERE REALLY PAYING OFF.

OUR FOREIGN AID TODAY IS AT A CROSSROADS, AND I WANT TO GET INTO A COUPLE OF POINTS. IF WE'RE GOING TO MAKE OUR FOREIGN AID MEANINGFUL, WE ARE GOING TO HAVE TO REFORM, AND WE'VE TALKED ABOUT THIS BEFORE, THE ENTIRE FOREIGN AID PROCESS, AND PLACING A SPECIAL EMPHASIS ON EMERGING DEMOCRACIES AS YOU HAVE DONE IN YOUR STATEMENT. I WAS VERY PLEASED BY YOUR LIST OF THE FIVE PRIORITIES. I WAS DISTURBED, I HAVE TO TELL YOU, THAT THERE WAS NOT MORE IN YOUR STATEMENT ABOUT ANY SUBSTANTIAL REVISION OF FOREIGN AID PROGRAMS EXCEPT IN TERMS OF PROVIDING MORE FLEXIBILITY FOR THE ADMINISTRATION, AND I HOPE THAT WE CAN GET MORE INTO THAT.

I THINK IT'S CLEAR THAT FOREIGN AID HAS A ROLE TO PLAY IN INTERNATIONAL RELATIONS, BUT I THINK IT'S ALSO CLEAR THAT WE HAVE TO MAKE SOME VERY SUBSTANTIAL REVISIONS IN THE WAY WE PROVIDE FOREIGN AID. I THINK YOUR FIVE PRIORITIES DO MOVE US IN THAT DIRECTION. I, AS YOU KNOW, HAVE ADVOCATED -- I'M PROBABLY THE ONLY ONE IN CONGRESS WHO ADVOCATES IT -- BUT I THINK TO BE MORE HONEST IN HOW WE PRESENT OUR BUDGETS, WE OUGHT TO PROVIDE THE MILITARY ASSISTANCE THAT WE GIVE TO OTHER COUNTRIES AS A PART OF OUR DEFENSE BUDGET RATHER THAN AS A PART OF OUR FOREIGN ASSISTANCE BUDGET. I WOULD BE DELIGHTED IF WE REACHED A POINT WHERE WE BEGAN TO MAKE SUBSTANTIAL REDUCTIONS IN THE AMOUNT OF ARMS THAT WE SELL TO COUNTRIES AROUND THE WORLD. IT SEEMS I HAVE A VERY DIFFICULT TIME RECONCILING MY OWN VIEWS WITH THE FACT THAT WE STILL FIND OVER 100 COUNTRIES IN THE WORLD THAT WE JUST HAVE TO SELL WEAPONS TO. I THINK THAT'S SOMETHING THAT I HOPE WE WILL SERIOUSLY LOOK AT, AND AS WE'VE TALKED ABOUT BEFORE, I HOPE THAT THERE WILL BE CONSIDERABLY MORE EMPHASIS IN THE FUTURE ON BILATERAL RELATIONS AND BILATERAL ASSISTANCE RATHER THAN MULTILATERAL, ALTHOUGH I KNOW SOME OF MY COLLEAGUES ON THE COMMITTEE WOULD NOT AGREE WITH ME.





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THE SOVIET UNION IN A MANNER THAT THERE MAY HAVE BEEN SOME QUESTION ABOUT DURING THE PERIOD FROM SEPTEMBER UP TILL ROUGHLY THE FIRST OF THIS MONTH OR THE END OF APRIL. SO THESE THINGS ARE THINGS I THINK THAT WE CAN PROPERLY CONSIDER.

I'M NOT FAMILIAR WITH THE DETAILS OF THE PLAN YOU TALK ABOUT. I AM FAMILIAR WITH THE IDEA THAT IT -- THAT IN EXCHANGE FOR A FIRM COMMITMENT AND SOME ASSURANCE OF IMPLEMENTATION ON THE PART OF THE SOVIET UNION WITH RESPECT TO ECONOMIC REFORM, THE WEST SHOULD CONSIDER WHAT IT MIGHT BE WILLING TO DO, BUT YOU WILL HAVE TO EXAMINE I THINK AS WELL THE POLITICAL ISSUES THAT -- THE POLITICAL CONDITIONS THAT WOULD HAVE TO BE ATTACHED.

REP. OBEY: NO QUESTION. I'LL GET BACK TO YOU WITH SOME OTHER MIDDLE EASTERN QUESTIONS.

MR. EDWARDS?

REP. EDWARDS: THANK YOU, MR. CHAIRMAN.

MR. SECRETARY, GLAD TO HAVE YOU HERE.

SEC. BAKER: THANK YOU.

REP. EDWARDS: YOU'VE BEEN KEEPING UP AN EXHAUSTING PACE FOR THE LAST FEW MONTHS SO I APPRECIATE YOU TAKING THE TIME TO BE WITH US. I'LL -- IN ADDITION TO ASKING A COUPLE OF QUESTIONS MAKE A COUPLE OF OPENING REMARKS BECAUSE I WAS LATE. AND I APOLOGIZE FOR BEING LATE BUT, AS YOU KNOW, TODAY WE HAD THE OCCASION OF HAVING THE SWEARING-IN OF A NEW REPUBLICAN MEMBER OF THE HOUSE, AND SINCE THAT'S DOESN'T HAPPEN VERY OFTEN, AND ESPECIALLY SINCE IT WAS A TEXAN I THOUGHT I WOULD BE THERE AND YOU WOULD FORGIVE ME FOR IT.

I WANT TO THANK YOU FOR --

REP. : (OFF MIKE).

(LAUGHTER.)

REP. EDWARDS: THAT'S TRUE. THERE ARE NOW SEVEN OF US, SO





@(רם), אמן, @(מצב), ממד, בנצור, מצפא, רביב,  
מעט, הסברה, @(דוצ), @(נוה/משהבט)

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REP. OBEY: I AGREE WITH THAT.

SEC. BAKER: AND THEREFORE, I DON'T THINK THAT I CAN -- I CAN'T ANSWER YOUR QUESTION WITH RESPECT TO SOME OF THE SUGGESTIONS THAT HAVE BEEN PROFFERED ABOUT THE "GRAND BARGAIN." THAT IS, IF THE SOVIET UNION WILL COMMIT TO MAKE TRUE FREE MARKET REFORMS AND IMPLEMENT THOSE REFORMS, AND THEN THE WEST SHOULD COME IN AND IN A CONDITIONED WAY OFFER MASSIVE AMOUNTS OF ASSISTANCE. CERTAINLY, IT IS SOMETHING THAT SHOULD BE LOOKED AT. IT IS SOMETHING THAT WOULD HAVE TO BE CONSIDERED BECAUSE IT IS NOT INCONSISTENT WITH WHAT OUR INTERNATIONAL ECONOMIC POLICY APPROACH HAS BEEN TO OTHER COUNTRIES AROUND THE WORLD.

BUT, WE ALSO HAVE TO I THINK LOOK AT SOME ISSUES ON THE POLITICAL SIDE. WHEN YOU CONSIDER THAT THE SOVIET UNION DOES RETAIN AND REMAIN -- DOES RETAIN THE CAPABILITY TO INFLICT GREAT DAMAGE UPON THE UNITED STATES, IT'S IMPORTANT I THINK THAT WE KNOW THAT IF WE'RE GOING TO GET INTO THAT BUSINESS IN A BIG WAY, THAT WE RESOLVE SOME OF THESE -- THAT SOME OF THESE POLITICAL ISSUES ARE MOVING IN THE RIGHT DIRECTION, MR. CHAIRMAN. AND I DON'T THINK THAT YOU CAN JUST SEGREGATE IT AND PUT IT OVER HERE IN AN ECONOMIC BOX.

REP. OBEY: NOBODY'S SUGGESTING THAT. MR. SACHS ISN'T SUGGESTING THAT. IF FACT, MR. SACHS IN HIS PROPOSAL, WHICH AS YOU NOTE REPRESENTS ROUGHLY A DOLLAR 30 BILLION PACKAGE OVER FIVE YEARS, NOT PROVIDED BY US, PROVIDED BY THE WEST, WHICH IS A LOT SMALLER PACKAGE THAN WE HAVE PROVIDED TO EGYPT, I WOULD POINT OUT, IN A ONE-YEAR PERIOD -- IF YOU COMPARE -- IF YOU COMPARE IT ALL. HE'S SUGGESTING THAT WE NOT ONLY LINK ECONOMIC PERFORMANCE, BUT PERFORMANCE ON DEMOCRATIZATION, AND IF WE WANT, PERFORMANCE AS WELL ON ARMS CONTROL, EVERY OTHER ISSUE WHICH WE FEEL IS LEGITIMATE. BUT, IT JUST SEEMS TO ME THAT IN CONTRAST TO LAST FALL, WHEN EVERYTHING WAS GOING THE WRONG DIRECTION, THERE SEEMS AN OPPORTUNITY NOW TO INFLUENCE THE PROCESS IN A POSITIVE WAY BY -- NOT BY DOING SOMETHING BUT BY SPELLING OUT WHAT WE WOULD BE WILLING TO DO IF THEY DO SOMETHING, AND SPELL OUT WHAT THAT SOMETHING IS IN SUFFICIENT DETAIL SO THAT IT COULD GIVE THE REFORMERS SOME STANDARDS BY WHICH TO ASSESS THE ACTION OF THE CENTRAL GOVERNMENT.

SEC. BAKER: WELL, AS I INDICATED IN MY -- IN MY OPENING REMARKS, MR. CHAIRMAN, WE ARE -- WE ARE ENCOURAGED BY THE EVENTS OF APRIL 23RD AND THEREAFTER. WE SEE SIGNS THAT THE REFORM COURSE IS BEING -- IS CONTINUING TO BE PURSUED BY THE CENTRAL AUTHORITIES IN

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IN NOT OFFERING ECONOMIC ASSISTANCE TO THE SOVIET UNION. BUT AS I SAID IN MY OPENING STATEMENT, AMERICANS ARE OFTEN A WHOLE LOT BETTER IN SAYING WHAT THEY'RE "AGIN' (AGAINST) THAN SAYING WHAT THEY'RE FER."

AND I'M WONDERING WHETHER OR NOT MR. SACHS AND OTHERS ARE NOT CORRECT THAT THIS IS THE TIME TO WORK WITH REFORMIST ECONOMISTS IN THE SOVIET UNION IN FASHIONING A MASSIVE PACKAGE THAT THE WEST WOULD BE WILLING TO OFFER THE SOVIET UNION THROUGH THE USE OF THE INTERNATIONAL FINANCIAL INSTITUTIONS, THROUGH THE USE OF OUR OWN BILATERAL AID, THE IMF, THE WHOLE BIT SO THAT WE HAVE OUT THERE A DEMONSTRATION OF WHAT WE ARE WILLING TO DO TO HELP TRANSITION THE SOVIET UNION INTO A MARKET ECONOMY WITH A DECENT RELATIONSHIP WITH THE REST OF THE WORLD AND ITS NEIGHBORS AS WELL AS SOME COUNTRIES WHO WOULD PREFER TO BE ITS NEIGHBORS RATHER THAN ITS PROVINCES; NAMELY, THE BALTICS.

WHAT WOULD BE WRONG WITH WHAT MR. SACHS AND OTHERS ARE SUGGESTING IN FASHIONING THIS KIND OF A PROPOSAL, WHICH WE WOULD LAY OUT THERE AS SOMETHING THAT WE WOULD BE WILLING TO CONSIDER, SAY, THREE YEARS DOWN THE LINE, TWO YEARS DOWN THE LINE, OR WHATEVER THE TIME FRAME PROVIDED IF THE SOVIETS HAD PUT IN -- HAD MET REQUIRED STANDARDS IN TERMS OF IMF, IN TERMS OF REAL PRICING, IN TERMS OF CONVERTIBILITY OF CURRENCY, IN TERMS OF RELATIONSHIPS WITH THE BALTICS, ET CETERA, ET CETERA, ET CETERA?

SEC. BAKER: WELL, WOULD YOU INCLUDE IN THAT, MR. CHAIRMAN, AND IN TERMS OF ELIMINATING MILITARY SUPPORT FOR CUBA, FOR INSTANCE?

REP. OBEY: I THINK WE SHOULD INCLUDE IN THAT ANYTHING THAT WE THINK IS IN OUR NATIONAL INTEREST TO INCLUDE.

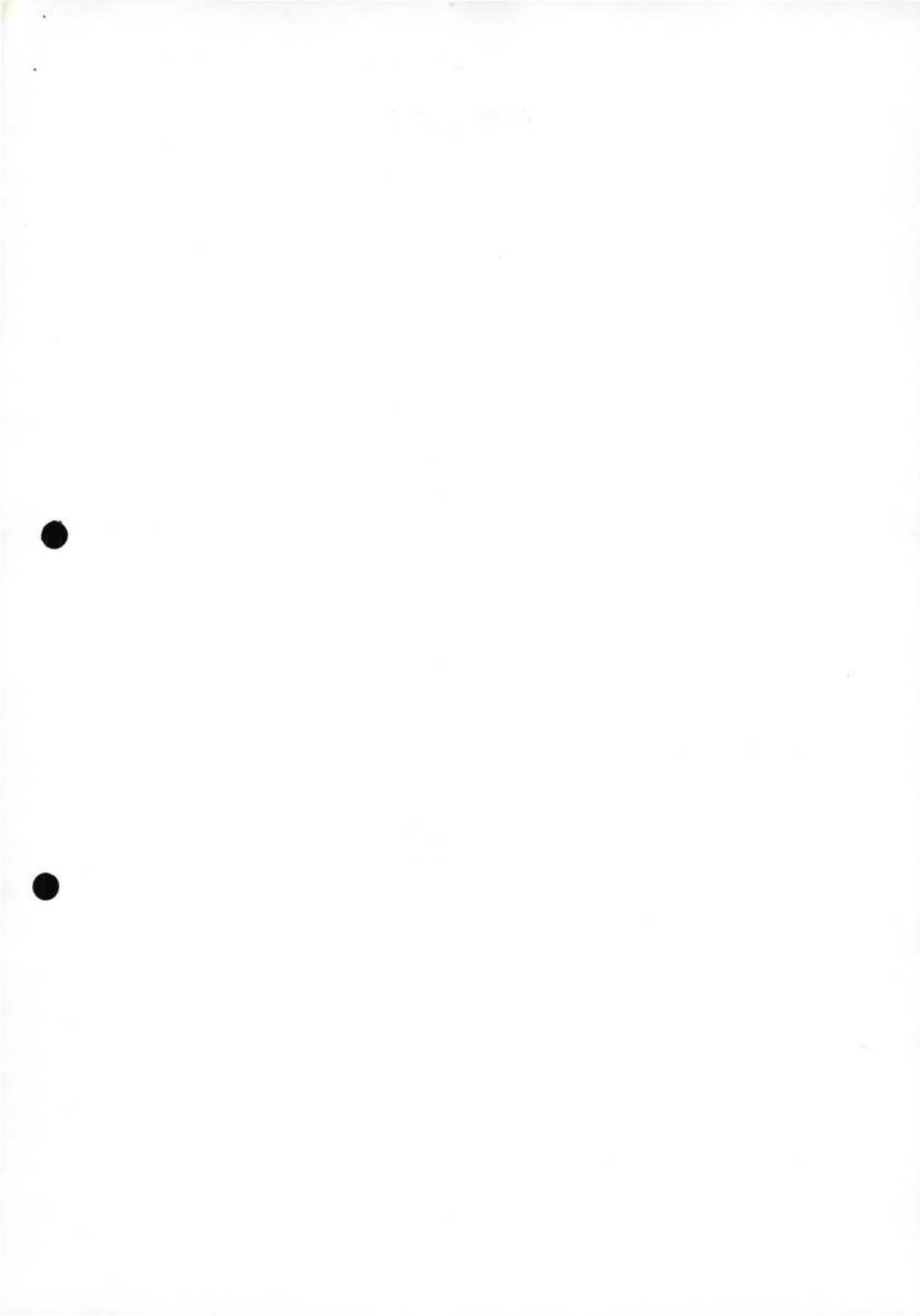
SEC. BAKER: SEE, SO IT'S -- WELL, I THINK WHAT I WOULD SAY -- OR MY ANSWER TO YOU WOULD BE AS FOLLOWS: FIRST OF ALL, THE POLICY THAT THE UNITED STATES HAS FOLLOWED SINCE I HAVE BEEN HERE IN WASHINGTON, AND ONE THAT I SUPPORT VERY STRONGLY, IS TO CONDITION, WHERE POSSIBLE, OUR ECONOMIC ASSISTANCE ON FREE MARKET REFORMS ON STRUCTURAL ADJUSTMENT THAT MOVES COUNTRIES TOWARD THE MODEL THAT WE KNOW AS THE MOST SUCCESSFUL MODEL. SO, IF WE WERE EVER GOING TO GET INTO THE BUSINESS OF ECONOMIC ASSISTANCE FOR THE SOVIET UNION, CLEARLY WE OUGHT TO DO SO ON A BASIS WHICH WOULD SEE THAT ASSISTANCE --

REP. OBEY: NO QUESTION --

SEC. BAKER: -- HAVE SOME CHANCE --

REP. OBEY: -- NO QUESTION --

SEC. BAKER: -- OF SUCCESS AND BE USED ONLY TO SUPPORT FREE MARKET ECONOMIC REFORMS. I DON'T THINK THOUGH THAT IT'S -- THAT WE ARE -- THAT WE ARE AT THE POINT THAT WE CAN LOOK AT THIS SOLELY AS AN ECONOMIC ISSUE.





WITH RESPECT TO ARMS SALES IN THE REGION, AS I SAID, I KNOW THAT THE ADMINISTRATION IS PLANNING SHORTLY TO ANNOUNCE ITS OWN POLICIES AND PROPOSALS. I'D LIKE TO LOBBY YOU AGAIN. AS YOU KNOW, MR. HAMILTON, AND I, AND MR. FASCELL, AND MR. GEPHARDT, SENT YOU A LETTER -- SENT THE ADMINISTRATION A LETTER, I SHOULD SAY -- ASKING THE ADMINISTRATION TO CONSIDER IN ITS PACKAGE A UNILATERAL ANNOUNCEMENT OF OUR OWN TO SUSPEND ALL ARMS DELIVERIES TO THE REGION FOR A SHORT PERIOD OF TIME IN ORDER TO TRY TO DRAMATIZE OUR CONCERN ABOUT THE PROBLEM AND FORCE OTHER TRADING COUNTRIES AND SELLING COUNTRIES TO PUBLICLY CONFRONT THE ISSUE. WHAT WOULD BE WRONG WITH THE ADMINISTRATION INCLUDING THAT KIND OF PROPOSAL IN WHATEVER IT IS THAT THE PRESIDENT IS GOING TO BE PUTTING TOGETHER?

SEC. BAKER: MR. CHAIRMAN, THE UNITED STATES WILL NOT BE ABLE TO REGULATE ARMS SALES IN THE REGION BY ACTING UNILATERALLY, IT WON'T HAPPEN.

REP. OBEY: WELL, I UNDERSTAND THAT. BUT I'M NOT SUGGESTING WE ACT UNILATERALLY. I'M SUGGESTING THAT WE TAKE A UNILATERAL ACTION FOR A SHORT DURATION TO SET AN EXAMPLE TO THE REST OF THE WORLD. I CAN'T BELIEVE THAT WE'RE GOING TO LOSE ANY SERIOUS ADVANTAGE IN FOUR MONTHS' TIME.

SEC. BAKER: WELL, IT MIGHT NOT SEND A SIGNAL THAT WOULD BE THE MOST APPROPRIATE SIGNAL, MR. CHAIRMAN. I MEAN, ALL I CAN DO -- WITHOUT PRE-ANNOUNCING THE PRESIDENT'S DECISIONS IT'S PRETTY HARD FOR ME TO DEBATE THIS PARTICULAR ISSUE WITH YOU, EXCEPT TO SAY THAT WE DO BELIEVE IT'S IMPORTANT THAT OUR FRIENDS IN THE REGION HAVE THE ABILITY TO MAINTAIN AND ENHANCE THEIR OWN CAPABILITIES, THE ABILITY TO DEFEND THEMSELVES. AND WE THINK THAT IT IS MUCH BETTER TO WORK IN A MULTILATERAL CONTEXT IN CONNECTION WITH RESTRAINT, WHETHER IT'S CONVENTIONAL OR WHETHER ITS WEAPONS OF MASS DESTRUCTION.

AGAIN, I DON'T WANT TO MAKE AN ANNOUNCEMENT HERE THIS MORNING BUT I THINK THAT I WILL BE VERY SURPRISED IF YOU'RE NOT REASONABLY PLEASED WITH THE ADMINISTRATION'S INITIATIVE REGARDING WEAPONS OF MASS DESTRUCTION. YOU MAY NOT BE AS PLEASED WITH RESPECT TO THE ADMINISTRATION'S INITIATIVE ON CONVENTIONAL WEAPONS, BUT I DON'T THINK THAT THE SUGGESTION THAT YOU'VE MADE WOULD MOVE US IN THE DIRECTION THAT WE SHOULD GO. AND I WILL BE PLEASED TO COME UP AND DISCUSS IT WITH YOU AFTER THE PRESIDENT'S ANNOUNCED HIS INITIATIVE, WHEN I'M A LITTLE BIT MORE FREE TO SPEAK.

REP. OBEY: WELL, I'M AFRAID THAT WILL BE TOO LATE, BUT I -- (LAUGHTER) -- I WISH -- I WISH YOU'D RECONSIDER, BECAUSE I -- I AGREE WITH YOU; WE NEED TO APPROACH THIS IN A MULTILATERAL FASHION, BUT IT SEEMS TO ME THAT WE PROVIDED SOME SINGLE LEADERSHIP ON THE KUWAITI SITUATION, AND IT SEEMS TO ME THAT IN LEADING BY EXAMPLE WE COULD FORCE OTHERS TO FOCUS ON THEIR RESPONSIBILITIES.

ONE QUESTION ON THE SOVIET UNION, BEFORE I ASK MR. EDWARDS FOR HIS QUESTIONS, I THINK THE ADMINISTRATION HAS BEEN CORRECT TO DATE





VISIT THAT GENERAL SCOWCROFT MADE TO THE KINGDOM, BEYOND SAYING TO YOU THAT IT WAS NOT A PEACE PROCESS MISSION. SO, I WOULD LIKE TO TOTALLY ELIMINATE FROM YOUR THINKING THAT THAT WAS THE REASON FOR THE VISIT. AND SECONDLY --

REP. OBEY: LET'S DO THAT. BUT IF -- EXCUSE ME FOR INTERRUPTING, BUT LET'S THEN FOCUS ON YOUR DISCUSSIONS WITH THEM. AN ARTICLE BY JACKSON DIEHL AND DAVID HOFFMAN IN THE POST INDICATED THAT DURING YOUR THIRD TRIP TO THE REGION, YOU MET WITH KEY SAUDI LEADERS. THE ARTICLE READS AS FOLLOWS: "SOURCES SAID HE WAS APPALLED TO HEAR THEM INDICATE THEY WOULD HAVE NOTHING TO DO WITH THE PROPOSED REGIONAL PEACE CONFERENCE. THE STATEMENTS REPORTEDLY WERE NOT COMING FROM PRINCE SAUD FAISAL, THE FOREIGN MINISTER, AS MUCH AS SOME SUBORDINATES, BUT IT BECAME CLEAR TO BAKER THAT TRADITIONALISTS WERE MAKING A MOVE, AND THE LEADERSHIP WAS NOT FIGHTING THEM." IS THAT STORY INACCURATE?

SEC. BAKER: WELL, I WOULDN'T -- FIRST OF ALL, I DON'T THINK WE SHOULD JUDGE IT ON THE BASIS OF WHAT WE MIGHT READ FROM ANALYSIS PRESS REPORTS, LET'S JUDGE IT BY THE ACTIONS THAT HAVE BEEN TAKEN. WHAT'S HAPPENED IS THAT THE GULF COOPERATION COUNTRIES -- WHO DO NOT TAKE ACTION WITHOUT LEADERSHIP FROM SAUDI ARABIA, AND WITHOUT THE CONCURRENCE OF SAUDI ARABIA -- HAVE AGREED TO DO SOMETHING THAT NO ARAB GOVERNMENTS HAVE AGREED TO DO IN THE PAST.

IF THERE'S ANY SUBSTANTIAL PROGRESS IN THE EFFORTS THAT WE'VE MADE, IT'S THE FACT THAT THE GULF COOPERATION COUNTRIES HAVE AGREED TO SIT DOWN AT THE SAME TABLE FACE TO FACE WITH ISRAEL -- SOMETHING NO OTHER ARAB GOVERNMENTS HAVE DONE EXCEPT EGYPT WHEN IT NEGOTIATED PEACE WITH ISRAEL -- SIT DOWN FACE TO FACE WITH ISRAEL AND TALK ABOUT ISSUES OF INTEREST REGION-WIDE SUCH AS ARMS CONTROL, THE ENVIRONMENT, WATER.

IN ADDITION TO THAT, OF COURSE, THEY OFFERED AND HAVE AGREED TO SEND THROUGH THE -- SEND THE SECRETARY GENERAL OF THE GULF COOPERATION COUNCIL AS AN OBSERVER TO ANY PEACE CONFERENCE THAT MIGHT BE HELD.

NOW, THESE ARE VERY, VERY SIGNIFICANT STEPS, I THINK, OF A NATURE THAT HAD NOT BEEN TAKEN BEFORE. SO I WOULD LIKE VERY MUCH TO DISABUSE YOU OF THE IMPRESSION THAT SOMEHOW THE SAUDIS HAVE NOT BEEN WILLING TO MOVE HERE. THE GULF COOPERATION COUNTRIES HAVE INDEED MOVED, AND WHAT REMAINS FOR US TO DO IS BRING SOME OTHER ARAB GOVERNMENTS INTO A WILLINGNESS TO SIT DOWN AND TO RESOLVE THE REMAINING DIFFERENCES BETWEEN -- PARTICULARLY BETWEEN SYRIA AND ISRAEL WITH RESPECT TO THE QUESTION OF UN INVOLVEMENT AND CONTINUITY OF THE CONFERENCE.

REP. OBEY: WELL, MR. SECRETARY, I'LL GET BACK TO THAT BECAUSE I HAVE TWO OTHER BRIEF QUESTIONS I WANT TO ASK BEFORE I ASK OTHER MEMBERS HERE THEIR QUESTIONS.





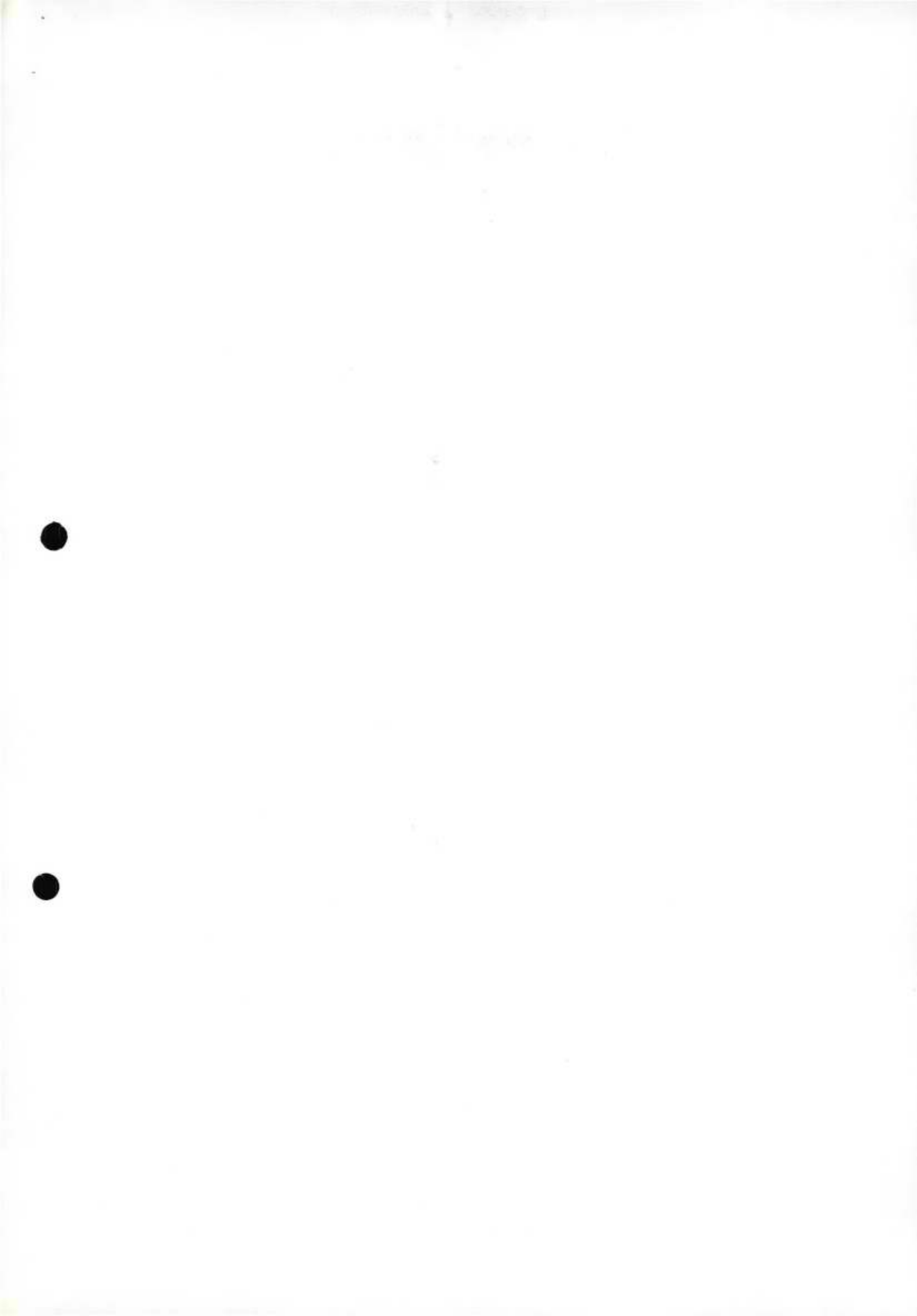
I'VE HAD ENOUGH EXPERIENCE TO BE SKEPTICAL OF EVERYTHING THAT ANYBODY SAYS IN THAT REGION.

AND WHAT IT APPEARS TO ME IS THIS, AND I'D LIKE YOU TO ARGUE WITH ME AND PLEASE PROVE THAT I'M WRONG. I WANT TO BE WRONG ON THIS. WHAT IT APPEARS TO ME IS THIS. THE ADMINISTRATION WAS AFTER THE GULF WAR IN HOT PURSUIT OF A DIFFERENT SET OF ARRANGEMENTS IN THE MIDDLE EAST. THEY WERE SENDING SIGNALS THAT THEY WERE GOING TO BE VERY INSISTENT IN THEIR EFFORTS, THEY WERE GOING TO PRESS VERY HARD. BUT THEN IT SEEMS TO ME THAT MR. SCOWCROFT WENT TO THE MIDDLE EAST, TALKED TO THE SAUDIS, THE SAUDIS, IN EFFECT, INDICATED TO HIM AND TO YOU THAT WE OUGHT TO LOWER OUR EXPECTATIONS IN TERMS OF THEIR WILLINGNESS TO PARTICIPATE IN ANY -- IN ANY PUBLIC WAY IN PEACE DISCUSSIONS. AND IT SEEMS TO ME THAT THAT GAVE THE REJECTIONISTS WITHIN THE ISRAELI GOVERNMENT AN OPPORTUNITY TO TALK ABOUT PROCESS WITHOUT HAVING TO ACTUALLY CONFRONT MUCH ELSE. AND SO IT SEEMS TO ME THAT WE ARE DANGEROUSLY CLOSE AT THIS POINT TO STEPPING INTO THE OLD PRACTICE OF TALKING ABOUT TALKS TO CREATE THE ATMOSPHERICS OF PROGRESS WITHOUT ANY REAL LIKELIHOOD THAT ANY OF THE PARTIES ARE GOING TO BE SIGNIFICANTLY FORTHCOMING, OR AT LEAST SUFFICIENTLY FORTHCOMING TO ACTUALLY GET DISCUSSIONS GOING. I HOPE I'M WRONG. I DON'T MEAN BY THAT QUESTION TO IN ANY WAY ARGUE WITH ANYTHING YOU'VE DONE. MY ARGUMENT IS WITH THE PARTIES IN THE REGION. I'M ESPECIALLY CONCERNED, FRANKLY, AT THIS POINT ABOUT WHAT APPEARS TO BE THE INABILITY OF THE SAUDIS TO TAKE THE SAME KIND OF ACTIONS TO ANY SIGNIFICANT DEGREE THAT MR. SADAT DID A NUMBER OF YEARS AGO. AND I'D LIKE YOUR RESPONSE ON THAT.

SEC. BAKER: THANK YOU, MR. CHAIRMAN. LET ME JUST VERY QUICKLY SAY THAT OF COURSE WITH RESPECT TO THE FAST TRACK ISSUE, THIS IS NOT AN ISSUE THAT RELATES ONLY TO THE NORTH AMERICAN FREE TRADE ACCORD. IT RELATES TO THE URUGUAY ROUND AND IT'S NOT AN ISSUE OF FREE OR FAIR TRADE, IT'S AN ISSUE OF TRADE OR NO TRADE, AS WE SEE IT. AND THE CONGRESS WILL HAVE ITS RIGHT TO VOTE ON THESE AGREEMENTS AFTER THEY'RE NEGOTIATED.

BUT WITHOUT GETTING INTO A DEBATE WITH YOU ON FAST TRACK, LET ME SAY THAT WITH RESPECT TO THE PEACE PROCESS, WE ARE SKEPTICS, TOO. WE KNOW WHAT THE TRACK RECORD HAS BEEN. WE KNOW HOW LONG THE PARTIES HAVE BEEN ARGUING AND FIGHTING. WE KNOW HOW FAR BACK THIS ISSUE GOES, AND WE KNOW THE INTENSE EMOTIONS THAT LIE AT THE FOUNDATION OF IT. BUT THE ONLY THING WORSE -- WELL, LET ME BACK UP AND SAY, AS I SAID SO MANY TIMES DURING THE COURSE OF MY VISITS TO THE REGION, NOBODY CAN IMPOSE PEACE IN THE MIDDLE EAST, THE PARTIES HAVE GOT TO WANT IT. CERTAINLY THE UNITED STATES CAN'T IMPOSE IT. BUT THE ONLY THING WORSE, IT SEEMS TO ME, MR. CHAIRMAN, THAN TRYING AND FAILING WOULD BE IF WE WERE UNWILLING TO TRY IN THE FIRST INSTANCE, PARTICULARLY IN THE AFTERMATH OF THIS GULF CONFLICT.

NOW, TURNING TO THE QUESTION YOU RAISE ABOUT THE SAUDIS, LET ME SAY THAT I'M NOT AT LIBERTY TO GO INTO THE EXQUISITE DETAILS OF THE



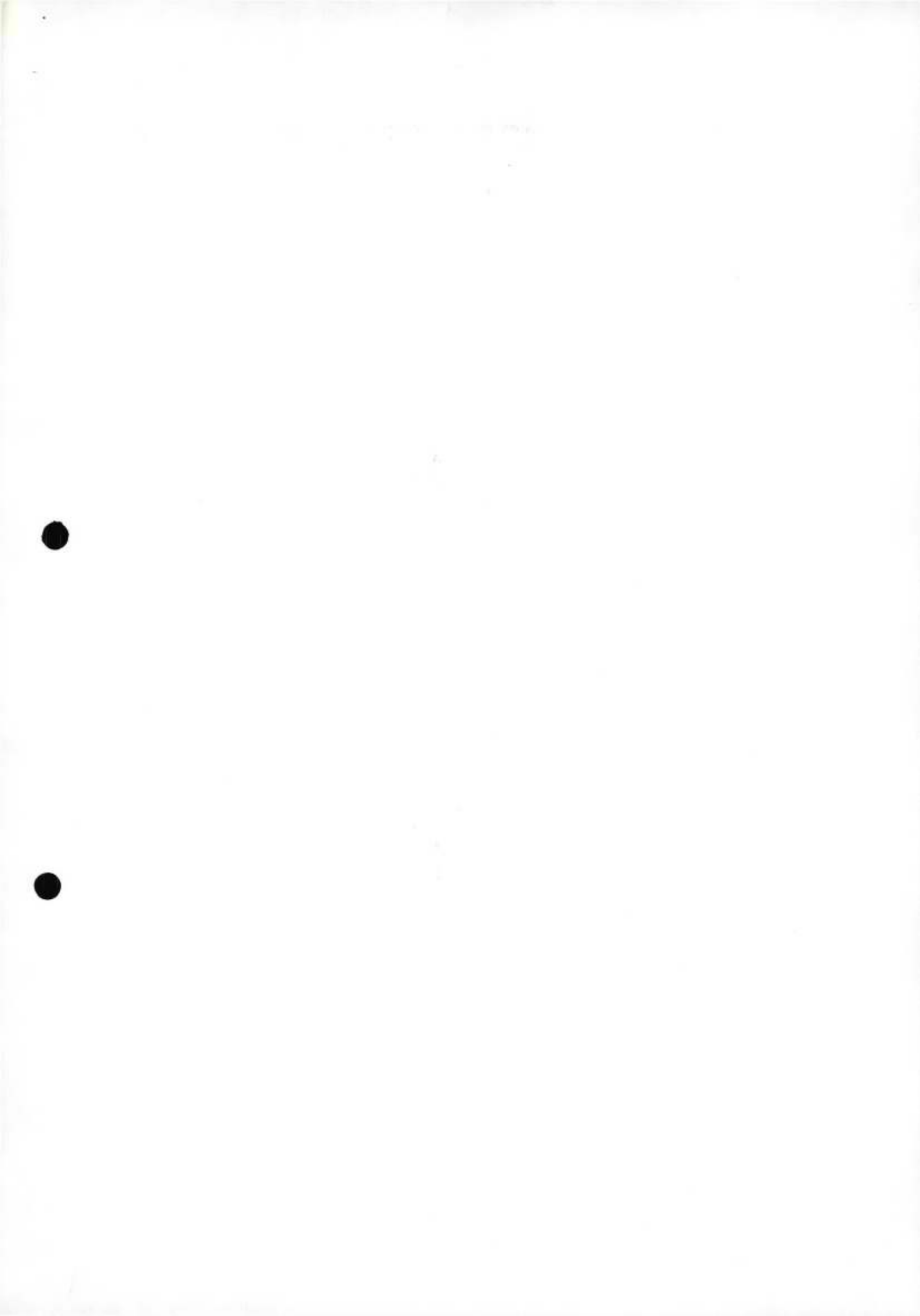


HAVE A FREE TRADE ARRANGEMENT WITH MEXICO AND THE REST OF THIS HEMISPHERE. MY PROBLEM IS THAT I DON'T THINK THIS COUNTRY CAN AFFORD TO PLAY WINSTON CHURCHILL ABROAD AND SCROOGE AT HOME. AND MY PROBLEM IS THAT MOST OF THE TIME WHEN PEOPLE TALK ABOUT NECESSARY ECONOMIC ADJUSTMENT AND NECESSARY -- THE ACCEPTANCE OF TEMPORARY JOB LOSSES, IT'S USUALLY PEOPLE IN SUITS TALKING ABOUT SOMEBODY ELSE LOSING THEIR JOBS.

AND MY PROBLEM IS SIMPLY THIS. I WOULD BE A WHOLE LOT MORE INCLINED TO SUPPORT THE ADMINISTRATION'S POSITION ON FAST TRACK AND THEIR ARGUMENT, WHICH RUNS LIKE THIS, WHICH GOES, "WELL, LOOKIT, FELLOWS, WE HAVE TO BE WILLING TO ACCEPT SOME JOB LOSS ON THE LOW END OF THE INCOME SCALE. WE OUGHT TO BE GOING AFTER THE HIGH INCOME JOBS. THAT'S OUR NATURAL FUTURE. AND WE OUGHT TO BE ARRANGING THE ECONOMICS AROUND THE WORLD TO ACCELERATE THAT AND PROMOTE IT." THAT'S AN ABSOLUTELY LEGITIMATE ARGUMENT PROVIDED THAT WE ARE DOING SOMETHING EFFECTIVELY TO TRANSITION THIS ECONOMY INTO THAT KIND OF A SITUATION.

BUT GIVEN THE FACT THIS COUNTRY HAS CUT IN HALF OUR OWN JOB TRAINING FUND SINCE 1980, IT SEEMS TO ME THAT THE CONGRESS WOULD BE ILL-ADVISED AND IN FACT SPECTACULARLY NEGLIGENT IF IT WOULD GIVE THE ADMINISTRATION CARTE BLANCHE IN NEGOTIATING UNTIL WE KNOW NOT ONLY WHAT IT INTENDS TO PURSUE IN THOSE NEGOTIATIONS BUT WHAT IT INTENDS TO PURSUE AT HOME TO PROVIDE THE KIND OF LEGITIMATE FOUNDATION THAT CAN TRANSITION LOW-PAID WORKERS INTO OTHER JOBS. AND ABSENT THAT KIND OF POLICY, AND THAT POLICY IS SPECTACULARLY ABSENT AT THE MOMENT, I THINK THAT WE HAVE AN OBLIGATION TO THE WORKERS WHO ARE GOING TO BE CRUNCHED TO RESPECTFULLY DEMURE UNTIL WE DO HAVE THAT KIND OF POLICY IN PLACE. WITH RESPECT TO THE MIDDLE EAST, LET ME SIMPLY SAY I FULLY SUPPORT EVERYTHING THAT YOU ARE TRYING TO DO. I THINK IT'S AN ADMIRABLE PURSUIT, AND AS YOU KNOW, I HAVE TOLD YOU THAT SINCE YOU'VE INDICATED THAT THE ADMINISTRATION WANTS UNTIL AFTER LABOR DAY MAXIMUM FREEDOM TO BE ABLE TO PURSUE PROGRESS IN THE MIDDLE EAST, I HAVE TOLD YOU THAT I WOULD DURING THAT PERIOD GIVE YOU WHAT I REGARD AS AN EFFECTIVE VETO ON ANYTHING THIS COMMITTEE DOES WITH RESPECT TO THE MIDDLE EAST. AND I HAVE TOLD YOU THAT I WOULD BE -- THAT IF IT APPEARED TO ME THAT ANY ACTION WERE ABOUT TO BE TAKEN BY THIS COMMITTEE, OR ANY AMENDMENT ABOUT TO BE ADOPTED BY THIS COMMITTEE THAT WOULD GET IN THE WAY OF THE ADMINISTRATION'S ABILITY TO PURSUE THOSE EFFORTS, THAT I WOULD SIMPLY ADJOURN THE MARKUP AND DELAY IT UNTIL AFTER LABOR DAY TO GIVE YOU THAT TIME, SIMPLY MOVING TO A CONTINUING RESOLUTION RATHER THAN A FOREIGN AID BILL. I WOULD HATE TO DO THAT, BUT I THINK THE CONGRESS HAS A RESPONSIBILITY TO COOPERATE IN ASSURING THAT THE TWO BRANCHES OF GOVERNMENT ARE MARCHING DOWN ABSOLUTELY THE SAME ROAD, AND I AM DEEPLY COMMITTED TO THAT.

HAVING SAID THAT, I JUST HAVE TO EXPRESS SKEPTICISM WITH THE RESULTS OF YOUR RECENT TRIP. AS I SAID MANY TIMES, MY FAVORITE PHILOSOPHER IS ARCHIE THE COCKROACH. AND ARCHIE SAID ONCE THAT "AN OPTIMIST IS A GUY WHO AIN'T HAD MUCH EXPERIENCE." AND WHEN IT COMES TO THE MIDDLE EAST,





MEANWHILE WITH THE UNITED STATES PROVIDING LEADERSHIP IN CALLING FOR AN INTERNATIONAL DISCUSSION WITH OTHER ARMS SUPPLIERS TO TRY TO DEAL WITH THAT QUESTION FOR THE ENTIRE REGION?

AND ABOVE ALL, MR. SECRETARY, WE'D ALSO LIKE TO KNOW WHAT AMERICA'S PLANS ARE TO DEAL WITH THE MOST IMPORTANT FOREIGN POLICY PROBLEM WE FACE, NAMELY, THE TURMOIL WITHIN THE SOVIET UNION. WE WILL BE SAVING BILLIONS OF DOLLARS ANNUALLY IN OUR DEFENSE BUDGET BECAUSE OF THE REDUCED MILITARY THREAT FROM THE SOVIET UNION, BUT AN UNCONTROLLED UNRAVELING OF THE SOVIET UNION CAN FORCE US TO SPEND BILLIONS MORE TO DEAL WITH A NEW THREAT FROM THE SOVIET UNION -- THE INTERNATIONAL SPILLOVER FROM ECONOMIC, ETHNIC AND SOCIAL CHAOS.

THE SOVIETS HAVE ASKED FOR AMERICAN HELP IN THE FORM OF A BILLION AND A HALF DOLLARS IN AGRICULTURAL CREDITS. IT SEEMS TO ME WE HAVE AN OPPORTUNITY TO TRY TO SHAPE THE CHANGE NOW OCCURRING IN THE SOVIET UNION. WE'VE BEEN VERY GOOD AT SPELLING OUT WHAT WE WOULD NOT DO, NAMELY, POUR BILLIONS OF DOLLARS DOWN A RAT HOLE WITHOUT NEEDED REFORMS. BUT IT SEEMS TO ME WE'VE REALLY NOT SPELLED OUT IN THE WEST WHAT THE WEST WOULD IF THE SOVIET UNION PURSUED WHAT WE PERCEIVE TO BE CORRECT POLICIES ON ECONOMIC REFORMS, ON HUMAN RIGHTS AND THE REST.

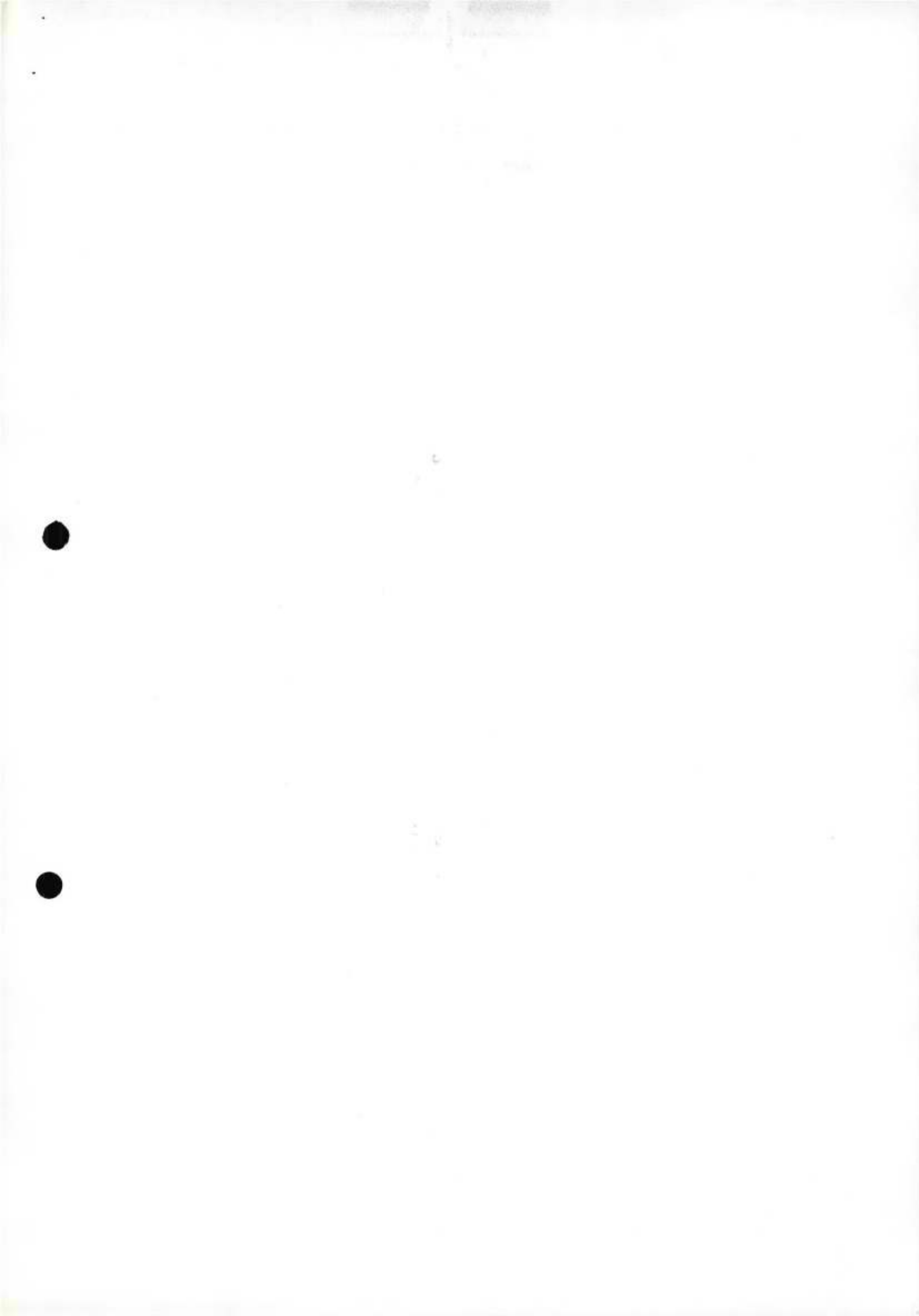
AS YOU KNOW, JEFFREY SACHS AND A NUMBER OF OTHERS HAVE BEEN PROMOTING THE KIND OF POLICY INITIATIVES UNDER WHICH THE WEST COULD OFFER IN THE CONTEXT OF A REAL SOVIET COMMITMENT TO CHANGE SIGNIFICANT CONDITIONED ECONOMIC ASSISTANCE IN ORDER TO BE A CATALYST FOR REFORM RATHER THAN TO SIMPLY ALLOW MATTERS TO UNFOLD WITHOUT ANY EFFORT ON OUR PART TO DIRECT THEM. I FRANKLY DON'T KNOW WHETHER THE SITUATION IS BEYOND ANYTHING WE CAN DO, BUT IT SEEMS TO ME WE HAVE AN OBLIGATION TO TAKE A LOOK AT THE SITUATION VERY HARD. AND FRANKLY, IT SEEMS TO ME THAT MR. SACHS AND OTHERS ARE RIGHT IN THE SUGGESTIONS THEY'RE MAKING ABOUT THE KIND OF CARROT THAT THE WEST COULD HOLD OUT FOR PROPER SOVIET CONDUCT.

SO, VERY BRIEFLY, THE COMMITTEE WOULD BE INTERESTED IN KNOWING WHETHER THE ADMINISTRATION IS IN FACT REVIEWING ANY SUCH PROPOSITION. WE'D LIKE TO KNOW WHAT WE WOULD BE WILLING TO DO UNDER WHAT CONDITIONS TO TRY TO SHAPE WHAT'S HAPPENING IN THE SOVIET UNION. AFTER ALL, THAT RELATIONSHIP IS STILL BY FAR THE MOST IMPORTANT RELATIONSHIP BETWEEN ANY TWO NATION-STATES IN THE WORLD, AND IT'S IMPORTANT THAT WE TRY TO MOVE IT FORWARD IN A CONSTRUCTIVE DIRECTION. WE WELCOME YOU AND ASK -- AND I WOULD ASK YOU TO INSERT YOUR STATEMENT IN THE RECORD, MAKE WHATEVER STATEMENT YOU FEEL APPROPRIATE, AND WE'LL BE HAPPY TO HAVE YOU AS LONG AS YOU CAN STAY TO ANSWER QUESTIONS.

REP. OBEY: THANK YOU, MR. SECRETARY.

I HADN'T INTENDED TO COMMENT ON FAST TRACK, BUT SINCE YOU BROUGHT IT UP LET ME SIMPLY EXPLAIN TO YOU WHY I'M GOING TO BE VOTING AGAINST IT. I TOTALLY AGREE THAT IT WOULD BE DESIRABLE TO





BRING ANY OF THE MANY SIDES TO THE TABLE. IT SEEMS TO ME THAT WE'VE  
CROSSED THE THRESHOLD.

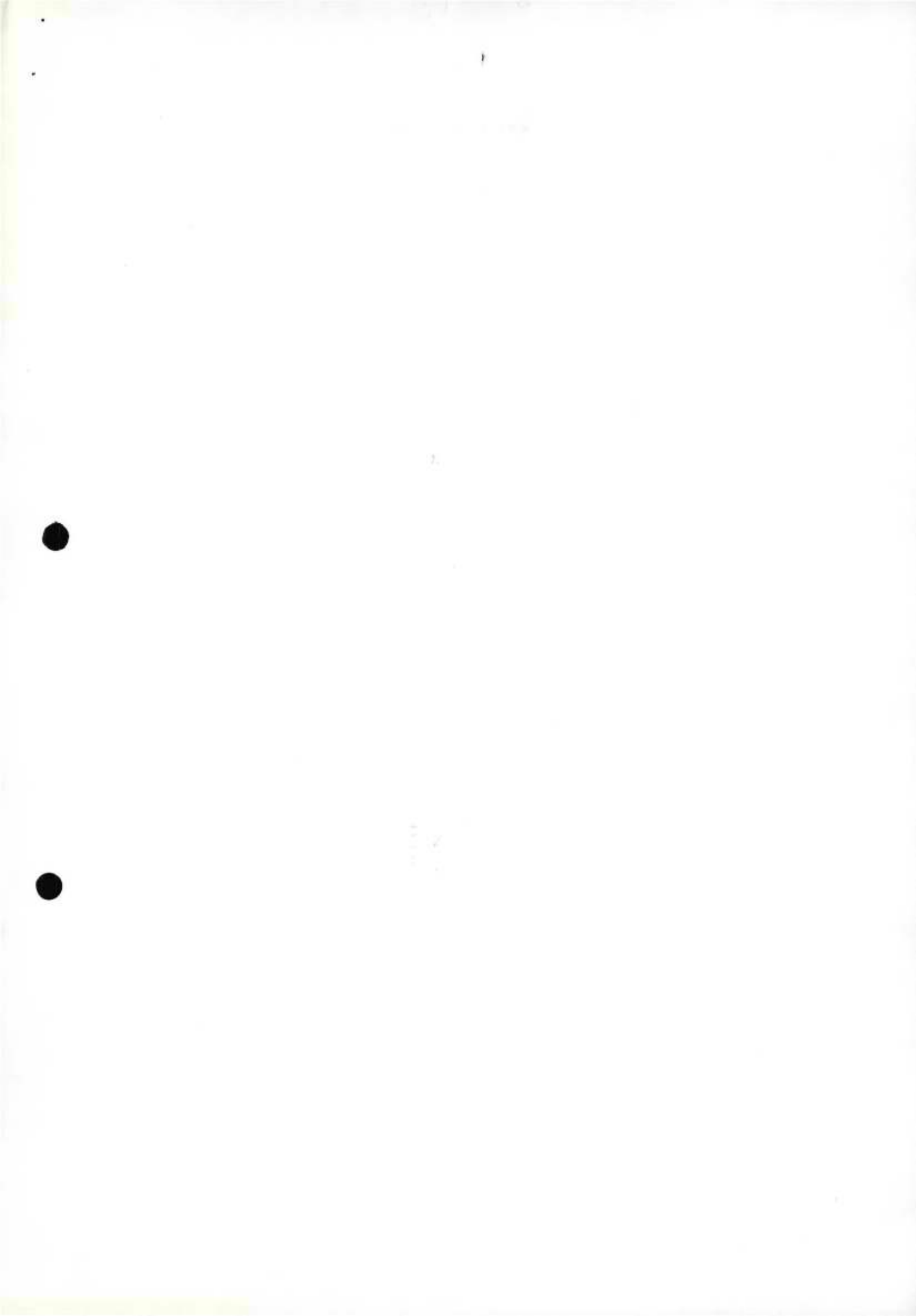
AMERICANS DIED PROTECTING ONE COUNTRY FROM ANOTHER IN THE REGION  
AND I THINK WE HAVE A RIGHT TO EXPECT CONDUCT FROM EACH OF THE  
PARTIES IN THE REGION THAT WILL ASSURE THAT TOMORROW WILL BE  
DIFFERENT THAN YESTERDAY.

IT SEEMS TO ME THAT THE US PULLED THE SAUDI CHESTNUTS OUT OF  
THE FIRE, AND THEY OWE US THEIR COOPERATION IN RETURN IN EFFORTS TO  
STABILIZE THE REGION. AND I DON'T BELIEVE THAT THERE WILL BE TRUE  
STABILITY IN THAT REGION UNTIL THE ARAB WORLD IS WILLING TO  
RECOGNIZE ISRAEL'S RIGHT TO EXIST. WE'VE ALSO ELIMINATED THE MAJOR  
THREAT TO ISRAEL'S SECURITY, AND I THINK WE HAVE A RIGHT TO EXPECT  
THEIR COOPERATION IN ELIMINATING ANOTHER SOURCE OF INSTABILITY IN  
THE REGION, A CORE SOURCE; THE UNRESOLVED QUESTION OF THE  
PALESTINIANS.

BUT IT SEEMS TO ME THAT WE'VE GOTTEN LITTLE BUT LIP SERVICE  
FROM ANY OF THE MAJOR PARTIES INVOLVED. THE SAUDIS, AT LEAST TO ME,  
DO NOT APPEAR WILLING TO BE MAJOR PLAYERS IN ANY PUBLIC DISCUSSION  
OF CORE MIDDLE EAST PROBLEMS, AND THE ISRAELIS SEEMED MIRED IN A  
TIREDSOME DEBATE ON PROCESS. THE SYRIANS SEEM TO BE TRYING TO DECIDE  
WHETHER THEY WANT A DEAL WITH THE WEST OR BECOME THE NEW LEADERS OF  
RADICAL FORCES IN THE ARAB WORLD, AND THIS COMMITTEE WOULD LIKE TO  
KNOW WHAT SPECIFIC PROGRESS HAS BEEN MADE WITH EACH OF THE PARTIES  
ON THOSE TWO QUESTIONS.

WE ALSO HAVE THE PROBLEM OF ARMS DELIVERIES TO THE REGION. I  
KNOW THE ADMINISTRATION IS PLANNING TO ANNOUNCE ITS PROPOSALS FOR AN  
ARMS POLICY IN THE REGION. DURING THE GULF CRISIS, ADMINISTRATION  
WITNESSES TALKED ABOUT THE NECESSITY TO CONTROL THE FLOW OF  
CONVENTIONAL ARMS AND WEAPONS OF MASS DESTRUCTION IN THE REGION. WE  
HAD TEN DIFFERENT WITNESSES APPEAR BEFORE THIS COMMITTEE FROM A WIDE  
VARIETY OF POLITICAL PHILOSOPHIES, FROM THE FAR LEFT TO THE FAR  
RIGHT AND EVERYBODY IN BETWEEN. EVERY SINGLE WITNESS AGREED THAT  
THE MOST IMPORTANT THING WE COULD DO IN THE MIDDLE EAST WOULD BE TO  
SEVERELY AND STRINGENTLY LIMIT BOTH WEAPONS OF MASS DESTRUCTION AND  
CONVENTIONAL WEAPONRY. BUT FOR THE LAST THREE MONTHS, FRANKLY, IT  
HAS SEEMED THAT THE ADMINISTRATION IS BACKING OFF SOMEWHAT FROM IT'S  
COMMENTS ON CONVENTIONAL WEAPONRY.

WE WELCOME ANY LIMITATION OF COURSE ON LONG-RANGE MISSILES,  
CHEMICAL WEAPONS, BIOLOGICAL WEAPONS AND OTHERS, BUT MR. SECRETARY,  
I'M REMINDED OF PRESIDENT REAGAN'S LINES IN ONE OF HIS OLD MOVIES,  
"KING'S ROW", WHEN HE WOKE UP AND SAID "WHERE'S THE REST OF ME?"  
WHAT I'D LIKE TO KNOW IS WHEN ARE WE GOING TO SEE ADMINISTRATION  
RECOMMENDATIONS ON LIMITING THE WEAPONS THAT HAVE CAUSED THE MOST  
PROBLEMS IN THE MIDDLE EAST, NAMELY THE CONVENTIONAL WEAPONS? AND I  
GUESS I WOULD ASK WHAT WOULD BE WRONG WITH THE UNITED STATES  
ANNOUNCING ITS UNILATERAL INTENTION TO SUSPEND FOR A PERIOD OF FOUR  
MONTHS OR SO ANY ARMS DELIVERIES TO ANY PARTY IN THE MIDDLE EAST,





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אל: מצפ'א, הסברה

מאת: ק. קונגרס

ביהנ'ב: עדות בייקר בוועדת המשנה לפעולות זרות

להל'נ התמליל של השימועים

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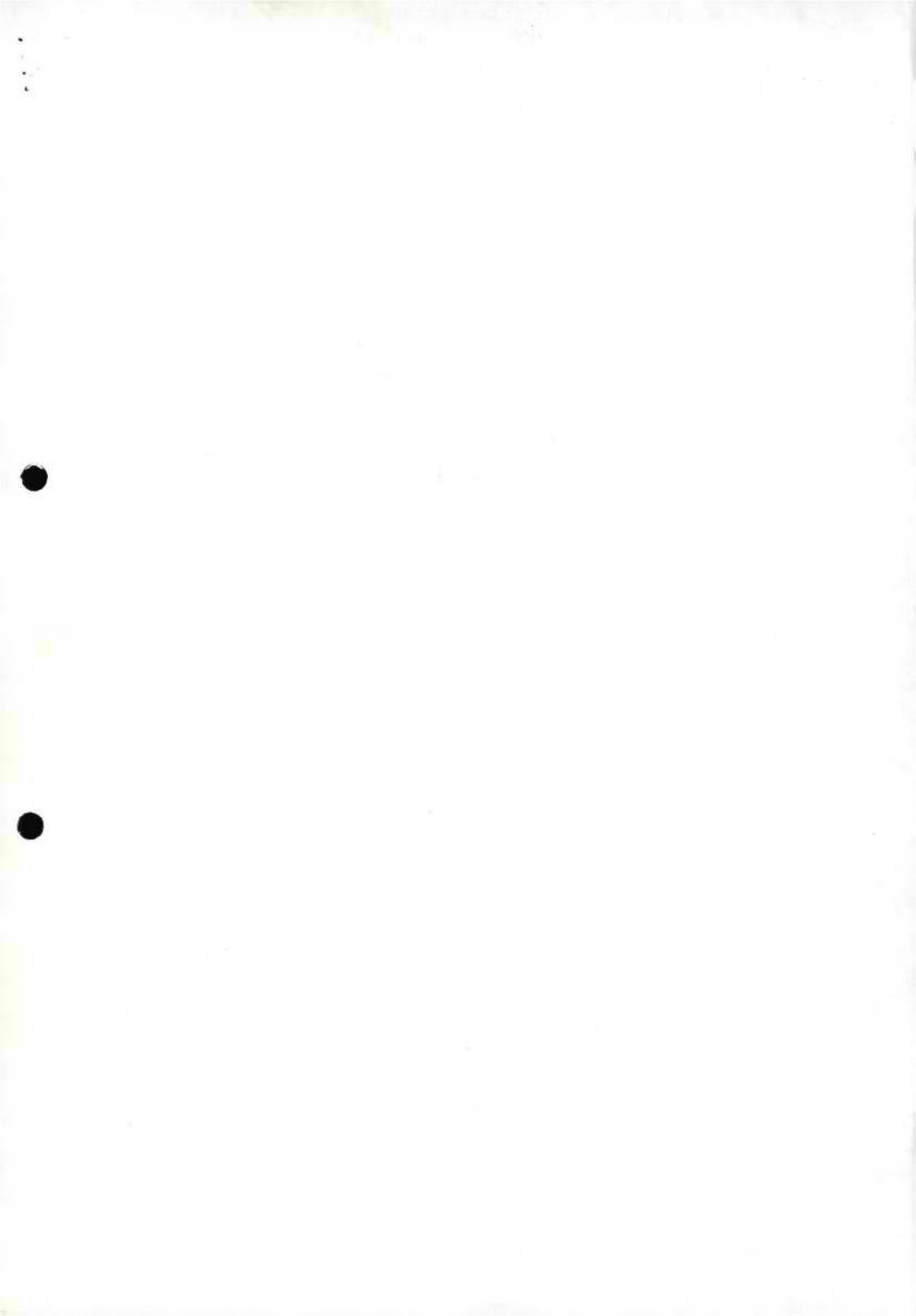
RING OF THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE HOUSE  
ROPRIATIONS COMMITTEE SUBJECT: FISCAL YEAR '92 APPROPRIATIONS  
IR: REP. DAVID OBEY (D-WI) WITNESS: SECY OF STATE JAMES A. BAKER III  
O RAYBURN HOUSE OFFICE BUILDING WEDNESDAY, MAY 22, 1991

REP. OBEY: WELL, MR. SECRETARY, GOOD MORNING. WE WELCOME YOU  
HERE THIS MORNING AFTER YOUR RATHER SHORT TRIP.

MR. SECRETARY, SINCE 1948 WE HAVE BEEN IN THE MIDDLE OF THE  
MIDDLE EAST CAULDRON. WE HELPED CREATE THE STATE OF ISRAEL. WE'VE  
HAD A RESPONSIBILITY TO ASSURE ITS SURVIVAL. WE'VE SEEN FIVE WARS  
-- IN '48, '56, '67, '73 AND '82. DURING THAT PERIOD WE HAVE  
PROVIDED MORE THAN DOLLAR 100 BILLION IN AID TO THE MIDDLE EAST. WE  
HAVE SOLD MORE THAN DOLLAR 110 BILLION OF WEAPONS TO THE MIDDLE EAST.  
UP UNTIL SADDAM WENT BESERK WE HAD LOST NOT QUITE 300 AMERICAN LIVES  
IN THAT REGION, MOSTLY THROUGH ACTS OF TERRORISM. WE HAVE NOW FOUGHT  
A WAR TO LIBERATE KUWAIT, A WAR THAT WAS SUPPOSED TO USHER IN A NEW  
WORLD ORDER. IT'S BEEN ESTIMATED THAT OVER 100,000 PEOPLE WERE KILLED  
IN THAT WAR, INCLUDING 265 AMERICANS.

YOU HAVE TRAVELED OVER 40,000 MILES TO EXPLORE THE  
POSSIBILITIES OF ENDING BUSINESS AS USUAL IN THAT REGION. YOU HAVE  
INDICATED THAT WE OUGHT TO BE PURSUING A TWO-TRACK APPROACH; THE  
PROMOTION OF TALKS BETWEEN ISRAEL AND THE PALESTINIANS, AND THE  
PROMOTION OF DIRECT TALKS BETWEEN ISRAEL AND ITS NEIGHBORS.

AS YOU KNOW, MR. SECRETARY, I'VE TOLD YOU THAT I WOULD  
COOPERATE WITH YOU FULLY IN ANY EFFORTS THAT YOU TRY TO PURSUE TO



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life-sustaining activities for the most vulnerable groups and support lasting solutions through opportunities for voluntary repatriation and local integration.

To finance refugee admission and resettlement, we seek \$192 million in FY 1992 funding. This will cover the expenses of an estimated 120,000 refugees -- about the same number as last year. Most refugee admissions will be from the Soviet Union and Vietnam, but there will also be admissions from Eastern Europe, Africa, Latin America, and the Near East. Family reunification will continue to be a priority, as will the resettlement of persecuted religious minorities and former political prisoners.

In addition, we request \$20 million to replenish the President's Emergency Refugee and Migration Assistance Fund, to enable us to respond to unforeseen refugee and migration needs worldwide.

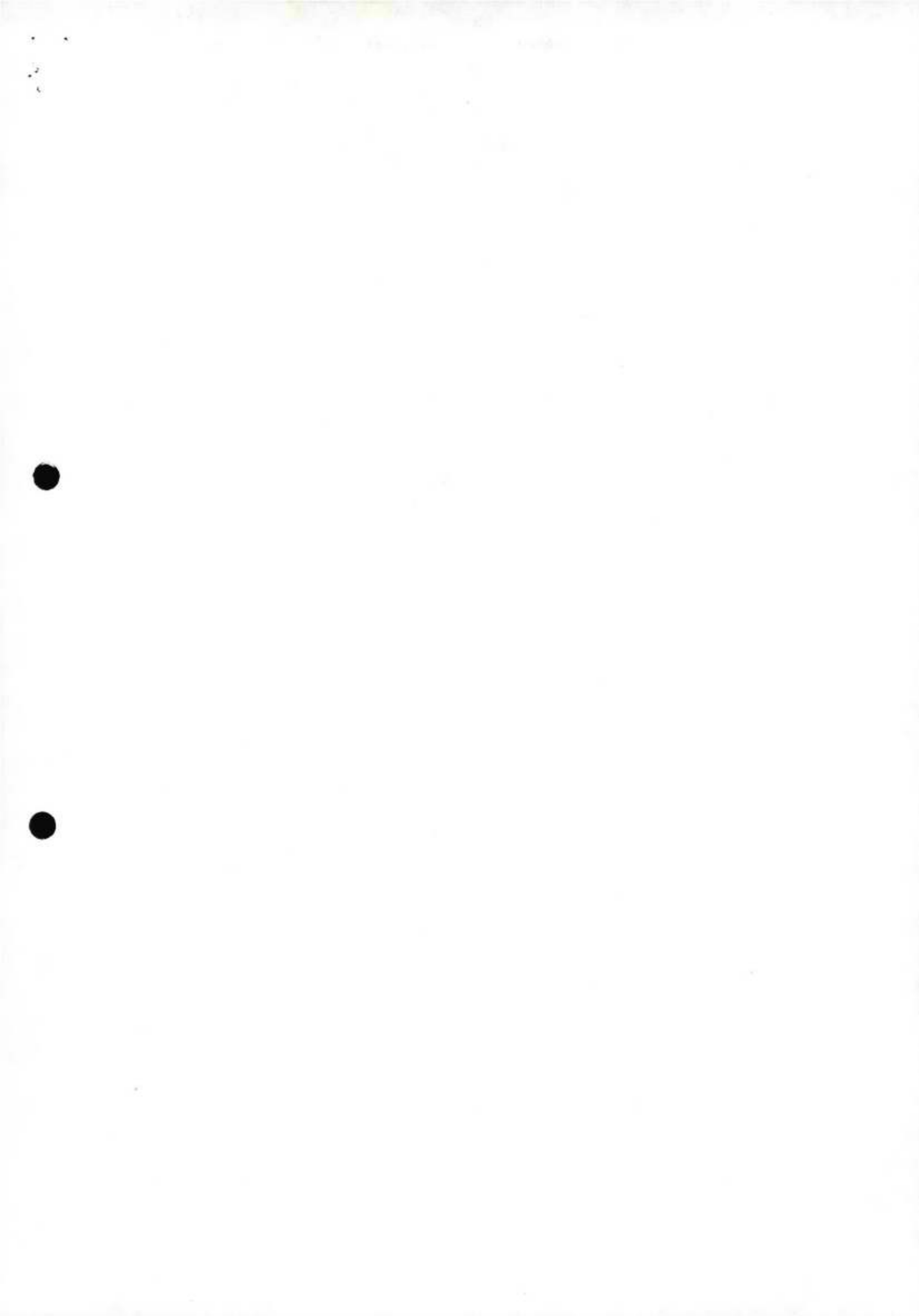
Another important component of our international development assistance request is our \$200 million request for Peace Corps operating expenses.

#### Conclusion

Thank you, Mr. Chairman. We look forward to working with you and the members of this Subcommittee in the coming months to mobilize the flexible resources we need to carry out our ambitious foreign affairs agenda.

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### Multilateral Assistance

For the multilateral development banks, we are requesting \$1.7 billion in FY 1992 budget authority, up from \$1.6 billion in FY 1991. This includes \$1.1 billion in funding for the International Development Association, the soft-loan window of the World Bank, which provides concessionary financing to the world's poorest countries, as well as full funding for the European Bank for Reconstruction and Development and the other regional development banks.

Our FY 1992 budget request also contains \$12.2 billion in budget authority for the proposed increase in the U.S. quota in the International Monetary Fund (IMF), as provided for in the Budget Enforcement Act. This is to ensure that the Fund has the resources necessary to fulfill its responsibilities as the world's principal monetary institution. In the Third World, IMF arrangements support market-oriented adjustment and underpin debt reduction operations in support of the Brady Plan. The Fund has also spearheaded economic reform in Eastern Europe, and responded vigorously to assist countries seriously affected by the Persian Gulf crisis.

In addition, we are seeking \$250 million for voluntary contributions to international organizations including the U.N. Development Program (\$115 million) and UNICEF (\$55 million).

### Counternarcotics Assistance

For the international narcotics control programs administered by the State Department, we are seeking \$172 million, an increase of \$22 million over FY 1991 levels. These funds serve as a critical element in motivating and assisting cooperative foreign governments to fulfill their narcotics control responsibilities.

Over two thirds of the increased funding requested for FY 1992 will support expanded programs in Latin America, with an emphasis on helicopters. Indeed, Latin American and regional aviation programs will absorb fully 80% of our total FY 1992 request.

### Refugees and Other Assistance Programs

The United States continues to play a preeminent role in addressing the plight of the world's refugees -- through our international assistance and domestic resettlement programs, as well as our diplomatic efforts in support of permanent solutions to refugee situations.

For FY 1992, we are requesting \$491 million for Migration and Refugee Assistance, up from \$486 million in FY 1991.

For our refugee assistance programs overseas, we seek \$233 million in FY 1992 funding, a \$20 million increase over the FY 1991 level. These programs will continue to focus on basic

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### Latin America and the Caribbean (\$2.1 billion)

For foreign assistance programs in Latin America and the Caribbean, we seek \$2.1 billion in total funding, the bulk of which will be used to support the Andean Narcotics Initiative and the emerging democracies of Central America.

To implement the President's Andean Strategy, we are seeking a total of \$481 million in combined narcotics control, development assistance, and security assistance funding. These programs provide funding for bilateral counter-narcotics efforts, coordinated military assistance, and economic aid to offset the dislocations of successful counternarcotics operations and provide alternatives to narcotics production.

To support democratization and economic growth in Central America, we are seeking \$783 million in total bilateral assistance, down from \$906 million the prior year. As in prior years, over three fourths of this amount will support economic as opposed to military assistance. We believe that sustaining these programs is crucial to the opportunity to end the conflicts in both El Salvador and Guatemala this year.

We are also seeking \$310 million in budget authority to cover the debt reduction provisions of the President's Enterprise for the Americas Initiative, and, as discussed above, \$100 million for the proposed multilateral investment fund.

### Africa (\$1.0 billion)

For FY 1992, the fifth year of the Development Fund for Africa, we seek \$800 million in resources to promote broadly based and sustainable economic growth. Priority attention will continue to be given to those countries pursuing sound economic policies. We are also proposing modest amounts of Economic Support Funds for Africa (\$29.3 million), including a new regional "Support for African Democracy Fund". Our \$34 million request for Foreign Military Financing request supports maintaining and replacing equipment supplied to our friends in past years and is almost exclusively non-lethal. In addition we are seeking almost \$150 million in PL 480 food assistance.

The U.S. has already provided approximately \$550 million in debt forgiveness for qualifying African countries. In addition to bilateral assistance, the U.S. also provides important financial resources to Africa through institutions such as the IMF, the World Bank (about half of concessional disbursements), the African Development Bank and Fund, and many U.N. agencies.

Our FY 92 request for Africa is designed to encourage the growing movement toward responsible governance in Africa, particularly the trend toward pluralistic democracy.



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respectively. We are also requesting \$24 million in assistance for Tunisia for FY 92. We hope to be able to support Pakistan's development and security needs with a substantial assistance program, and have set aside \$260 million in total FY 92 resources for this purpose. Provision of this assistance, however, will be contingent on the ability of Pakistan to satisfy the standards set in the Pressler Amendment.

#### East Asia and the Pacific (\$702 million)

In Asia, our principal assistance request is for the Philippines, for which we seek a total of \$556 million in total FY 1992 bilateral funding, including a commitment of \$160 million toward the Multilateral Assistance Initiative. This funding is designed to strengthen a fragile democracy and promote economic reform. We are also nearing conclusion of negotiations that we hope will make possible our continued use of Philippines military facilities and help build a new, more balanced relationship.

Other highlights of our request for East Asia include \$27.5 million for Cambodia to support the achievement of a comprehensive settlement based on a U.N. supervised free election. We expect to support community development, leadership and human rights training, and election efforts -- as well as continuing to meet the very special needs of the children of Cambodia.

#### Europe (\$1.6 billion)

The Administration's FY 1992 request for Europe includes \$400 million for the Special Assistance Initiative for Central and Eastern Europe, a slight increase over our FY 91 appropriation. In accordance with authorizing legislation, these funds support a broad spectrum of activities, including democratic initiatives to assist with political and social reform, and support for economic reform, including environmental and energy projects, enterprise funds, and technical assistance.

Contributing to the military capabilities of our NATO allies in the Southern Flank remains a central concern for U.S. policy in the Mediterranean. Recognizing the pivotal role played by Turkey in the Persian Gulf crisis, we seek \$625 million in FMF and \$75 million in ESF funding for FY 92, a combined increase of \$150 million over FY 1991 levels. Turkey took the lead in the enforcement of economic sanctions against Iraq, and has taken a courageous position in support of the United Nations resolutions despite severe domestic economic costs. This crisis has demonstrated Turkey's ongoing need for air defense support and other military equipment to bolster its role as a key regional partner, both in Europe and the Middle East.

For Greece, we seek \$350 million in FMF to assist with Greek force modernization. We also seek \$125 million in FMF and \$40 million in ESF for Portugal to support force modernization efforts and assist in the development of the Azores region where U.S. forces are based.



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suited to provide timely support to our allies and friends around the world. Our interests in political pluralism, market-driven economic development, peace-making, and strengthening alliances -- can all be advanced by prudent use of bilateral assistance resources.

For FY 1992, our request for discretionary budget authority for bilateral assistance programs totals \$13.1 billion. That marks a 6.5% increase over the \$12.3 billion appropriated by Congress for FY 1991. Highlights of this request by category are as follows:

- \$4.65 billion in Foreign Military Financing (FMF), supporting a program level of \$4.92 billion.
- \$3.24 billion in Economic Support Funding, up from \$3.14 billion.
- \$1.3 billion in development assistance, the same as the prior year.
- \$800 million for the Development Fund for Africa.
- \$400 million for Central and Eastern Europe, a slight increase over the FY 91 appropriation.
- \$160 million for the Multilateral Assistance Initiative for the Philippines.
- \$1.3 billion for bilateral PL-480 food aid, supporting the export of 5.9 million metric tons of U.S. commodities.
- \$172 million for that portion of the Administration's international counternarcotics program implemented by the State Department.

#### Near East and South Asia (\$6.2 billion)

The Middle East has been profoundly affected by the Gulf war and the economic turmoil associated with the conflict. Although the war is now over, the economic dislocations and hardships continue. In our bilateral assistance request, we continue to focus our efforts to promote peace and stability on our traditional partners, Israel (\$3.0 billion) and Egypt (\$2.3 billion). Additional costs which regional states have incurred as a result of the crisis are being compensated through efforts of the Gulf Crisis Financial Coordination Group, bilateral donors, and the international financial institutions. In partnership with our friends and allies, we are working on developing mechanisms to catalyze the resources needed to support the efforts of these countries to achieve sustained economic growth.

Reflecting developments associated with the crisis and our own budgetary limitations, assistance levels for Jordan and Yemen have been set at \$57 million and \$3 million.





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Four, we envision more creative use of trade and investment policies as vehicles to promote U.S. interests in world economic growth, as well as to enhance our own economic strength.

Central to these efforts over the past four years has been our determination to pursue a successful conclusion to the Uruguay Round of trade negotiations. We continue to believe that the Uruguay Round has profound political as well as economic implications for the shape of the world in the next century. Successful conclusion of the round is essential for the economic growth and stability of the emerging Eastern European democracies, as well as the wide range of developing countries who will ultimately rely on expansion of world trade -- not aid -- as the primary vehicle to generate employment opportunities and sustainable economic growth.

In our own hemisphere, the President's Enterprise for the Americas Initiative represents a comprehensive effort to promote economic growth and stability in the region, combining free trade and investment -- the primary vehicles for growth -- with debt relief and environmental initiatives.

As I noted above, as an important step toward the eventual goal of hemispheric free trade, the Administration is seeking a North American Free Trade Agreement with Mexico and Canada, which we are convinced promises important economic benefits for all three countries. A North American Free Trade Agreement will create the world's largest market, worth over \$6 trillion a year and including more than 360 million consumers. There is a tremendous amount at stake for our economic future, foreign policy, trade policy, and historic reconciliation with Mexico.

Meanwhile, the United States has worked actively with our Asian partners in the Asia Pacific Economic Cooperation (APEC), to advance market-oriented cooperation among member states.

Our Bilateral Investment Treaty program has been an important vehicle in ensuring an open and liberal investment climate for U.S. investors and exporters. Over the past year, we completed negotiations with Poland and Czechoslovakia and are actively negotiating with nine other countries which are in the process of undertaking economic restructuring programs.

Finally, we will be challenged to pursue more vigorous U.S. diplomacy, and will seek a State Department Operations budget that reflects an activist approach to the diplomatic challenges of a changing world.

#### Bilateral Assistance

Bilateral military and economic assistance will remain an essential tool in advancing U.S. interests through the 1990's, assuming the necessary flexibility can be provided to meet emerging needs. No other vehicle at our disposal is as well



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In 1990, our coalition partners pledged \$9.7 billion to meet Desert Shield costs, representing 73% of the roughly \$13.2 billion in total incremental expenses we incurred. As soon as hostilities broke out, our allies again responded promptly and generously to shoulder their fair share of coalition military expenses under Operation Desert Storm. Indeed, we have received unprecedented pledges totaling in excess of \$44 billion from Saudi Arabia, Kuwait, the UAE, Japan, Germany, and Korea, to offset Desert Shield/Storm expenses for 1991.

The world community has also responded swiftly and generously to the needs of the front-line states, especially Egypt and Turkey, as they incurred substantial costs in standing up to Saddam Hussein's aggression. Through the U.S.-chaired Gulf Crisis Financial Coordination Group, over \$16 billion has been pledged by the Gulf states, Europe, Japan, Korea, and other countries to ensure that the economies of affected regional states are stabilized. The United States has played its part in this effort, supported by Congress, by cancelling Egypt's \$6.7 billion military debt, thereby relieving a heavy burden on a critical regional ally. Other countries have followed suit and canceled an additional \$8 billion in Egyptian debt.

Similarly, in responding to the urgent needs of Iraqi refugees and displaced persons, the international community is in the process of mobilizing more than \$500 million, under U.N. and ICRC auspices, for urgent humanitarian relief efforts.

Meanwhile, in Eastern Europe, the successful G-24 process chaired by the European Community Commission has mobilized more than \$18 billion in pledges for Poland and Hungary to ease their transition to market economies. And in the Philippines, the Multilateral Assistance Initiative (MAI) has been responsible for nearly doubling the level of international assistance to this struggling democracy.

In our own Hemisphere, we are working with our worldwide partners to assist in clearing arrearages of Panama and Nicaragua to the international financial institutions, and to help finance the enhanced debt strategy. And just last month, the United States and the OECD countries joined together with Central America, Mexico, Colombia, and Venezuela to create the Partnership for Democracy and Development in Central America, a new multilateral grouping designed to support regional democratization and economic development. Finally, we are encouraging Europe and Japan to join us in pledging \$100 million a year over five years to create a Multilateral Investment Fund for Latin America and the Caribbean. This Fund is a key part of the President's Enterprise for the Americas Initiative and will play a crucial role in enabling countries to move from aid to trade and private investment as the principal engines of economic growth.

In each case, both strong U.S. leadership and a community of interests are essential to catalyze a broad worldwide response.



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are playing a central role in structuring sound, adequately financed programs to ease their transition to market economies based on private initiative. Should the Soviet Union move further along the path of structural economic and political reform, we would expect the IMF and the World Bank to play a role in facilitating its transformation as well. The European Bank for Reconstruction and Development will promote the development of the private sector, as well as infrastructure and environmental programs, in the reforming countries of Central and Eastern Europe. Meanwhile, through our Enterprise for the Americas Initiative, the Inter-American Development Bank is expected to play a major role in promoting sound investment policy in our own hemisphere.

To support these efforts, we are again proposing full funding for the multilateral development banks -- including all arrears -- plus a periodic quota increase for the IMF. This funding will allow these institutions to leverage other contributions in support of our objective of promoting sound, growth-oriented economic policies in the developing world.

As President Bush noted in his State of the Union address, the United Nations has played a historic role in the Gulf crisis, one that is close to fulfilling the vision of its founders. The Security Council's fourteen resolutions, which laid the basis for ending the crisis, symbolize the unity of the international community against Iraq's aggression and established the principle of collective security as a cornerstone of the post-Cold War era.

At the same time, the humanitarian organizations of the U.N. system -- together with the International Committee of the Red Cross and the International Organization for Migration -- are coordinating a broad international effort to assist the hundreds of thousands of refugees fleeing from Iraqi aggression.

The United States has a vital interest in strengthening this new, revitalized United Nations as a full partner in the building of a post-Cold War world where peace, stability, and prosperity prevail.

Three, we foresee greater reliance on creative responsibility sharing as we strengthen our global partnerships, especially with the European Community and its members and with Japan. As many in Congress have noted, our own difficult budgetary situation makes such efforts especially important for the advancement of a common agenda with partners who share our values and interests.

No effort so well illustrates the collective response of the world community to defend world peace as our successful efforts to enlist worldwide support for Operations Desert Shield and Desert Storm, and for the front-line states whose economies have been set back by the effects of Saddam Hussein's aggression.

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Third, promoting peace by helping to defuse regional conflicts, strengthening the security of our regional partners, and pursuing arms control and nonproliferation efforts.

As the crisis in the Persian Gulf has demonstrated, there is no substitute for strong U.S. leadership. We continue to play a vital role in bolstering the security of regional allies around the world. Egypt and Turkey -- two long-standing beneficiaries of U.S. security assistance -- have been bulwarks of the coalition against Saddam Hussein.

National and regional security are preconditions for democracy and free enterprise to flourish. Saddam Hussein's aggression is a dramatic reminder of the continuing need to protect the security of regional states of vital interest to the United States and our allies. The proliferation of missile systems and nuclear, chemical and biological weapons technology further sharpens our interest in promoting regional stability.

Fourth, protecting against transnational threats, especially to the environment and from narcotics and terrorism.

As I noted in my first statement to Congress two years ago, "The future of our civilization demands that we act in concert to deal with a new class of problems, transnational in nature." This includes curbing proliferation, protecting the environment, and countering terrorism and narcotics.

We have made progress in all of these areas. We have led the international effort to tighten nonproliferation export controls on a global basis. We continue to work to advance our environmental agenda. We are actively pressing state sponsors of terrorism in an effort to thwart terrorism around the globe. And our international narcotics efforts to counter supply are complemented by reports of declining demand at home.

But progress is sometimes slow, unheralded, and hard won. Iraq's conduct following its invasion of Kuwait is a brutal reminder of the danger posed by the interaction of these transnational threats. Saddam Hussein's actions during the Gulf War illustrate how traditional concepts of threats to national security need to be extended. Indeed, Iraq has combined:

- A credible threat of the use of chemical and biological weapons;
- A contemptible use of missile technology as a weapon of terror against innocent civilian populations;
- Perhaps the world's first deliberate use of an environmental disaster as a wartime weapon, with unknown consequences for the entire region for years to come; and
- A worldwide call for terrorist actions, sometimes supported by embassies abroad in flagrant violation of the basic principles of diplomacy.



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In order to achieve our worldwide objectives within these resource constraints, additional flexibility is needed. Last year, I appealed to this subcommittee to make constructive consultation -- not earmarking -- the primary vehicle for achieving consensus on program objectives. I am pleased to note that with the cooperation of this subcommittee, we made some progress toward that goal last session.

Earmarking in our Economic Support Fund (ESF) declined from 82 percent in FY 1990 to just over 68 percent in FY 1991. In our Foreign Military Financing (FMF) account, the decline was less dramatic but still significant, from 92 percent to 87 percent. This is a welcome trend, one that we want to encourage and promote.

But we still have a long way to go. To support our request this year, let me express the Administration's willingness to work in partnership with Congress to develop greater flexibility in our foreign assistance authorization and appropriations legislation. To guide this effort, let me suggest five broad objectives for our international cooperation programs, built around the five foreign policy challenges which I outlined to Congress last year.

First, promoting and consolidating democratic values, including free and fair elections and respect for human rights. As the President noted in his State of the Union address, this fundamental American principle has stood as a beacon to peoples across the globe for more than two centuries.

Transitions toward democracy, however difficult, cannot be accomplished in isolation from the rest of the world. The essential ingredients of democracy -- respect for human rights, the rule of law, free and fair elections, and political and economic freedom -- are also the basic building blocks of the new world order.

Second, promoting free market principles and strengthening U.S. competitiveness. Sustainable economic development cannot be separated from the pursuit of sound, growth-oriented policies; together, these can promote U.S. economic interests abroad. By fostering market forces through deregulation, privatization, and promotion of free trade and investment, reform-minded countries can establish an appropriate complement to building and securing democracy. They also can develop into thriving markets for U.S. exports and the jobs they represent. Indeed, U.S. exports to recent aid graduates -- Chile, Taiwan, and Korea -- total more than twice the value of our entire worldwide foreign assistance budget. Our long-run goal should be to graduate more countries from foreign assistance toward mutually beneficial trade and investment relationships with the United States.



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Third, even with the tentative steps toward political accommodation, Soviet economic reform still has a long way to go. We and almost everyone else who has looked at it are convinced that Prime Minister Pavlov's anti-crisis program will not work. We believe the Soviet leadership urgently needs to embrace fundamental market economic reform.

Without a commitment to fundamental reform, we expect the Soviet economy to continue its severe decline -- and that is in no one's interest. We continue to study various ways we can assist Soviet economic reform, but the usefulness of our efforts still depends above all on the choices the Soviets themselves make.

### NAFTA and Fast Track

Let me close my oral statement with a few words about the NAFTA and Fast Track. We are seeking a North American Free Trade Agreement with Mexico and Canada because we are convinced such an agreement promises important economic benefits for all three countries. Since the President's announcement last June of his desire to seek a free trade agreement with Mexico, we have engaged in extensive consultations with Congress and the private sector.

Mr. Chairman, I believe there is a tremendous amount at stake here -- in terms of both foreign and economic policy and in terms of our growing cooperative work with Mexico on important regional and transnational issues. It will also enhance American exports, job opportunities as well as global competitiveness. In order to achieve global markets and hemispheric trade cooperation, it is critical that fast-track negotiating authority be extended by the Congress. Without this step, our foreign and economic leadership position will be seriously impaired.

### Overview of our Funding Request

Let me turn to our foreign assistance funding request. For FY 1992, we seek \$21.9 billion in discretionary budget authority for International Affairs Budget Function 150, an increase of \$1.7 billion over levels appropriated for FY 1991. In addition, we are requesting a one-time appropriation of \$12.2 billion as the U.S. share of a global quota increase for the International Monetary Fund.

For the accounts under the jurisdiction of this subcommittee, we are requesting \$15.2 billion in FY 92 discretionary budget authority, a \$455 million increase over FY 1991 appropriations.

In accordance with the terms of the Budget Enforcement Act, our request falls within specific, stringent limits on our spending levels, despite unprecedented demands for U.S. leadership across the globe.

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With a new government, however, new possibilities will emerge for Iraq to rejoin the international community. With a new government, we may well be able to lift most sanctions, save those that constrain Iraq's military potential. And in that new Iraq, tolerance must replace terror, and the fear that so long has gripped the Iraqi people must give way to peaceful realization of the vast potential of the Iraqi people and their homeland.

### Soviet Union

I'd now like to make three observations about our relations with the Soviet Union.

First, the President and I feel it is important to stress that Soviet new thinking continues to guide Soviet behavior in many aspects of our relations. In the Middle East, Foreign Minister Gorbachev's help has been invaluable to our attempts to reinvigorate the peace process. Soviet cooperation has also been critical to the historic agreement that will end the Angolan civil war -- an agreement that I will join in signing in Lisbon next week. The Soviets have also been helpful in other regional areas -- most notably, Central America and Cambodia.

And in arms control, we hope to resolve our differences over the CFE Treaty, prepare CFE for ratification, and move forward with START and preparations for a Moscow Summit.

Second, the so-called "one-plus-nine" agreement of April 23 between Gorbachev and the republics creates an opportunity for a positive shift toward new political arrangements in the Soviet Union. If Gorbachev and the nine follow up this agreement in the way they have suggested -- through an all-union treaty and a new constitution -- then this would be an important step toward establishing a new political legitimacy in the Soviet Union. These steps, along with the on-going talks between Moscow and the Baltics, create new opportunities for reconciliation to replace the political polarization that has characterized Soviet politics since last September.

We also welcome enactment of new emigration legislation. For almost two decades, we have made the right of emigration a central part of US-Soviet relations. We regard passage of the new law as a major step in Soviet reform and an fulfillment of Soviet CSCE commitments.

For our part, we continue to expand our contacts with all levels and segments of Soviet society, ranging from reformers and democrats to traditionalists and the military. Not only will this increase our understanding of Soviet society, but it will allow us -- through what I have called a "democratic dialogue" -- to help promote political pluralism and economic freedom and the success of Soviet reform. And as the President and I have made abundantly clear by now, the continuation and success of Soviet reform is in everyone's interest.



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It is our firm conviction that some kind of international presence, however organized, must take over for the job now being done by American and coalition forces. We hope that this international presence will serve as the international community's watchdog to inhibit Saddam from repeating his most recent atrocities.

In the future, we hope that Iraq can fully rejoin the community of nations. Iraq has a tremendously talented, creative, and diverse population. I believe that a new Iraqi political compact which reflects the pluralistic make-up of its population and its rich historical and cultural traditions is possible. And such a compact must be arrived at by negotiations among all Iraqis, not by force.

We respect Iraq's sovereignty and territorial integrity and do not wish to see a fragmented state. We have said repeatedly that we have no quarrel with the people of Iraq. And our actions reinforce our words. While our soldiers have been feeding and caring for refugees, Saddam's soldiers were strafing and shelling them.

Thus, I can say without equivocation or doubt: Saddam Hussein himself is the single greatest obstacle to any hopeful future for the people of Iraq -- whether in terms of their own development as a society or their reintegration into the international community. Left alone, free to reconsolidate his brutal dictatorship and military machine, we know Saddam will act again to brutalize his own people and threaten his neighbors. Without constant international monitoring of and pressure against Saddam, this Iraqi government will continue to pose a danger to the peace and security of the Middle East.

That's why we can have a formal cease-fire but no genuine peace with the Government of Iraq so long as Saddam Hussein remains in power.

Let me be absolutely clear about this third aspect of our strategy: Saddam Hussein is a pariah whose actions put him beyond the pale of civilized international society. Therefore, we will act with others to continue to isolate Saddam's regime.

That means we will never normalize relations with Iraq so long as Saddam Hussein remains in power.

That means maintaining UN sanctions in place so long as Saddam remains in power.

And that means Iraqis will not participate in post-crisis political, economic, and security arrangements until there is a change in regime.



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Today, I want to review with you the three-pronged strategy that we and our allies have pursued to cope with this terrible situation. First, we have worked to relieve the immediate suffering of Iraqi refugees. Second, we are working to prevent another round of terror by creating safe and secure conditions within Iraq so that the refugees can return to their homes and live in safety. Third, we will continue to isolate Saddam Hussein as long as he holds power. Let me discuss each of these aspects of our strategy.

The first has been aimed at the immediate problem: saving the lives of refugees by providing them food, water, medicine, blankets, and housing. Through Operation Provide Comfort, we have airdropped and trucked supplies to refugees on the mountains in northern Iraq and southern Turkey, have built refugee camps in both Iraq and Turkey, and have re-secured portions of northern Iraq so that they could begin to return to their homes.

The President has contacted the leaders of the major industrial countries and our coalition partners from the Arab world and urged them to make generous pledges to the various United Nations appeals. We appreciate the Conference Committee's action on Tuesday, and we hope the Congress will act expeditiously on our supplemental refugee request.

As a result of our efforts, the situation has improved considerably. Death rates among the refugees have dropped markedly, and well over half the refugees have come down from the mountains.

It has not been enough, however, to provide only for the immediate needs of the refugees. We also have a duty to try to prevent a greater tragedy: a situation where Saddam could exercise his terror once again.

This second aspect of our strategy requires uniting the world community to ensure international access to the affected regions throughout Iraq in strict conformity with Security Council Resolution 688, which calls for respect for the humanitarian and political rights of the Iraqi people.

Saddam's ruthless suppression of his own people is yet another reminder that he cannot be trusted. We remain concerned that Saddam would, if conditions altered, resume a systematic extermination of regime opponents and innocent Iraqi civilians. The world community is not moving to save these poor, innocent people now, so that they can be slaughtered by Saddam Hussein later.

That is why we warned Iraq not to interfere with humanitarian relief efforts underway in Iraq. That is why in support of Resolution 688, we have urged the United Nations to move quickly to provide personnel to ensure the safety of those refugees returning to Iraq. The United States does not seek to keep its forces in northern Iraq any longer than is absolutely necessary; we look forward to their early replacement by an effective international presence.

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So the purpose of my recent trip to the region was to continue to explore these issues with the parties and to determine where there was consensus and which areas required more work. Overall, I found that there is more agreement than disagreement on the key elements of our approach. And I found a willingness to continue looking for ways to resolve those areas that are still not nailed down.

I also had extremely useful discussions with Soviet Foreign Minister Bessmertnykh in the Soviet Union and in Cairo. The Soviets have been very supportive of our approach. The fact that the Soviet Union and the United States are in basic agreement about how to proceed on the peace process creates a new factor -- one that improves the chances of getting this process launched.

Nonetheless, we are obviously not at the point I would like to be. There are areas of disagreement, particularly between Israel and Syria over the modalities of the conference, both on the issue of the UN role and over the issue of reconvening the conference. I'm not going to pretend that sorting these out will be easy or that it will be done quickly.

But I will say that we will continue to try so long as we believe that all parties are working in good faith and are serious about finding ways to resolve differences. The President and I have talked about our next steps, and we believe we should continue to press ahead and see if we can overcome the gaps and get to negotiations.

Finally, let me conclude by saying that I believe the parties in the region do appreciate that there's a real chance to launch a process. We've defined a workable pathway to negotiations that would enable Israel, Arab states, and Palestinians to capture that chance and make a real break with the past in favor of peace. It is there for the taking, but it will not last forever.

What remains to be seen is whether the parties are willing to seize this chance. The United States is there, ready and willing to help them try. But we cannot create the political will to act, if it does not exist in the region.

### Iraq

Let me now discuss the situation in Iraq.

With his aggression outward against Kuwait defeated, Saddam Hussein turned his terror inward in the aftermath of the Gulf War and drove hundreds of thousands of Iraqis out of their homes and into foreign lands. This created, as the United Nations recognized in Resolution 688, a new threat to international peace and security. The issue for all of us can no longer be just Kuwait.

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Let me be clear about this. We are not considering an international conference with a plenary that has the power or authority to impose its views, nor are we considering any mechanism that would interfere in any way with negotiations. In fact, as I've told those in the region, the conference is not a forum for negotiations. Quite simply, it's a means to an end, a tool in our effort to get the parties to sit down face to face to sort out their differences and to break anachronistic taboos.

This conference would be co-sponsored by the United States and the Soviet Union. Israel, Egypt, Syria, Lebanon, Jordan and Palestinians from the Occupied Territories would attend. As you know, the Gulf Cooperation Council (GCC) has already taken a very important step and agreed to send its Secretary General as observer. In addition, each of the member states of the GCC, the six Gulf states, have announced they will participate in the direct negotiations on multilateral issues.

We also believe the European Community could play a constructive role in support of this process, and especially in the hard work of economic development that would follow a negotiated peace. The EC should be able to participate in the conference. Similarly, the United Nations should have some role; a formula ought to be found that is acceptable to all the parties, that prejudices none, and that channels the newfound potential of the UN in ways that can be helpful in promoting peace and reconciliation in the area. The exact nature of EC and UN involvement is still unresolved. Another open question is the ability of the conference to reconvene. The U.S. believes it should be able to do so, if all the parties agree, in order to hear reports from the bilateral and multilateral negotiating groups.

The point is that none of this will in any way interfere with direct negotiations. Indeed, face to face negotiations offer the only way to make any progress, and we would not accept any proposal that would lead any party to believe that it could avoid negotiations or have others relieve it of the need to negotiate.

The other set of issues deals with the question of Palestinian representation in the negotiations.

From the beginning of this Administration, we have made it clear that our objective is to get Israel and Palestinians from the Occupied Territories into negotiations. Of course, Palestinians must choose their representatives, but our view is -- and many other parties agree -- that a joint Jordanian-Palestinian delegation could be a useful vehicle to get to the conference as well as to handle any number of issues that might arise during the negotiations.





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still at the core of the Arab-Israeli problem -- but that the state to state dimension also had to be addressed. And it was a hopeful reminder that Israel and the Arab states sometimes find common ground between them -- common ground which might provide room for maneuver to encourage Israeli-Palestinian accommodation.

Our postwar task, therefore, was to try to blend what was new and promising following the crisis with the enduring principles of Arab-Israeli diplomacy. That was the purpose of my first three trips to the region after the war. The result was a consensus among the parties on five key points:

- First, general agreement that the objective of the process is a comprehensive settlement achieved through direct negotiations based on UN Security Council Resolutions 242 and 338.
- Second, broad understanding that the negotiating process would proceed simultaneously along two tracks, involving direct negotiations between Israel and Arab states and between Israel and Palestinians from the Occupied Territories.
- Third, agreement that the negotiations between Israel and Palestinians would proceed in phases, with talks on interim self-government preceding negotiations over the permanent status of the Occupied Territories.
- Fourth, agreement that Palestinians would be represented in the process by leaders from the Occupied Territories who accept the two-track process and phased approach to negotiations and who commit to living in peace with Israel.
- Fifth, general acceptance that a conference, co-sponsored by the United States and the Soviet Union, would break the old taboos about public contacts between the parties and be the launching pad for direct negotiations between the parties.

These are not insignificant areas of consensus. And they certainly provide a baseline for progress. But they still have to be translated into a practical process, and that was the purpose of my most recent trip to the area. Let me give you a sense of the key issues we are still trying to resolve.

The first set of issues relates to modalities of the peace conference.

There has been a great deal of misunderstanding on this question so let me lay out simply what we have in mind. Our objective is to launch direct negotiations. That's what this effort is all about. We believe the best way to do this is through a peace conference that would lead directly to bilateral negotiations between Israel and its Arab and Palestinian neighbors and multilateral negotiations on issues such as arms control and regional security, the environment, and water.

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Mr. Chairman:

I am privileged to appear before this Subcommittee to testify on behalf of our foreign assistance funding proposal for Fiscal Year 1992. With your permission, I would like to have my written statement entered into the record.

With you now, I would like to report on my recent trips to the Middle East, devoting the bulk of my remarks to the Middle East peace process and to the situation in Iraq. I would also like to make some brief observations about the Soviet Union and the North American Free Trade Agreement.

### Peace Process

Let me begin with the peace process.

For the past two months, we've been engaged in an intensive effort to find a path to a comprehensive settlement through direct negotiations between Israel, the Arab states and Palestinians. Since we began that effort, I have had no illusions about the challenges and difficulties involved. But I have also had a strong sense that the Gulf War may have created some new possibilities for peacemaking in the region and that the United States has a unique obligation to help explore them. While it would be sad if it turns out that old obstacles are more formidable than new opportunities, it would be sadder still if the United States failed to energetically pursue a chance for peace. Those chances do not come along very often in the Middle East.

Iraq's invasion of Kuwait brought together an historic international coalition. The United States, the Soviet Union, Europeans, Arabs, and others joined to reverse Iraq's aggression. The United Nations played the role its founders had intended. And through its restraint in the face of Iraqi provocation, Israel became a silent partner in the coalition's success. The net result was a staggering defeat for Saddam Hussein and the path of violence and intimidation that he represented -- and new hope for the alternative path of diplomacy and negotiations.

To test the moment and transform the ground rules for Arab-Israeli peacemaking, we felt it important to engage in a process that would break the taboos on direct dialogue. If the impulse to make peace was different, we needed to overcome the barriers to Israelis, Arabs, and Palestinians meeting directly. We needed to establish that dialogue and diplomacy -- not violence or rejectionism -- could become the currency of politics in the region.

The war provided a grim reminder of the dangers of conflict in an era of escalating military competition. It was a reminder that the dispute between Israelis and Palestinians was

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Opening Statement

by

The Honorable James A. Baker, III

before

House Appropriations Subcommittee on Foreign Operations

May 22, 1991





בלמ"ס / בחול לבוקר  
אל: מצפ"א, הסברה  
מאת: ק. לקונגרס

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הנדון: ביהו"ב - עדות המזכיר בייקר בוועדת המשנה לפעולות זרות

חיום לפנה"צ (22/5) חופיע המזכיר בייקר בפני ועדת המשנה לפעולות זרות  
שבראשות הקונגרסמן אובי.

רצ"ב עדותו הכתובה של המזכיר. הקריא ממנה רק חלקים מסויימים.  
בנפרד, תמליל מלא של דברי חפתיחה של הקונגרסמן אובי וחלק השאלות  
והתשובות.

אברהם ורנאי דרנגר  
יחודית ורנאי דרנגר

Handwritten notes at the bottom of the page, including the name "אברהם ורנאי דרנגר" (Abraham Wernai Dranger) and other illegible scribbles.