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Record Group/Collection: George H.W. Bush Presidential Records
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Series: Snow, Tony, Files
Subseries: Subject File, 1988-1993

OA/ID Number: 13894
Folder ID Number: 13894-002

Folder Title:
[Eastern Europe, 1989-1991]

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CAMP DAVID

THE PRESIDENT HAS SEEN
89 JUN 26 P4:33

TO : JIM BAKER AND BRENT SCOWCROFT.

RE: POLAND TRIP..

THE ATTACHED MEMO FROM ZBIG HAS SOME CONCRETE
SUGGESTIONS.

ALL YOURS (PLURAL)

GB

6-25-89

cc: John Sununu

POLAND
BRZEZINSKI

6/19/1989

To: the President

From: Zbigniew Brzezinski *ZB*

Subject: Your Forthcoming Trip

Long track of shared values of p. + rel. freedom binding WE + N.A.

Your trip to Hungary and to Poland could be historic, for reasons you understand so well. I have recently been to Poland, and the following impressions may be helpful:

1. Expectations: On the popular level, they are higher than they ought to be. The public seems to expect major and prompt U.S. aid in pulling Poland out of its economic crisis. The government and the Solidarity leadership know better, but the Communist government may even find it useful to nurture in the public such high hopes, so that the subsequent public letdown somewhat deflates your own and America's popularity in Poland.

2. The Political Situation: Poland has entered the post-communist phase. The Party is discredited and knows it. If there is no political collision between the increasingly self-confident political opposition and the top Communist leaders, a collision precipitated perhaps by the deepening economic crisis, one can anticipate the progressive dismantling of communist rule over the next several years.

3. The Economic Situation: In the longer-run, it is not too bad. Poland has a well-trained labor force that could perform well if given sufficient incentives. It has good engineering-technical cadres. Polish agriculture is potentially very productive, and the countryside is relatively well off already. That is testimony to the benefits of free enterprise. However, in contrast, the cities (where "socialism" has been most pervasive) are decaying, while the state-owned industrial sector is antiquated. Inflation and potential unemployment, the latter likely to be generated by movement towards more efficient free-market practices, are a major source of concern.

In the short-run, the most imminent danger is posed by the prospect of higher food prices because of the likely elimination of state controls and price subsidies. With the Polish standard of living depressed over the last decade and with the situation of the industrial labor class already literally catastrophic, higher food costs could spark a series of massive and even violent social outbreaks. That could polarize the political situation and set back the political progress currently under way.

Implications for your trip:

1. Expectations: To some extent, it may be in your interest to lower public expectations, but not to the point that the public ceases to have faith in America's capacity to influence positively Poland's future. Hence, the issue of expectations must be handled most delicately. Perhaps the best way is to place greater emphasis on your public statements, and in any background briefings, on the long-term character of the changes that are needed as Poland reenters Europe, and particularly on the necessity of combining both continuing political as well as economic reforms.

Nonetheless, some short-term relief is clearly needed -- even though it will cost money. But without it, Poland faces, quite literally, the prospect of a major domestic explosion that could in turn precipitate even a Chinese-type repression. Accordingly, some consideration should be given to an emergency international consortium, involving not only the United States but EEC and Japan, to provide, even if only on a modest scale, the needed short-term relief.

agree
toward which reform in EC now moving.

2. Specific U.S. Actions: A combination of symbolically significant acts with tangible economic initiatives would have the greatest impact. The initiatives ought to be designed to have broad public visibility, so that they underline America's positive involvement in Poland's future. Several possible areas of action come to mind, as follows:

i) Enhancement of parliamentary skills.

The new Polish parliament will have little experience in genuine legislation and oversight. A dramatic step would be for you to invite to the United States, for a series of badly needed and highly concentrated briefings on legislative procedures and organization, the entire newly elected Polish Senate of 100 members. With transportation provided by the U.S. Air Force and with the USIA and the U.S. Senate arranging the pertinent seminars, such an initiative is doable and it would be both useful and highly symbolic. It would certainly generate a great deal of press play.

ii) Sharing of ecological expertise.

Poland is in an ecological crisis, and an American-sponsored program either to clean up the Vistula river or the Gdansk Bay would have a positive impact on the quality of life in Poland and it would symbolize America's constructive engagement.

iii) Cooperation in agribusiness.

Agriculture is potentially the Polish economy's major asset, and American techniques could greatly enhance the productivity of Polish agriculture. This should be a major target area for joint ventures, and pertinent American businessmen might be invited to accompany you.

iv) Credit relief.

You might wish to announce that you plan to place this matter on the agenda of the Paris summit, in addition to the proposed special consortium, perhaps modeled on past consortia for such countries as Turkey and others. Consideration might also be given to the possible applicability of the Brady Plan to Poland (and also to Hungary).

3. Public Themes: Given the Polish feelings about America and about you personally, special attention should be paid to symbolic gestures and rhetoric calculated to leave an enduring impression. The following might be considered:

i) Announce at Westerplatte (in Gdansk) that September 1 will be proclaimed in America as the day of "Poland's Struggle for Independence". Westerplatte is where the first shots of World War II were fired and the garrison of that small fortress, numbering less than 150 men, held out for more than a week against the combined sea, air, and land assault by German forces in excess of one full division. You should also make some mention of Stalin's collaboration with Hitler which led to the Soviet stab in the back on September 17. In any case, Westerplatte would make an excellent setting for a speech on undoing the combined legacies of World War II and of the subsequent Cold War.

ii) Make the point in the major speech of the trip that change in Poland is key to ending the Cold War. You might state that the Cold War started largely over Poland and that it followed World War II which similarly had started over Poland. You could say: "Poland is where World War II began. Poland is also why World War II began. And Poland is where -- and why -- the Cold War started. Hence it is fitting to speak here of how America envisages the end of the Cold War, and it is here, in Poland, that the Cold War should be buried."

ii) In your major speech you should refer specifically to the Constitution of May 3, 1791, which was one of the West's three great constitutional innovations (preceded only by America and France). The Poles are understandably proud of this. That would then give you the peg for suggesting that a suitable target for the attainment of genuine democracy in Poland should be the 200th anniversary of that Constitution -- for it is important that the momentum of movement towards full democracy should not be derailed or slowed by the likely economic difficulties.

4. Further Contacts: Since Walesa is expected to visit America, it might now be appropriate to invite Jaruzelski to visit the White House. It would be better to invite him rather than the Prime Minister because Jaruzelski is about to be elected President and he will have a continuing role in Poland's inevitably difficult transition. In any case, the current Prime Minister has no standing in the country and was recently repudiated in the elections. In contrast, Jaruzelski will continue to control the army and the police. Hence it is desirable to lock him into a posture of compromise and accommodation with the recently triumphant democratic majority.

Rahowski

z.b.

USSR.

see Gates on
comment in 9/15
updates.

- ESTONIA, LITH. LATVIA -
autonomy ~~for~~ resolutions.

- ARMENIA - AZERBAIJAN

STRIKES IN KUZBASS/SIBERIA July 89
DONBASS/UKRAINE

April 9, 89 - Riots in Georgia.
"INDEPENDENCE"
PROTEST MARCH July 24 (Red Blk + White Flag)

(ABKHAZIA region) - succession.

↓
"Down with the Russian Empire?"

9:00 pm

THE PRESIDENT and Mrs. Bush conclude participation in House Ways and Means Committee Bicentennial Dinner, depart Committee Room, and proceed to Motorcade.

9:05 pm

THE PRESIDENT and Mrs. Bush board Motorcade and depart Longworth House Office Building en route White House.

MOTORCADE ASSIGNMENTS:

Same as on Arrival

(Drive Time: 5 Minutes)

9:10 pm

THE PRESIDENT and Mrs. Bush arrive White House.

all Sov troops out 1991

(m or -

East Germany

Hungary

Romania

Yugoslavia *non Pact

Bulgaria

Czechoslovakia

Poland

out by '91

40,000 Sov. troops

March 18

parliamentary? 380,000

EG-WG
July 1 - MARK

March 25

June 30, all Sov troops out. (50,000)

April 1990 (tentative)

May 20

April/May 1990

June 10
May 1990

approx 20,000?

June 8

parliament not present.

(70,000 Sovs?)

Summer 1990 (local elections)

TESTIMONY OF
THE HONORABLE JAMES A. BAKER, III
SECRETARY OF STATE

BEFORE THE
SENATE FOREIGN RELATIONS COMMITTEE
THURSDAY, FEBRUARY 7, 1991

TRANSCRIPT PREPARED BY:

STATE DEPARTMENT
COURT REPORTERS
ROOM 2117

P R O C E E D I N G S

* * * *

(Introductory remarks by the Chairman and other Senators were not transmitted by VOA)

SECRETARY BAKER: Mr. Chairman, it is a privilege to appear before this Committee to testify on behalf of our Foreign Affairs funding proposal for FY 1992. With your permission, I would have my detailed written statement entered into the record.

This year, even more so than most years, the funds requested should be seen as an investment in a better future -- a world of secure nations, free peoples, and peaceful change.

I realize that as armies fight in the Persian Gulf such a world seems far distant. Yet I believe that it is vitally important to see the challenges we face also as opportunities to build a more secure and just world order. And so, today I would like to make a few comments concerning our ideas about post-crisis challenges and arrangements.

The basic observation I would begin with is this: the great international coalition that is now winning the war must also be strong enough to secure the peace. Winston Churchill once observed that "We shall see how absolute is the need of a broad path of international action pursued by many states in common across the years, irrespective of the ebb and flow of national politics." If we are going to redeem the sacrifices now being made by the brave men and women who defend our freedom with their lives, then we must fashion a peace worthy of their struggle. And that can be done if we can hold together in peace the coalition tempered by war.

I believe that when Congress voted the President authority to use force in support of the United Nations Resolutions, it voted also for peace -- a peace that might prevent such wars in the future. I believe that the American people support our role in the coalition not only to defeat an aggressor but to secure a measure of justice and security for the future.

Mr. Chairman, we and every nation involved in this conflict are thinking about the post-war situation and planning for the future. It would be irresponsible not to do so. At the same time, it would be both premature and unwise for us to lay out a detailed blueprint for the postwar Gulf or, for that matter, the region as a whole.

The war itself and the way it ends will greatly influence both the security of the Gulf and the rest of the area. The deepest passions have been stirred. The military actions now underway necessarily involve many casualties, great hardships, and growing fears for the future.

Tough times lie ahead.

We should therefore approach the postwar problems with a due sense of modesty. Respect for the sovereignty of the peoples of the Gulf and Middle East must be uppermost. In any event, modern history has shown that no single nation can long impose its will or remake the Middle East in its own image. After all, that is partly why we are fighting Saddam Hussein.

Yet among all the difficulties we face, one fact stands out: The peoples of the Gulf and indeed the entire Middle East desperately need peace. I truly believe that there must be a way, working in consultation with all of the affected nations, to set a course that brings greater security for all and enduring peace.

We should therefore make every effort not just to heal the Persian Gulf after this war but also to try to heal the rest of the region which needs it so badly.

So I would like to discuss several challenges that I believe we must address in the post war period.

One challenge will be greater security for the Persian Gulf. After two wars in ten years, this vital region needs new and different security arrangements. In our view, there are three basic issues to be resolved: the purposes or principles of the security arrangements; the role of the local states, regional organizations, and the international community; and in the aftermath of the war, the military requirements until local stability is achieved, and thereafter.

I think we would find already a wide measure of agreement on the principles.

They would include:

Deterrence of aggression from any quarter.

Territorial integrity. There must be respect for existing sovereignty of all states and for the inviolability of borders; peaceful resolution of disputes; border problems and other disputes that have long histories -- and there are many beyond the Iraq/Kuwait example -- should be resolved by peaceful means as prescribed by the Charter of the United Nations.

These principles must be put into action first and foremost by the local states so that conflicts can be prevented and aggression can be deterred.

We would expect the states of the Gulf and regional organizations, such as the Gulf Cooperation Council, to take the lead in building a reinforcing network of new and strengthened security ties.

No regional state should be excluded from these arrangements. Post-war Iraq could have an important contribution to play, and so could Iran as a major power in the Gulf.

There is a role, too, I think for outside nations and the international community, including the United Nations, to encourage such arrangements and to stand behind them.

As for the United States, we have deployed small naval forces in the Persian Gulf ever since the Truman Administration in 1949. We had and we continue to have very strong bilateral ties with Saudi Arabia and other local states, and through the years we've conducted joint exercises with, and we have provided military equipment for, our friends in the region.

The President has said that we have no intention of maintaining a permanent ground presence on the Arabian Peninsula once Iraq is ejected from Kuwait and the threat recedes. Before security is assured, however, important questions have got to be answered. We will be going through an important transitional phase in the immediate aftermath of the war as we try to establish stability.

Let me list just a few of the questions that will need to be answered. Should there be a permanent locally stationed ground force made up of local troops under United Nations auspices or under regional auspices such as the GCC?

How can the international community reinforce deterrence in the Gulf, whether by contributing forces or through other political arrangements such as resolutions or security commitments?

No one has the answers yet to these and other questions. Some may never be answered. But however we eventually proceed, we will conduct extensive consultations among all of the concerned parties to any such arrangements.

A second challenge will surely be regional arms proliferation and control. This includes both conventional weapons and weapons of mass destruction. The terrible fact is that even the conventional arsenals of several Middle Eastern states dwarf those of most European powers. Five Middle Eastern countries have more main battle tanks than the United Kingdom or France.

The time has come to try to change the destructive pattern of military competition and proliferation in this region and to reduce arms flows into an area that is already over-militarized.

That suggests that we and others inside and outside the region must consult on how best to address several dimensions of the problem. How can we cooperate to constrain Iraq's post-war ability to retain or rebuild its weapons of mass destruction and most destabilizing conventional weapons?

How can we work with others to encourage steps toward broader regional restraint in the acquisition and use of both conventional armaments and weapons of mass destruction?

What role might the kinds of confidence-building measures that have lessened conflict in Europe play in the Gulf and in the Middle East?

And, finally, what global actions would reinforce steps towards arms control in the Gulf and Middle East?

These could include rapid completion of pending international agreements like the chemical weapons convention, as well as much tighter supply restraints on the flow of weapons and dual-use technology into the region. And what implications does that have for arms transfer and sales policies?

A third challenge will be economic reconstruction and recovery. An economic catastrophe has befallen the Gulf and the nations trading with it. Kuwait, of course, has been looted and wrecked. Hundreds of thousands of workers have lost jobs and have fled. Trade flows and markets have been disrupted.

I'm confident that the people of Kuwait will rebuild their country. As we have worked with the Kuwaitis in their moment of trial, so we shall look forward to cooperating with them in their hour of recovery.

And no one should forget, Mr. Chairman, that for the second time in a decade, the people of Iraq will be recovering from a disastrous conflict. The time of reconstruction and recovery should not be the occasion for vengeful actions against a nation forced to war by a dictator's ambition.

The secure and prosperous future that everyone hopes to see in the Gulf has to include Iraq. Of necessity, most of the resources for reconstruction will be drawn from the Gulf. Yet should we not be thinking also of more than just reconstruction. It might be possible for a coalition of countries using both local and external resources to transform the outlook for the region in expanding free trade and investment, in assisting development, and in promoting growth oriented economic policies which have taken root across the globe.

Therefore, Mr. Chairman, I will urge the consideration of a Middle East bank for reconstruction and development to support these objectives. We have created regional banks for Asia, for Africa, for the Americas and, of course, recently for Europe. And, of course, the World Bank and IMF were important components of our post-war planning in the 1940s.

Efforts to secure the peace in this region, I think, warrant the same spirit of multilateral commitment to reconstruction and development.

Any economic effort must also have a special place for water development. Well over half the people living in the Middle East draw water from rivers that cross international boundaries or depend on desalinization plants.

We have all been incensed by Saddam Husayn's deliberate poisoning of the Gulf waters which could affect a large portion of Saudi Arabia's drinking water.

Finally, we will want to consult with governments both from the Middle East and from other regions about specific arrangements that might best serve the purposes of region-wide economic cooperation.

Such cooperation would surely be helpful in reinforcing our overall objective -- reducing one by one the sources of conflict and removing one by one the barriers to security and prosperity throughout the area.

A fourth challenge is to resume the search for a just peace and real reconciliation for Israel, the Arab states and the Palestinians. By reconciliation, I mean not simply peace as the absence of war, but a peace based on enduring respect on tolerance and on mutual trust.

As you know, Mr. Chairman, I personally have devoted considerable effort before the war to facilitating a dialogue between Israel and the Palestinians, an essential part of an overall peace process. But let's not kid ourselves. The course of this crisis has stirred emotions among Israelis and Palestinians that will not yield easily to conciliation.

Yet, in the aftermath of this war, as in earlier wars, there may be opportunities for peace if the parties are willing. And, if they really are willing, we're committed to working closely with them to fashion a more effective peace process.

The issues to be addressed are, of course, familiar, and they are more challenging than ever. How do you go about reconciling Israelis and Palestinians? What concrete actions can be taken by each side? What will be the role of the Arab states in facilitating this process and their own negotiations for peace with Israel?

How will regional arms control arrangements affect this process? What is the best diplomatic vehicle for getting the process underway?

Again, Mr. Chairman, we will be consulting and working very closely with our friends and all parties who have a constructive role to play in settling this conflict.

A fifth and final challenge concerns the United States. We simply have to do more to reduce our energy dependence. As the President has stressed, only a comprehensive strategy can achieve our goals. That strategy should involve energy conservation and efficiency, increased development, strengthened stockpiles and reserves, and greater use of alternative fuels. We must bring to this task the same determination we are now bringing to the war itself.

As you can see, Mr. Chairman, some of these elements are political, some of them are economic, some of them of necessity are related to security. That suggests that we should view security not just in military terms but as part and parcel of the broader outlook for the region.

We're not going to have lasting peace and well being without sound economic growth, and we're not going to have economic

growth if nations are threatened or invaded, or if they are squandering precious resources on more and more arms. And, surely, finding a way for the peoples of the Middle East to work with each other will be crucial if we are to lift our eyes to a better future.

Before closing, I'd like to say a few words on another challenge we face, mentioned by Senator Helms, and that is our relations with the Soviet Union.

The President has spoken often of a new world order in which freedom and democracy might flourish, secure from the fears of the Cold War. We've been hopeful about such an order, partly because of the growing cooperation between the United States and the Soviet Union.

In the fall of 1989, I described that cooperation as a search for points of mutual advantage, and this search, Mr. Chairman, has yielded good results. Three examples, I think, will suffice.

First, over the past year a democratic Germany, fully a member of NATO, was united in peace. The Iron Curtain has vanished and with it the Cold War.

Second, the countries of Central and Eastern Europe have emerged in their own right once more, free to pursue democracy and economic liberty.

And, third, the Soviet Union has joined the international coalition confronting Iraqi aggression. As Foreign Minister Bessmertnykh reiterated last week, the Soviet Union continues to completely support the full implementation of the United Nations Security Council resolutions.

Over the course of several summits and numerous meetings, we have become much more familiar with the ups and downs of perestroika, the enormous and daunting difficulty of changing after 70 years a society's basic direction and many of its values.

In the last several months, however, we have seen a series of unsettling events. They include the tragic violence in the Baltics, an apparent turn toward economic recentralization, a less free media, extension of army and KGB authority, and the resignation or departure from the government of key advocates of reform.

These actions are completely inconsistent with the course of peaceful change, democratic principles, the rule of law and

real economic reform. There is simply no justification for the use of force against peaceful and democratically elected governments.

Our hearts go out to the courageous people of the Baltic states who have acted throughout with dignity and restraint. The President and I have had extensive discussions with President Gorbachev and other Soviet officials about these developments. We and our European allies have pointed out the inevitable consequences if the Soviet government continues on this path, and we've stated our belief that the Soviet Union cannot hope to succeed in meeting its own objectives if it should abandon perestroika, glasnost and democratization.

On the Baltics, I could do no better here than to quote the President's words from the State of the Union address. "Our objective is to help the Baltic peoples achieve their aspirations, not to punish the Soviet Union."

We have had representations from the Soviet leadership about their continuing commitment to reform, to peaceful dialogue with the Baltics, and to creating a society ruled by law and not by force. We're going to watch this situation closely, Mr. Chairman, to see whether these representations become enduring realities.

I hope that the Soviet Union can relearn quickly the lessons from its own hard experience, and that is that the old ways are not the right ways. Perestroika cannot succeed at gunpoint. Clearly, we cannot rule out the possibility that matters may still turn more for the worse, but at the same time I think we must be careful not to jump to premature conclusions.

The Soviet leadership is at a crossroads. We have made clear that their last several steps have taken them down a path of no benefit for them or for us or for anyone else. For the sake of history and for the sake of the world, I hope they resume the march that has given the entire world hope of a better future.

So, Mr. Chairman, let me sum up these comments with this observation. When I appeared before you a year ago to review our overall foreign policy, we were well on our way to a whole and free Europe, secured by expanding United States/Soviet cooperation in resolving the Continent's outstanding political and military problems.

The possibility, even the idea, of this terrible conflict in the Gulf was beyond anyone's imagination. Yet now we face the challenges of hot war in the Gulf and growing uncertainty about the course of Soviet reform.

There can and probably will be different views on how to handle these situations. I look forward to the Committee's counsel and good words on both issues. Yet on one point I think that we are in very basic agreement, and that is on the need for American leadership.

More clearly than we could ever have imagined a year or even six months ago, Mr. Chairman, the world emerging from the end of the post-war era will be shaped by the United States of America and by its international allies. Our constant purpose must be to make of that world a fitting place for free peoples to live.

Thank you, Mr. Chairman.

CHAIRMAN PELL: Thank you very much, Mr. Secretary. We have pretty good attendance here, so we'll limit ourselves to ten minutes and hope that we squeeze within this time.

My first question concerns the role of Kurdistan, or the Kurds should play in any settlement following the war. Do you believe that they should be at the negotiating table, or what would be your view on that?

SECRETARY BAKER: Mr. Chairman, our policy is that we do not seek the destruction of Iraq. We have no quarrel, as the President has said many, many times, with the Iraqi people, and we support the maintenance of the territorial integrity of Iraq. We do not want to see the situation evolve into a grab bag in which countries bordering Iraq with varying interests, past or present, would be tempted to suggest changes in the territorial integrity of Iraq.

CHAIRMAN PELL: How then do you think the problem should be handled? As you know, the treaty (inaudible) -- there was a reference to Kurdistan as a country. Let's eliminate that -- border boundaries -- but for the people who have been abused all these years, should there not be some arrangement made that they're represented at the table?

SECRETARY BAKER: Well, I think we should, as we have in the past, take into account and consideration the human rights abuses that have been visited on the people. We've made the point, as you know, over and over, that Saddam Husayn in the past has not hesitated to use weapons of mass destruction

against some of his own people, including on occasion the Kurds. And these human rights violations, I think, have to be taken into account, considered, and to the extent that they can be redressed.

But in terms of territorial integrity or the creation of a separate state, I do not think that is something that is or should be embraced by our policy goals or our war aims.

CHAIRMAN PELL: Another subject: As you know, there's considerable repression in Yugoslavia, as documented in the annual report, the State Department's human rights provisions. And this is particularly severe in Kosovo, Croatia and Slovenia. How would you adapt U.S. policy towards Yugoslavia in this regard?

SECRETARY BAKER: I would not at this time, Mr. Chairman, suggest a change in U.S. policy which requires a continued effort on our part to restrain the central government of [Yugoslavia], to make it aware of its obligation from the standpoint of human rights in the areas that you've just mentioned; to make it clear to the central government and to the republics of Yugoslavia that the United States supports a united but democratic Yugoslavia.

We were very active here a week or ten days or two weeks or so ago when there was a serious threat of armed conflict in Yugoslavia -- we and some of our European allies particularly in demarches to the central government of Yugoslavia -- and I think that we must continue to pursue that kind of a policy approach.

Fortunately, armed conflict was forestalled, and we hope that that will continue to be the case.

CHAIRMAN PELL: After the war, will we support a ban on all weapons of mass destruction, mass killing, in the Gulf area?

SECRETARY BAKER: Will we support -- ? Give me the question again, Mr. Chairman?

CHAIRMAN PELL: Yes. Will we support a ban on all weapons of mass destruction in the Middle East?

SECRETARY BAKER: Well, we have supported and do support the concept of a nuclear weapons free zone in the Middle East. Other regional parties, including Israel and Egypt, have supported this goal. We recognize that given the deep animosities there that's not going to be something that's easy to achieve and it's not going to be something that can be imposed from the outside.

I mentioned in my formal remarks the degree to which I think a global chemical convention can be helpful in banning chemical weapons of mass destruction in the region, and therefore I think we should redouble our efforts in Geneva to achieve that chemical ban, and we intend to do what we can in that regard.

I just think that in the aftermath of this war, Mr. Chairman, there may be greater receptivity in the region to arms control efforts, particularly those involving the proliferation of weapons of mass destruction than there has been in the past.

CHAIRMAN PELL: Speaking of arms, what are your own thoughts with regard to the START Treaty? Will we get to it in the next few weeks or months, or do you see it being on hold for a longer period?

SECRETARY BAKER: I don't see the START Treaty as being in any sense on a formal hold, Mr. Chairman. The President's view is that the strategic arms treaty is very much in the national security interests of the United States and that he would like to see that treaty concluded on a basis acceptable to us as promptly as possible, keeping in mind that we take the position that when we pursue arms control objectives with the Soviet Union we're not doing favors for the Soviet Union. We're doing something that's in our national interest. And we used to engage in arms control discussions with the Soviet Union when Chairman Brezhnev ran the show. So this is something we should continue to pursue.

Having said that, we have some problems with the conventional forces treaty, which I think you're aware of and about which I've spoken publicly, and even though there's no formal linkage -- well, there is no linkage, period -- that tends to make it more difficult to make progress in other areas until we can get a resolution of the conventional forces differences that now exist between us. And we are working on both fronts.

We have just sent Under Secretary Bartholomew of the State Department, together with an inter-agency team, to Geneva to meet the Deputy Foreign Minister of the Soviet Union to see if the last few remaining issues on START could be resolved. There are three issues particularly that remain now, Mr. Chairman: the issue of data denial or telemetry encryption, the issue of new types, the issue of downloading. But how those issues are resolved will depend upon whether other issues will remain in agreement.

CHAIRMAN PELL: Thank you.

Mr. Secretary, do you think there should be a war crimes trial, a tribunal, of any sort? And, if so, how would it be set up?

SECRETARY BAKER: I think that we should avoid expanding our war aims at this stage, Mr. Chairman. However, we are, as you know, extremely concerned about the treatment, particularly, that our prisoners of war have been subjected to. We have repeatedly told that Government of Iraq that we expect it to live up to its obligations under the Geneva Convention and to adhere to the rules of armed conflict.

I really don't think it's appropriate for me at this stage to speculate what we might or might not decide to do with respect to Iraqi war crimes. That's, after all, something that will have to be decided in consultation with our coalition partners.

I have to say this: Nobody that I'm aware of in the international coalition has ruled that out as an option.

CHAIRMAN PELL: Thank you very much indeed, Mr. Secretary.

Senator Helms.

SENATOR HELMS: This joint communique that you and Alexander Bessmertnykh issued recently -- I forget the date -- has caused a lot of concern. I had a bunch of rather erudite people in my office yesterday who still are worried about the statement: "This unequivocal commitment must be backed by immediate concrete steps leading to full compliance with Security Council resolutions."

They claim -- and this is endemic in this city and among the media and so forth -- that this is all of a sudden a change of policy. And I'm going to take up a little bit of my ten minutes to give you an opportunity to say whether it is in fact a change in policy or not.

SECRETARY BAKER: I can handle that very easily. It is not a change in policy. I've said that, the White House has said that, the State Department has said that -- it is not a change in policy.

In fact let me quote you the President's words from the day before yesterday: "We must have a credible, visible withdrawal before any cease-fire. What Saddam must say is: 'I'm going to get out of Kuwait now and I'm going to get out

fast and I'm going to do it so everybody knows I'm not making this up."

That's the same, in my view, as saying, it has to be an unequivocal commitment followed by concrete and immediate steps to the full implementation of the United Nations Security Council resolutions, which is what the Joint Statement said.

But let me put your mind at rest, Senator Helms.

SENATOR HELMS: My mind is not ---

SECRETARY BAKER: No policy change.

SENATOR HELMS: O.K.

Now, a further concern about the linkage of Israel with the Arab states, the Palestinians, et cetera: Now, this does appear to put the United States on record, pressuring Israel into an international conference with the assistance of -- and I quote -- "mutual U.S.-Soviet efforts."

Now, Mr. Secretary, is it really a good idea to change our horses now and to bring the Soviet Union into the concept of an international conference on the Middle East?

SECRETARY BAKER: It doesn't do that, Senator Helms.

SENATOR HELMS: No. O.K.

SECRETARY BAKER: There's no mention in there of an international conference. But to answer the second part of your question, it is in our interest to have the Soviets involved in the Middle East -- in my view. And the old idea that somehow we don't want the Soviets involved is a mistake. If we didn't have the Soviets involved as a part of this international coalition, I dare say we would not be doing some of the things that we are now doing and we would not have been able to do some of the things that we have been able to do in trying to reverse this unprovoked aggression.

SENATOR HELMS: Well, we've never permitted this before. It's been an ironclad policy of this Government.

SECRETARY BAKER: I've spoken to this over the course of the past year.

SENATOR HELMS: You were going to be talking about that later.

SECRETARY BAKER: Over the past year and a half, Senator Helms, I've said I thought that the policy was wrong, and we changed it; and that was a year and a half or so ago. And I think the wisdom of changing it is demonstrated by the fact that the Soviet Union has been participating with us as a coalition partner in our efforts in the Gulf, and I think we should be and are very pleased that that's been a fact.

In fact, they've been participating with us since they stood shoulder to shoulder with us on the 3rd of August, the day after the invasion, and said they condemned the Iraqi invasion of Kuwait.

SENATORS HELMS: Well, we'll remind you of farewell confirmed reports about the Soviet Union being not even-handed on this business of Iraq. Now, how about all those advisers they have still there?

SECRETARY BAKER: Don't have any, Senator Helms. They don't have any advisers still there.

SENATOR HELMS: There are no Soviet advisers in Iraq?

SECRETARY BAKER: No, sir.

SENATOR HELMS: When did the last one get out?

SECRETARY BAKER: I think around the 9th of January, but I'm not certain. Don't hold me to that. They've got some people in their embassy --

SENATOR HELMS: Well, I'll hold you to what you say because I don't think you're right, Mr. Secretary.

SECRETARY BAKER: What date would you pick -- or do you think they're still there?

SENATORS HELMS: I say they're still there, and I think I can document it pretty well. But don't take everything they say --

SECRETARY BAKER: I'm taking what our intelligence agencies and others say, Senator Helms, not just what the Soviets say.

SENATOR HELMS: O.K.

Yesterday, or the day before, some of us met with Brent Scowcroft about the Export Administration Act, and the Administration is trying to prevent the legislation that Senator Pell and I pushed through the Senate twice about poison gas. And we had a rather firm discussion.

Will you explain to me why the Administration -- and I assume the State Department and the Secretary of State -- all are opposed to the Pell-Helms Amendment.

SECRETARY BAKER: First of all, let me say we are fully committed to fighting chemical and biological weapons, Senator Helms, and that's why we've been working as hard as we have toward getting a treaty banning chemical weapons entirely.

And let me just say, by way of an aside, that had we not been able to get a bilateral agreement from the Soviets on that we wouldn't be as close as we are to getting a chemical weapons treaty.

We've been working for more effective international export controls on chemical and biological weapons. In the first few months of this Administration, we came up here and asked the Congress to work with us on chemical and biological weapons sanction legislation. All we ask -- all we ask -- is that there be some sort of a national interest or national security waiver that would give the President some flexibility, that would in effect not totally rule the President out of the process. That's all we ask.

That's the only difference between us, and yet we can't seem to get agreement to that.

SENATOR HELMS: Well, that difference -- why, Mr. Secretary?

SECRETARY BAKER: Well, it's the only difference between --

SENATOR HELMS: Either it's a hellish business or it isn't. And, you know, at the end of World War II a British court handed the two executives of a German chemical company which supplied the poison gas used in the holocaust. Did you know that?

SECRETARY BAKER: It is a hellish business.

SENATOR HELMS: Yes.

SECRETARY BAKER: We agree. That's why we came up to talk to you about getting some legislation.

SENATOR HELMS: Well, I've dealt with these wavers many, many times. But that's one thing we cannot compromise. I can't. I don't know whether you can or not.

SENATOR PELL: I would agree with you. I think the waiver makes it wide open and negates the purpose.

SENATOR HELMS: Yes.

SECRETARY BAKER: I would think that you could craft a waiver sufficiently narrowly, Mr. Chairman, that that would not be the case and that you could do so in a way that would not totally rule out, totally exclude, the President of the United States from the process. That's all I'm saying. And I think that really is the only difference, as I understand it.

And I would hope that we could work in a cooperative and bipartisan way to reach a conclusion that's satisfactory to the Legislative and Executive Branches.

We both see this as a terrible problem. We both want to take action to deal with it. And it's just that the Executive Branch I think feels -- correctly so -- that it ought to be a participant and not totally excluded.

SENATOR HELMS: Well, let me ask you a hypothetical question. And I don't like to answer hypothetical questions myself, and I seldom ask them. But going back to this hanging of the executives of the German chemical company following World War II, if there are to be trials for major Iraqi war criminals, do you feel that the executives of the major corporations who have just went and nearly supported the building of chemical weaponry in Iraq -- do you think we ought to do anything with them?

SECRETARY BAKER: I think it's outrageous that that has gone on and that that has happened to a greater extent and degree in some countries than it has in others. But I think that there should be very, very severe penalties. Without having that constitute a "Yes" answer to your question about hanging, I think that there ought to be very, very severe penalties with respect to this kind of activity.

And that's what I meant in my opening remarks, Senator Helms, when I said I think that there are going to be, hopefully, some opportunities to finally maybe get a good handle on this question of proliferation of weapons of mass destruction. There's nothing more heinous, in my view, than the use of those -- and, collaterally, making possible the use of those kinds of weapons.

SENATOR HELMS: I assume you're talking about criminal penalties.

SECRETARY BAKER: Yes. I think there ought to be --

SENATOR HELMS: O.K., O.K.

SECRETARY BAKER: -- severe penalties --

SENATOR HELMS: One final thing --

SECRETARY BAKER: -- but I think it's a question too of making sure that all of our allies join with us in this.

And that's another reason, if I may say so -- I ought to leave this subject alone now that we've passed it, but that's another reason that the Executive Branch thinks they ought to have some possibility of say with respect to this because inflexible, absolutely arbitrary legislation that puts the United States in one position without giving it the potential of bringing in other countries to support a nonproliferation regime sometimes I think can be counterproductive.

That would be another argument that I would use to just ask for some minimum flexibility on the part of the President of the United States.

SENATOR HELMS: Let me quickly, Mr. Secretary, ask you what you meant yesterday -- as I understand it, when you appeared before the House Foreign Affairs Committee -- when you urged rebuilding of Iraq after the war. Does that mean -- and these are the questions being asked of me. Can you rule out that you were not suggesting that the American taxpayers are going to be given a tab on that?

SECRETARY BAKER: I'm not suggesting that the American -- what I've said in my remarks was that most of the economic reconstruction and development, I think, support is going to have to come from the region. But I do think that there has to be American leadership -- again, as I indicated -- and I don't think that the American leadership should be limited just to the security and political fields. I think that there ought to be some American leadership economically as well.

But I'm not suggesting that we pick up a tab, but I am suggesting, Senator Helms, that we really mean it when we say our quarrel is not with the Iraqi people and we mean it when we say that we want to preserve peace and stability, or secure peace and stability, in the region in the aftermath of this conflict. And to do that we have to recognize, I think, that Iraq is going to continue to be a country in the region that we want to see in a stable posture.

SENATOR HELMS: Does that mean with Saddam Hussein still in power that you would do something?

SECRETARY BAKER: It doesn't get to that question at all, and I would give you the same answer to that as I gave the Chairman on the question of war crimes. We are not at the point of enlarging or enhancing our war aims and goals to talk about removal of Saddam Hussein from power as a war aim or goal.

The President has said, and Prime Minister Major and other members of the coalition made it very clear, we wouldn't shed any tears if that happened. We haven't enlarged our war aims to that point.

SENATOR HELMS: I'm stopping now. Mr. Secretary, don't expect any help from me if you're going to rebuild Iraq with Saddam Hussein still in power.

CHAIRMAN PELL: Thank you very much, indeed.

Senator Biden.

SENATOR BIDEN: Mr. Secretary --

SECRETARY BAKER: How are you, Senator?

SENATOR BIDEN: -- you're obviously doing pretty well.

Mr. Secretary, let me begin by saying since I was one who has been openly critical of the lack of discussion of post-victory plans that I want to compliment you on your statement and your testimony yesterday and today. And for those who suggest that it's premature to be talking about how to deal with the region after victory before the victory has occurred, I would just remind them that some of the best minds in this country were well at work doing that prior to anybody landing on the shores of Normandy in World War II. And I think it just shows that you are very well in command of what's going on, and I compliment you.

SECRETARY BAKER: Thank you.

SENATOR BIDEN: Let me ask about another subject first; and maybe it's the only question I'll get to ask, Mr. Secretary.

As you stated today, developments in the Soviet Union remain the central concern of American foreign policy. And after the unconscionable violence in Lithuania and Latvia, many of us, like you, are wondering whether Gorbachev is still a

reformer or whether the Soviet military is now playing a dominant role.

And this gives rise to a key question about our own policy with regard to arms control, which you touched on very briefly in response to a question from the Chairman.

In a series of landmark speeches a year ago, which you referred to in your statement, you said, "Any uncertainty about the fate of Soviet reform is all the more reason, not less, for us to seize the present opportunity. A diminished Soviet threat and effectively verifiable arms agreements can endure even if perestroika does not."

Now, you went on to say that our goal should be to lock in the Soviet policies -- the new policies we're negotiating through formal treaties. Now, my question to you is this -- and I'm going to ask it and then elaborate on it slightly, if I may: Is this still American policy.

SECRETARY BAKER: Yes, sir, it is.

SENATOR BIDEN: My further question, then, is: How can we overcome the current hang-up on a CFE treaty and get the Soviets cuts locked in?

Before you answer that, let me suggest something. Right now the Soviets are engaging in what might be called a legally incorrect broad interpretation of Article III. I think their dead wrong. I think you're right. I think your position is correct. They argue with no apparent basis that some 3,500 pieces of equipment should be excluded from the CFE treaty because they label it "naval equipment."

My view is, as I said, you've correctly rejected that claim and you have said that until this issue and two other issues, relating to the database are resolved, you will not submit the CFE treaty to the Senate.

What I would propose for your consideration and comment today, if you're willing, is that assuming the two other issues -- that is, relating to the database -- are resolved, that you, in fact, submit the treaty to the Senate without further delay, notwithstanding the fact that the first measure is not cleared up. Then when the resolution of ratification is considered by this Committee -- the Chairman has indicated that he would like me to hold hearings on that and move that if and when it comes -- I would offer, I suspect with the support of a number of members in this Committee, if not all -- a formal reservation whereby the

Senate would consent to ratification on condition that the naval units would not be considered exempt under Article III.

The reason I mention this is as follows: This position, in my view, would be consistent with that already adopted by 21 other parties to the treaty. In that event, as in the case of the Krasnoyarsk radar, where most of us in Congress share the Administration's view, this country and its allies would be On Record and all united and then President Gorbachev and other Soviet leadership would face a fundamental question with the whole world watching. And that is, do they want to be a responsible partner in a new Europe, governed by international law or do they want to return to the days of being outcasts from the Western community?

I would suggest that if you were armed with a ratification conditioned upon an interpretation of Article III, as you have interpreted it, then it would really drop the ball clearly in the court of Mr. Gorbachev and the Soviets. They would either have to step up or, at that point, indicate that they've yielded to the reactionaries in the Communist Party or the military, in the process.

I realize that it's somewhat of an unorthodox suggestion. But how do you respond to that proposition?

SECRETARY BAKER: It's an interesting suggestion, Senator Biden. But let me make just a couple off-the-top-of-my-head comments and then I'd be pleased to have something from you in writing and we'd take a look at it.

Number 1, it would take some time, in any event, to clear up the other two issues.

SENATOR BIDEN: I understand that.

SECRETARY BAKER: We think what we are doing is seeking to make the point that you suggest would be made by ratification with a condition. And that is to say, very clearly up front, we're not going to send the treaty up until you clear up this question with respect to naval infantry. We, frankly, think it's a clearly erroneous interpretation, one that came up after the fact, and you know what our position is.

So what I think we are doing is seeking to make the case, as you just put it -- at an earlier stage -- make it clear that this is a matter of quite some importance to us, and it has to be resolved. We have, under the treaty language, until the 17th or 19th of February -- I can't remember what it is -- to clear up these interpretative kinds of things. So it's

important, we think, that we make every effort to do that; really, to make the same point that you suggest be made by sending it up anyway.

We'll take a look at what you have there and discuss it internally and see whether it's something we'd be willing to do. But we're still hopeful, Senator Biden, that we'll get a response from the Soviet Union that would permit us to move forward on the conventional forces agreement and, as you and I both put it, lock in those reductions.

SENATOR BIDEN: Let me make clear. I have no doubt about the fact that you are doing everything in your power to attempt to clear this up. I'm not suggesting that anything be sent here absent, at a minimum, the clearing of the other two elements that are still outstanding relating to the database.

What I was attempting to do is to suggest that when the Executive and the Senate unanimously have agreed, and on record as unanimously agreeing, on a critical point relating to treaty interpretation, that that has seemed to have in the past an impact -- an impact on the rest of the word and, quite frankly, an impact on the political dimension of the process. That's the reason why I suggest what I am suggesting, not in any way to suggest that you are not doing everything in your power to make it clear.

SECRETARY BAKER: Let me also say, I'm not sure you're correct when you say that this would put us in sync with 21 other nations. I'm not sure all other nations have expressed a willingness to go forward with ratification procedures before this thing is cleared up.

SENATOR BIDEN: They have all expressed the same view that you've expressed with regard to the interpretation of Article III.

One of the things that often gets debated and confused is the ratification process. The Soviets are very good in the past, and I suspect in the future if this breaks down, in arguing that the ratification process is something they can't ever count on anyway from the United States. So the mere fact that this broke down because of Article III does not mean that it broke down because of them. It may have broken down anyway in the Senate.

SECRETARY BAKER: We make the point very forcefully that that is not the case, when we say we're not even going to send it up before you clear this up and when 21 other nations take the same position.

SENATOR BIDEN: I want to do whatever is most helpful. I offer it as a consideration. If you conclude it is not, then I can understand that.

My time is almost up. Let me conclude with this question. After the constitutional processes here were abided by and the President got the constitutional equivalent of a declaration of war, I believe his role as Commander-in-Chief took over and we should not be second-guessing how the conduct of the war should take place. That's why I have been low.

As a matter of fact, I've been totally silent on the question of whether you resort to land war, don't resort to land war. I'm not qualified to make that judgment.

One of the things that's discussed by everyone, including the Administration, with regard to that judgment is the political considerations impact on that. For example, will the coalition hold together the longer we wait; the unrest that seems to be gathering in Egypt and North Africa, etc.?

I would respectfully suggest that Point 3 of your 4-point program -- 5-point program; excuse me -- of the 5-point program you're suggesting as to how to deal with the aftermath of victory -- if Point 3, the economic condition, the establishment of a regional bank or any version of that, whereas Howard Baker used to say, where the other Arab nations believe and understand they have a dog in this fight, that there's something they can benefit from, may very well impact short term on one of the potentially military -- potential aspects of a military decision that apparently is underway and being considered.

I compliment you and strongly urge you to move, if you can, with all else that you doing, our wealthy Arab friends toward making clear to the rest of the Arab world that they've signed on already to the principle that you enunciating in principle three. That's my unsolicited advice. It's worth what you're paying for, but I think your suggestion is a very, very positive.

SECRETARY BAKER: Thank you, Senator.

CHAIRMAN PELL: Thank you very much. Senator Lugar.

SENATOR LUGAR: Thank you very much, Mr. Chairman. Secretary Baker, I appreciate it. I know all members of the Committee do, the comprehensive statement that you have given. That is certainly worthy of consideration, not only the parts that

you have read or mentioned but extensive mention of foreign assistance and other initiatives of the Department.

Let me state for the record that I would like to submit two questions on Yugoslovian issues, the Republican leader, Senator Dole, has asked me to bring up. These will deal essentially with the oppression of Albanians in Kosova and, likewise, the evolution of elections and our policy towards these elections in Yugoslavia. So I would submit those for the record.

SECRETARY BAKER: Thank you.

SENATOR LUGAR: Secondly, I want to mention, for the record, my own personal enthusiasm for the enterprise, the Americans Initiative, which I'm hopeful we'll be able to complete. Much work was done on that last year, as you know, and with your cooperation.

I'm hopeful that the Administration, in all of its aspects -- State, as well as the Trade Representative, and even the President himself -- will push very hard to complete the GATT negotiations, even including personal representations to Chancellor Kohl, for example, on the agricultural issues which are so critical and moving that along.

I favor strongly the United States-Mexico-Canada free trade agreement. I'm delighted to see that given high profile by the President and yourself. Likewise, I'm hopeful that the Philippine base negotiations will move to conclusion. They appear to have good momentum; and, likewise, that the multilateral assistance initiative in the Philippines will once again receive the attention that your message gives it and the Congress will concur.

I applaud President's de Klerk's speech in South Africa, as you have and the President has. We are hopeful that implementation will occur, a movement that seems to be promised by that.

We appreciate likewise a movement in the Central American democracies. The visit this week by Mr. Lucaya of Nicaragua gives new hope in a situation in which not as much attention has been given but really a great deal more ought to be to follow up an important American initiative.

Finally, a small item: A free trade agreement with Chile, it seems to me, doable. I appreciate the priorities of affairs, namely, GATT. Mexico, Canada, the United States, Chile, and

others may be interested in this but these are opportunities that are there for us and that we might seize.

Having stated all of that, I want to make comments now on the Middle East, or the Persian Gulf situation, more particularly, just as refinements in agreement with --

SECRETARY BAKER: Senator, may I just interrupt and say thank you, though, for taking note of some of the very important things that we've got going on elsewhere in the world.

SENATOR LUGAR: Thank you. Let me say, first of all, Mr. Secretary, that I appreciate the response you have given to others already. My own view is that we have addressed the question of Saddam Husayn, as you have this morning again, by saying that tears would not be shed if something were to occur to him. Or, indirectly, that if he is in a bunker or a command position, he might not survive and what-have-you.

My hope would be that our policy would become one in which we state this more forthrightly, namely, that Saddam Husayn must be removed from a position of leadership in Iraq. This does not mean that he should be killed, assassinated, bombed, chased. This simply means that the conclusion of our efforts ought to be a disconnect between Saddam Husayn and leadership. I think that the American people would find any other policy, short of this, finally to be unsatisfactory.

I'm hopeful we can, at least, arrive at that fairly short statement soon.

SECRETARY BAKER: Senator Lugar, let me take it advantage of that statement/question that you just propounded to make clear that there's no suggestion on our part that the rebuilding or reconstruction of Iraq could proceed if the current leadership of Iraq remained in power to the same degree and effect and extent that it would otherwise.

Also, it should be said that if they should somehow remain in power that we might very well be adopting different measures with respect to weapons of mass destruction, international arms embargoes, and things like that, that would not pertain if they did not remain in power or you had some termination of this war through some sort of a formal peace treaty.

This is what I meant when I said in my formal remarks that some decisions cannot be made until we know how the war will terminate.

SENATOR LUGAR: I appreciate that. I would even argue that the sanctions we might leave, or the pressures we might bring to bear would still be designed, finally, to disconnect Saddam Husayn and his group from leadership. Because until that occurs, as you pointed out, the process of reconstruction and a stable Iraq is very difficult and I would submit, I think, impossible.

Leaving that point aside for the moment, I applaud the thought that you've given that American leadership is of the essence in this. I would contend, without being boastful, that our participation in the Persian Gulf has led to renewed confidence in ourselves in this country as well as confidence others have in us. We have remarkable opportunities which your statement seizes and which the President has reiterated.

With that in mind, let me suggest that I believe the United States and its allies -- United States as the leader -- needs to reconstruct the governance of Kuwait and of Iraq in the post-war period. But that I mean, it appears to me that it's going to be a very difficult exercise in political science for the Kuwait situation to come back together. The problem of voting rolls -- who is a Kuwaiti? Who elects whom and who has legitimacy, to a great extent is not easy to come by. That may be especially true in Iraq if we have a disconnect with the current leadership.

What I'm suggesting, I suppose, is a follow-through from what the Administration has already done in constructing an international financial plan for the payment of all that is going on there -- in constructing an energy-balancing situation in which you put very strong pressure and guidance to get an equilibrium of oil supplies during this period of time. In fact, in the original invitation of the President, personally, of all nations in the world to come together in this coalition.

So, as a follow-through, I'm hopeful that we will provide a construction. I have no particular authorship or desire, but someone will have to be a leader of a group that draws up how Kuwait and Iraq actually come back together into some stable governments, given the holocaust, literally, that has swept across both of those countries and continues to do so. Beyond that, it seems to me that the United States leadership will be of the essence in monitoring the Iraqi payments to others.

One of the U.N. resolutions deals with reparations. That will not happen by chance. It appears to me, in addition to bringing a construct for governance of Iraq, we will need to

likewise provide a financial control system in which the revenues that Iraq finds available are allocated, constructively, to payments to others as well as the rebuilding of the country.

I would share Senator Helms sentiment in this respect, that the revenues for the rebuilding of Iraq and Kuwait must come from the region.

SECRETARY BAKER: I say that in my statement.

SENATOR LUGAR: I understand that. I just want to make that explicit, that there has to be, I suppose, a blunt statement to the American people at this point that Americans tax dollars will not be involved in the rebuilding of Iraq -- with or without Saddam Husayn -- or in the rebuilding of Kuwait. I think that's clear to you and it's clear in the statement. I think it might not have clear to Senator Helms in his question. I simply want to underline that, that there is not floating out there that somehow the taxpayers are going to pay for this.

Finally, let me say that I believe that we have opportunities to construct a diplomatic arrangement in which the questions surrounding the Israeli/Palestine recognition of Israel, secure borders for Israel, can come forward. You have touched upon that and that's a very important thought. But without for a moment pressuring any one, this is just a moment in which our diplomacy is at a high point. We've made a great sacrifice with 500,000 Americans there -- of expense as well as lives -- and the American people anticipate that we ought to push forward boldly while we have the opportunity, and I think we do.

SECRETARY BAKER: Thank you, Senator Lugar. As I said, I think there will be some opportunities. Obviously, as we've said before, we cannot impose peace in the region. There will only be peace if the parties to the conflict are willing to make the necessary effort to move toward peace, but if the parties are willing, I think it's important that the world know that the United States is willing to make the effort. But it's not something we're going to be able to impose or anybody else is going to be able to impose.

SENATOR LUGAR: Thank you.

CHAIRMAN PELL: Thank you very much. Senator Dodd.

SENATOR DODD: Thank you, Mr. Chairman. Let me first of all say to the Secretary that much of what Senator Lugar has

raised --- and I want to commend him; that was a tour de force in terms of a few minutes of giving sort of a global appraisal -- and I would associate myself with almost everything he has raised. And I think your point that there is a lot else going on in the world, although you'd find it hard to believe by paying attention to the news media with so much coverage, as it obviously should be, on the Persian Gulf.

I would add, and I don't believe you mentioned, Panama, which was a little more than a year ago, of course, on December 20th, that we were involved there militarily. And it seems to me given some reports that are received that a lot of that good will that was engendered because of that action has deteriorated because of perceived lack of support there.

I would just make note on the free trade agreement with Mexico to caution there are some things that can be done through Executive Order that could contribute significantly to improved trading relationships with Mexico. You've heard already from others -- I would just be repeating here -- but the notion that there's a great deal of concern about the potential job loss, the exodus of American business and industrial capacity to the maquiladora region and what that means to American jobs, and that's been raised by business as well as labor in this country. I think they're legitimate questions. It's so important that how we fashion that trade agreement be done wisely and done well, so that we can build upon it within the region.

As Senator Lugar has mentioned, Chile, I think, is a prime example of a nation with whom we could develop a free trade agreement almost immediately. And I suspect, based on my conversations, that any concerns we might have that Chileans would be willing to accept -- and there's an economy that I think could immediately become a very active participant in our economy.

I won't dwell on that, but I just think those are important things to move forward. The Enterprise for Americas, we hope to move on that as well and do so in a way that will really build on the economic relationships in this region.

I would like to raise with you -- and I should say that when I've approached my colleagues, I've chatted with the Secretary very briefly about two of these questions -- but one has to do, Mr. Secretary, as you know with an article that appeared in The New York Times on Friday, January 31, regarding the role of the United Nations in the Salvador talks.

It was disturbing to me that there was that kind of an unnamed, unquoted source talking about that particular effort. My feeling is the U.N. is doing a good job; that it's maybe our last best hope to try and achieve a peace in that troubled country, and I wonder if you might want to just comment on that.

SECRETARY BAKER: I'll be glad to, Senator Dodd. First of all, let me say that there was no authorization for those quotes by unnamed sources and I share your view that the story was very unfortunate. Let me say that we strongly support the mediation efforts that the Secretary General has been pursuing.

You've heard me say that I think we have the opportunity -- had the opportunity to end the last war in Central America. We hope that the Secretary General will remain actively engaged and spend as much time himself on this important endeavor as he possibly can.

I have to say that I think that some reports we've received from the last round of talks are somewhat encouraging. Hopefully, a political agreement and a cease-fire can be achieved prior to the legislative elections that are scheduled for the 10th of March.

We do believe that the FMLN has been dragging its feet, and we are concerned when we see the FMLN with SA-14s shooting down aircraft and really changing the character of the war. So we hope that the mediation efforts will be balanced with respect to both sides of the conflict. But we strongly support what the U.N. is doing. I find that story, just as you do, to be extremely unfortunate, because we want the U.N. to remain engaged, and we want them to continue to try and bring the parties to an agreement.

SENATOR DODD: I appreciate your response to that, Mr. Secretary. The second one has to do with the fact that last year the Congress, with the support of the Administration, ultimately, I think, on the dealing with the \$400 million in housing loan guarantees for Soviet Jews resettling in Israel, to my knowledge those funds have not been released, despite the fact that Israel has accepted over somewhere in the neighborhood of a quarter of a million new refugees in their country.

I wonder if you might just give us some sense of whether or not those funds have been released or are in the process of being released, and what the status of that is.

SECRETARY BAKER: There have been some technical requirements that still remain to be satisfied, Senator Dodd. I spoke to this yesterday in the other body. There was a proposal that those funds be released in three separate tranches. I have made a decision that once the technical requirements have been satisfied, we ought to get the funds out as quickly as we can and release them all in one tranche, and we will do that.

As you probably know, it was a matter of great importance to the United States that these funds not be used for the construction of housing in the Occupied Territories, or the construction of or addition to settlements in the Occupied Territories.

SENATOR DODD: Israel has agreed to that, haven't they?

SECRETARY BAKER: As a consequence of that, we worked out a -- yes. We worked out a letter of agreement between the Foreign Minister of Israel and myself which called for Israel to supply us with certain information. We haven't received that information yet. We are talking to the relevant Israeli agencies and bureaus. AID had a technical team in Israel as recently as December. As soon as we receive the information that's called for in the letter, we're quite prepared to disburse and not just hold it up for three tranches but to disburse it in one.

SENATOR DODD: I appreciate the response to that as well. Let me come back to one of the points that Senator Lugar raised, and, as I said, much of what he said, he could have easily been speaking for me in his questions.

I wonder if you might -- I'll just take another crack at this and give you a chance to respond to it. I think most of us here have received some inquiries over the last 24 hours about this notion of rebuilding of Iraq, and I think I understand clearly what you're saying as well.

But just to raise the question again and give you a direct question, a chance to respond to it. If Saddam Husayn at the end of the military conflict departs from Kuwait or we force him out of Kuwait and yet he remains in power and control in his country, it is not your intention or the intention of the Administration to provide reparations or to ask U.S. taxpayers to fund reconstruction assistance for Iraq under those circumstances at all?

SECRETARY BAKER: No. And we've never mentioned anything about reparations.

SENATOR DODD: Excuse me. I didn't mean reparations. I apologize.

SECRETARY BAKER: No, sir. You're absolutely correct. But at the same time I think it's important that we make clear our quarrel here -- as the President as done before -- our quarrel here is not with the people of Iraq. And in the aftermath of the sacrifices that we have made and are making, we want to see a region that has some chance for peace and stability -- a semblance of peace and stability in the region.

Iraq is going to continue to be there, and, therefore, there is an important economic dimension, and we must approach post-crisis planning in my view, not just from the political and military or security point of view, but also from the economic.

That's what I'm trying to say, Senator Dodd, and I think it's clear from the remarks I made. But, obviously, we're not seeking to ask the American taxpayers to subsidize the continued existence of an Iraq with that kind of leadership.

And what happens after a termination of this war in that area as well as other areas -- and some of the political areas and security areas -- will be influenced by how the war terminates and whether that possibility exists.

SENATOR DODD: Let me raise the issue of Syria and Iran, if I can, with you. The other day the President rejected out of hand, and I think correctly so, the notion of some sort of a diplomatic effort on the part of the Iranians to try and resolve this issue.

I realize in a sense asking you this, obviously, you're not going to be capable of talking about in detail any private conversations. But I would wonder whether or not in your view it would be wrong for us to try to develop some sort of an approved relationship with Iran at this particular time.

That offer, while it may not have made a great deal of sense at this particular time, certainly it's a more pregnant proposal than just what's on the table. It seems to me as I read it, there was an indication there of something that went far beyond any particular offer out of this particular crisis but rather maybe an opening to try and see if we can't re-establish a far better relationship with Iran than we've had.

SECRETARY BAKER: As you read what, Senator?

SENATOR DODD: The proposal by Rafsanjani to act as some sort of a diplomatic liaison. I mean, that was the proposal. That was rejected, as it should have been, but it seemed to me there may be something more in that particular offer than just that particular proposal. And the question is basically whether or not the Administration has any intention of trying to pursue an improved relationship with Iran.

SECRETARY BAKER: Let me answer it by saying, number one, there is no proposal from Iran as we speak here this morning. There has been no proposal as yet. The President has said that in terms of the manner in which Iran has conducted itself during the course of this crisis, we see that as credible.

Our policy with respect to increasing our contacts and improving the relationship, if you will, is very clear. We've made it very clear for a long time. We're prepared to sit down with authorized representatives of the Government of Iran if they will renounce state-sponsored terrorism and commit to do something about our hostages in Lebanon.

Now, that's been our position for a long time, and I think the Government of Iran knows that.

SENATOR DODD: Well, we're sitting down with Syria and working with them, and yet it's not any great secret of what Syria -- the role Syria's played in state-sponsored terrorism.

SECRETARY BAKER: Well, I'm saying we've offered to do the same thing in effect with Iran if they will simply take the two steps that we have discussed. That's been our policy for a long, long time. When we sit down with Syria, we talk to them about their sponsorship of terrorism. It is a problem that we have with them, and we raise it with them when we have the opportunity.

CHAIRMAN PELL: Thank you very much.

SENATOR DODD: Thank you, Mr. Chairman.

CHAIRMAN PELL: Senator Kassebaum.

SENATOR KASSEBAUM: Mr. Secretary, your plate is indeed full. I'd like to start with another area first, if I might, and that's sub-Saharan Africa.

I think that from a positive standpoint first, we must all be very pleased that President de Klerk has continued his commitment to dismantle apartheid, and also I think the very positive meeting between Dr. Buthelezi and Nelson Mandela, which I hope will continue to be a step in ending some of the tragedies within South Africa.

But I'd like to raise another question regarding sub-Saharan Africa that I think becomes forgotten, of course, in the scope of all the issues before us.

But it's the deadly combination of drought and civil conflict which exists in so many areas of sub-Saharan Africa. There are about nine million at risk in Sudan. Potentially, I think, about six million -- three million at risk in Ethiopia and about two million potentially in Angola.

And then on top of that, there are the refugee problems there in Somalia and Mozambique. There are still refugees in Malawi. And I guess that I would just urge you, as you look at the foreign aid priorities regarding refugees, that this particular situation all told worldwide in the last ten years has gone from approximately eight million to fifteen million, and 80 percent of those are women and children.

So I think when we talk about refugees, it isn't something that we can just deal with in one area of the world in resettlement; it has to be worldwide. And I hope it will continue to receive the full attention and resources in our foreign aid budget that they want, Mr. Secretary.

SECRETARY BAKER: It will continue to receive the same resources and attention, Senator. The resources, as you know, are finite. It would be good, quite frankly, if we could see substantial increases, just from a humanitarian standpoint, because what you say is absolutely true, particularly with respect to Sudan, Ethiopia and Angola.

We are spending a lot of time trying to do what we can to assist relief efforts by private voluntary organizations, to work diplomatically and politically to permit assistance to go across war zones and across boundaries, and that sort of thing.

We have made some very good progress with the Soviet Union with respect to Ethiopia and Angolan relief. I mean, things that we heretofore have not been able to do, we have recently been able to do because of the better relationship we've had with the Soviet Union.

But I'd say these things simply by way of agreeing with what you've said, because I do agree --

SENATOR KASSEBAUM: I'm sure that that's true, and it leads me, of course, to the foreign aid earmarks, and I very much appreciate the fact that you're dedicated to reform and more flexibility in the foreign aid program.

But, unfortunately, it tends to usually be more just all of us saying, "We wish there were more flexibility in the foreign aid priorities than ever really accomplishing it." When you save more money, I, myself, would just say, Mr. Secretary, am not going to support more money for foreign aid until I really see reform in the foreign aid budget.

We have, as Senator Dodd mentioned, the \$400 million in the pipeline for resettlement in Israel, and I think that is important, but it's anticipated there's going to be a significant additional request for resettlement funds in Israel. And I think this is really one reason I wish to reiterate that this is a problem that goes beyond Israel as well.

SENATOR KASSEBAUM: Now, since I've made that, let me go on to another area before you respond on that and just say that I'd like to ask a moment about China. It's my understanding, I think, that the President -- and I don't know the context of how it came up in his speech last night in New York -- said that China must be a part of the new world order. At the same time, of course, the report of the State Department on human rights abuses certainly has criticized and raised the issue of China; and I heard on the news this morning that China was very critical of the State Department's report.

I guess I would like to ask you how you envision China fitting in to the new world order.

SECRETARY BAKER: Well, China is a very, very important country, as the President I think pointed out in those remarks. It is a country that we are going to have relationships with by virtue of its geopolitical importance.

That does not mean that we will not be concerned about human rights standards in China just as we are in other country. And, you know, the purpose of that Human Rights Report is to point out instances everywhere where we think there are problems.

And I might say that we have to be careful in looking at the Human Rights Report that we're not too selective in the

countries that we pick out of it because some of our very, very closest friends and allies are in that Human Rights Report, because we have problems with some of the human rights practices. But that doesn't mean that we don't continue to deal with those friends and allies, that we don't continue to support those friends and allies, and that we don't even at the same time that we are pressing them to improve their human rights performances.

SENATOR KASSEBAUM: I very much agree. In fact, I think it can be, I would hope, as we deal in this new era, an opportunity to bring sort of collective means together to work with the human rights abuses and point that out, whether it would be with our allies or adversaries, because I think it can be a useful opportunity -- just as we were concerned about Iraq before, actually, their invasion of Kuwait.

SECRETARY BAKER: Senator, could I just say one thing back on earmarking for a minute, because you've given me an opportunity. I haven't had a chance this year to say what I said quite forcefully last year.

We really do need more flexibility on this question of earmarking foreign assistance. I'm pleased that the economic support funds we were earmarking last year in support funds was reduced from 82 percent to 68 percent; and that's a very, very positive development. And I want to thank the Congress for that and ask you to please give some further consideration to removing some of these earmarks, particularly now in light of the Budget Summit agreement that puts caps on all of these accounts. So when you want to increase assistance for your favorite country, just remember that that is going to come at the expense of some other countries.

We have already, as you pointed out last year -- you and I engaged in a colloquy on this -- we already are absolutely hammering Africa and Latin America because they don't have big support -- you know, lobbies up here -- pushing for earmarks for those countries; and it makes it very, very difficult.

I'd finally just like to say that the FMF percentage declined from 92 percent to 87 percent. We still have a heavy proportion of our military assistance or security assistance funds that are absolutely totally earmarked.

SENATOR KASSEBAUM: And you would eliminate that?

SECRETARY BAKER: I would like to see, as I said last year -- and I'll say it again -- we would support total flexibility, of course, so that we can respond to situations as they develop and as they occur and not be absolutely, categorically, wedded to the same -- you know, the same practices that have taken place, in years past, arbitrarily wedded to them.

SENATOR KASSEBAUM: I'm not going to get through my list before the time goes off --

SECRETARY BAKER: Sorry.

SENATOR KASSEBAUM: -- but let me just say you said -- and I welcome the comment -- the time has come to reduce arms flow into an area already overmilitarized.

But let me just say, Mr. Secretary, I am sure as soon as the crisis is over in the Gulf and the conflict that we are going to get requests from everybody for new arms sales. That's already on the horizon. And we are going to have to balance it and ration it up and if someone gets one thing, then somebody else is going to get another.

SECRETARY BAKER: But, you see, Senator --

SENATOR KASSEBAUM: How do you plan to deal with this?

SECRETARY BAKER: Well, Senator, as I point out in my remarks, I think that there is an opportunity, at least -- there's some potential for changing that -- but we're not going to change it acting alone. We're only going to change it if we get all of our major allies to agree with us because if we're unwilling to sell a particular item and somebody else in Europe is willing to sell it, then it's totally self-defeating, so we've got to --

SENATOR KASSEBAUM: I agree.

SECRETARY BAKER: -- work too.

But I do think that there will be greater receptivity to this concept and this idea on the part of both supplier nations and nations in the Middle East that have been recipients of these.

SENATOR KASSEBAUM: Thank you.

CHAIRMAN PELL: Thank you very much.

Senator Sarbanes.

SENATOR SARBANES: Thank you very much, Mr. Chairman.

Mr. Secretary, I want to focus on a paragraph on page 14 of your prepared statement, the one that reads:

"In 1990, our coalition partners pledged \$9.7 billion to meet Desert Shield costs, representing 88 percent of the roughly \$11 billion in total incremental expenses we incurred."

Then I want to take a few minutes to try to develop this because we have these hearings and we get these sort of broad assertions about burden-sharing and assumption of responsibilities and so forth, and I find myself frustrated that we don't press into it to find out exactly what's involved.

First of all, what does the phrase "incremental expenses" mean?

SECRETARY BAKER: You'd have to ask the Defense Department that, Senator Sarbanes. That is a formula that they developed. And when we approached allies, we used the term "direct incremental expenses."

But what I think it means is the out-of-pocket expenses, exclusive of salaries and things that would be paid anyway -- salaries on the part of the personnel. But you would have to get the exact definition, if you would, from the Defense Department.

Well, you know, there are other things excluded from "incremental expenses."

SENATOR SARBANES: So I take it the overwhelming costs of our participation in this military action are not embraced within "incremental expenses" since, I take it, you treat those as costs that are not incremental but are direct; is that correct?

SECRETARY BAKER: That would be my understanding, Senator. We are going to pay the 82nd Airborne, whether they're in Europe or whether they're in Saudi Arabia -- if it is the 82nd, and I don't mean to suggest it. I don't remember whether they were in Europe and are now in Saudi Arabia or not.

But salaries, I think, are excluded from that.

SENATOR SARBANES: I see.

Is the use of munitions an incremental expense?

SECRETARY BAKER: It is in the post-hostilities phase, Senator, in my opinion.

Again, I would direct you to Defense for a specific answer. But once hostilities commenced -- of course, we have asked for significantly greater amounts by way of responsibility-sharing. And I believe that the expenditure of some of these expensive munitions is what has increased that cost.

SENATOR SARBANES: Well, when you --

SECRETARY BAKER: It's part of what's increased that cost substantially.

SENATOR SARBANES: When you went to these countries to get them to make the contribution, what was it that you told them that they were supposed to contribute towards? What expenses?

SECRETARY BAKER: In 1990, I said it was to -- well, it depends on whether you're talking about economic assistance for front-line states. Let's take that out for a moment because this question doesn't relate to that.

What I asked them to do was to help defray some of the incremental expenses of the cost of our deployment for Desert Shield. That was in 1990.

In 1991, I asked them to do the same thing with respect to those expenses vis-a-vis Desert Storm.

SENATOR SARBANES: Well, now, as I understand it -- and I guess I'll have to accept for the moment the shifting off of the burden of explaining "incremental expenses" to the Department of Defense. I mean it's very clear that there's a huge bill that we are paying because of this exercise.

SECRETARY BAKER: You ought to talk to the Defense Department or the Office of Management and Budget about that, Senator Sarbanes. I'm not sure it's -- when you say a "huge bill," we have a huge bill in terms of human cost, in terms of the additional economic costs that are involved.

Because we first deployed on Desert Shield and now are engaging in hostilities under Desert Storm, I'm not sure that your description is necessarily accurate. It's my understanding that we, the United States, picked up close to 20 percent of the economic costs of Desert Shield -- the

additional economic cost to the military -- and that we are looking at something in that range, roughly in that range, with respect to Desert Storm.

That's the only way I know to answer your question.

SENATOR SARBANES: Well, now, I'm looking at an article in the paper of February the 6th that says that for the period August 2nd through December 31, 1990, the allies pledged \$9.7 billion in cash and in kind contributions --

SECRETARY BAKER: Yes.

SENATOR SARBANES: -- which gibes exactly with the figure you're using here --

SECRETARY BAKER: Right.

SENATOR SARBANES: -- but that of that amount only about two-thirds of that amount has been received. Is that correct?

SECRETARY BAKER: I think that's correct; I think that's correct. Six point five billion is what my recollection is of what's been received.

SENATOR SARBANES: Well, why is that the case?

SECRETARY BAKER: Well, I think it's probably because it takes a while to get those pledges in, Senator. I don't think there's any question about whether it's actually going to be paid. That's the only way I know to answer your question.

SENATOR SARBANES: Well, who's slow in getting their pledges in? (Laughter.)

SECRETARY BAKER: Ask the Office of Management and Budget. I can't answer that.

SENATOR SARBANES: Well, the paper says the Japanese are slow; is that correct?

SECRETARY BAKER: Again, I would refer you to the people that keep the books; and I don't really keep the books, Senator. I go out and ask for the money. (Laughter.) And so far I'm really happy with the answers I've gotten. And I don't think people are welshing on their pledges, and I don't think they're going to welsh on their pledges. And particularly with respect to the first three months of 1991, I think that pledges have been received already in excess of \$42 billion

and we're going to get more just for the first three months of '91 -- and those have begun to be paid.

So, you know, I can't give you all that detail, but you can certainly get it from OMB.

SENATOR SARBANES: What's your operating principle on the percentage of incremental cost that ought to be paid by the allies?

SECRETARY BAKER: As I've just told you, in 1990, it ended up being close to, as I understand it, 20 percent. Perhaps even less by the United States -- 12 percent; between 12 and 20 percent. I would think it would be something in that broad range in 1991, first three months.

SENATOR SARBANES: Why should we pay any of the incremental costs?

SECRETARY BAKER: Because the United States military is not a mercenary force.

SENATOR SARBANES: Well, I understand that. But we're paying a very huge bill, aside from the incremental cost.

SECRETARY BAKER: We have a very large interest to support and defend there, Senator Sarbanes. So it's our thinking that the United States should not refuse to participate at all economically.

SENATOR SARBANES: Mr. Secretary, if we're committing our human resources and if we are assuming all of the direct costs, why isn't it reasonable to expect the others to pick up the incremental costs?

SECRETARY BAKER: I think the direct costs would be paid anyway, it's my understanding of this, the way this works, as I just indicated to you. Salaries are going to be paid regardless of where the forces are. Whether or not additional combat pay is an incremental cost, I would refer you to the Defense Department for all of those.

On the question of why we think the United States ought to bear some percentage or some proportion of the cost economically, notwithstanding our --

SENATOR SARBANES: No, no, I want to make my point very clear. My perception is that we are bearing a very substantial portion of the cost, economically, aside from the incremental cost. That that's a very significant and heavy

economic burden which, in fact, dwarfs the incremental costs, and, in addition, we're bearing the full range of the human cost that are involved.

SECRETARY BAKER: There are others that are --

SENATOR SARBANES: In other words, why shouldn't these other countries at least cover the incremental costs?

SECRETARY BAKER: There are others that are bearing human costs as well, as you know. We've got some 250,000 or more other forces out there, forces that are taking casualties right alongside ours. So we're not the only people bearing the human cost.

SENATOR SARBANES: We're not asking those countries to bear the incremental cost, are we? That would be Egypt, and I assume England. They're not contributing towards our incremental cost, are they?

SECRETARY BAKER: Not toward ours, no. But they're carrying some of their own. As I said before, the economic costs that are not incremental are going to be borne by the United States in any event. We would be bearing those. It was our conclusion, and it is our conclusion, that we should also be participants in the incremental economic expenses. You can argue with that and say, well, you ought to go out and you ought to cover the whole thing a hundred percent and maybe make a profit. We don't think we should.

SENATOR SARBANES: It's a question of who shares in this cost. This is an issue that I think needs to be explored because I think while we're being told that the allies are picking up a very large share of the cost, they are picking a large share of a limited portion of the cost. I'm now talking economic cost; not human cost. In human costs, it's an even more disparate comparison.

Thank you very much, Mr. Secretary.

CHAIRMAN PELL: Thank you very much, indeed. Senator Pressler.

SENATOR PRESSLER: Thank you very much. Welcome, Mr. Secretary. I guess I would start out with the question -- a general philosophy one. I just held some listening meetings in my state recently. But a question that is asked, following up on the questions that have been raised here --- and I might put it to you: How would you briefly summarize to the American people or to a group of constituents how we

should pay our foreign military and aid obligations and meet our domestic needs? I know this is the question of the hour. People want to be helpful. These are well-informed people who watch CNN and so forth.

The impression, at least, is very much that Japan and Europe are not doing nearly as much as we are. The impression is that there are demands for new arms and for increased aid in different parts of the world. Indeed, we talk about rebuilding Iraq. The impression is that the United States will pay a good portion of that.

We talked this morning about organizing a new international bank for a part of the world which -- the impression is, certainly, that the United States will pay a major part of that.

Meanwhile, on the domestic front, our state governors just had their conference here and all of them are out of money. Our counties are out of money. We've just had a proposal from the Administration that Pell grants will have a ten thousand dollar income limitation. I think we all know the problem both on the domestic and international front.

How would you, as Secretary of State, summarize how we can pay for our foreign military and aid obligations and still -- where is the money going to come from?

SECRETARY BAKER: I would say, Senator Pressler, the way we pay for that is for the Congress to pass the President's budget.

SENATOR PRESSLER: As is?

SECRETARY BAKER: Yes, sir, as is, with all of the caps -- with all of the caps -- and particularly since it represents an agreement between the Executive and Legislative Branches as a result of last year's budget summit agreement.

SENATOR PRESSLER: In terms of our international obligations, how would you explain or advocate some of the increased spending that's implied, certainly, for example, to rebuild Iraq after the war, the new bank, and so forth?

SECRETARY BAKER: On that one, I would direct them to the Secretary of State's opening remarks before the Senate Foreign Relations Committee today in which he said that the vast majority of this is going to have to come from the region.

SENATOR PRESSLER: Let me ask a question regarding Syria. I know that they are a part of the allies at this moment. Is the Administration considering taking Syria off the list of terrorist nations? And what nuclear, chemical, or biological capabilities does Syria possess?

SECRETARY BAKER: The answer to the first question is no. And the answer to the second question is, I would be glad to discuss it with you in Executive Session.

SENATOR PRESSLER: So the first question regarding Syria, we do not plan to take it off the list of terrorist nations?

SECRETARY BAKER: We have no such plans now. We have made it very clear to the Syrians that we have a problem with the position of the Syrian Government with respect to terrorism. If they were to take some steps to deal with those problems, that would be a different situation.

SENATOR PRESSLER: Following up on one of the questions Senator Lugar raised regarding Yugoslavia, I understand the latest State Department human rights reports on Yugoslavia paints a very grim picture. In view of these serious problems, can we assume there are no plans or proposals for U.S. aid or credits to Yugoslavia?

SECRETARY BAKER: I'm not aware of any, Senator Pressler. But before you take that as gospel, I'd like to check it. I'm not aware of anything and staff tells me there is nothing. I think they do receive loans from the international financial institutions. And, of course, the United States participates in those institutions.

SENATOR PRESSLER: In a specific way, does the Administration intend to notify Congress of any arm sales to the Middle East prior to the end of the war, and what future arm sales are planned?

SECRETARY BAKER: I think there's an obligation on the Administration to send the Javits Report up here reasonably soon. We will be sending it up, as we always do.

SENATOR PRESSLER: But are there any specific plans for arms?

SECRETARY BAKER: Well, there's nothing that I can talk about in open session with respect to the Javits Report, Senator Pressler, but we'll be sending it up.

SENATOR PRESSLER: Mr. Secretary, 17 years ago Turkey invaded Cyprus, as we all know. The tragic situation continues

despite the passage of numerous U.N. resolutions calling for the removal of Turkish troops and the reunification of Cyprus.

After the liberation of Kuwait from Iraqi troops, what steps will the United States take in Cyprus? Is it an analogous situation? What plans do you have?

SECRETARY BAKER: I do not believe that the U.N. resolutions respecting Cyprus are analogous to the U.N. resolutions with respect to the issue of Iraq-Kuwait. In the former case, I think the resolutions speak primarily of negotiations and negotiating. Of course, the United States has long supported, and will continue to support, efforts by the United Nations Secretary General to negotiate a settlement of this issue. It's a very difficult issue, as you point out. We will continue to support the U.N. in those efforts.

SENATOR PRESSLER: A final question regarding the impact of the GATT trade agreement, the failure on world trade, and the economies of countries. If the current deadlock continues over agricultural trade and if the GATT treaties are not ratified, what impact will that have on the economies and on our foreign policy?

SECRETARY BAKER: I think it will have a major adverse economic impact worldwide, Senator Pressler. But more importantly than that even, I would be worried that it would have a major adverse political impact because it will encourage resort to protectionism at a time when the world economy is not in all that good shape; at a time when the economy in the United States is in recession. That's why we think it is so very, very important that we have a successful conclusion of the Uruguay Round, because it's more than just a trade or economic matter, in our view. Failure of the Round would be a major political setback, I think, for the United States and, indeed, for the world.

SENATOR PRESSLER: Just a final comment. You may not want to comment on this. Your earlier point about "pass the President's budget," last year I voted for most of the President's budget and tax policies. I hope they do not change come September and October as I feel they did last year. So those of us who jump off the cliff on some of these votes on tax and spending policies, we hope the White House consistently sticks with their proposals when the going gets rough in September and October?

SECRETARY BAKER: Senator, thank you. Let me just say also, by way of addition to my answer to that question you asked, the foreign aid budget of the United States is less than two

percent -- less than two percent of the overall budget of the United States. Our budget submitted this year is \$1.4 trillion. We are asking for less than two percent of that by way of foreign assistance.

CHAIRMAN PELL: Thank you very much. Senator Kerry.

SENATOR KERRY: Thank you, Mr. Chairman. Mr. Secretary, I would like to begin, if I may, with -- and I'm sure I may because you'll like it -- a compliment.

SECRETARY BAKER: Please.

SENATOR KERRY: It struck me -- yeah, please do. (Laughter) I would like, really, to the Administration and through you, and to Chairman Powell and Secretary Cheney, I have been struck personally throughout the conduct of the campaign from the 17th on with the candor of the briefings and the reporting that we have had in private as well, I think, as the quality of the presentations and the estimates that have come from Saudi Arabia and elsewhere.

I've listened to a lot of them. I was particularly struck by the repetitiveness with which the issue of friendly fire was broached. I remember a number of years ago, there was a family or two that spent years fighting with the Defense Department struggling to learn how someone had died. In fact, there was a movie made called "Friendly Fire" which traced that adversarial relationship. I was really not only impressed but dumbstruck by the readiness with which that obviously difficult admonition was made. I think it's indicative of the way in which there has been an effort to be conservative, to be realistic, to try not to raise expectations, and to try to keep all of this in proportion.

I really do compliment you and they for that effort. I think that all of us are better served by that, frankly -- much better served by it?

SECRETARY BAKER: Thank you, Senator.

SENATOR KERRY: In keeping with that sort of candor, I would like to see if we can explore a similar effort of candor with respect to policy, not just the reporting of the military aspects of it. I genuinely want to pursue with you a couple of questions in keeping with that effort to try to understand better, as I think many Americans are grappling with this issue of the ground war portion of the campaign -- where and why we may be proceeding ahead.

Your earlier statements in this effort, significantly and I think appropriately, underscored one of the major goals, together with the expulsion of Iraqi forces from Kuwait, is the minimization of all allied casualties --- minimization of casualties. I take it that remains a major goal, principal goal?

SECRETARY BAKER: I think the President has spoken to that. I don't recall stating that as a goal. But, clearly, I think everyone would agree that if we have to resort to force, we should resort to it in a way that produces the minimum number of casualties.

SENATOR KERRY: What has struck me thus far in the briefings we've received, privately and otherwise, is the progressive, utter decimation and degradation of the Iraqi capacity to fight -- at least to fight in the current stricture.

We've got now got the air supremacy declared that we essentially had from the first 36 hours. We can fly with impunity. We can take out any bridge with impunity. We can take out any supply channel with impunity. The electrical grid is gone. The water supplies are gone. Increased rationing is taking place. Increasingly, we are told of the steady degradation of communications, and so forth.

The question therefore arises, why the sudden talk of the land war portion of it? I want to emphasize that. Secretary Cheney and Chairman Powell have emphasized that it's an on-going campaign, multi-part, and the land portion is one part of it. I understand that.

I wonder if you could share with us a little bit the thinking of the external pressures that may or may not exist? We all know a few weeks ago we were hearing talk of perhaps six months of war -- expect six months. With that expectation being publicly announced came a sort of de facto denunciation of the Ramadan theory, the hajj theory, the summer theory, the coalition fragility theory, and all these things that seem to say, "You've got to move sooner rather than later."

Now, suddenly, we're back to sooner rather than later. It seems to be that there's an escapable reality that sooner is more casualties rather than later. Therefore, why would we not continue the process of degradation, continue what is in some view the best of both worlds: the use of force coupled with the sanctions, which are sanctions with force? What is your thinking? Can you share with us a little bit -- and it may be that there are absolutely compelling reasons that one has to move more rapidly and therefore soon, whatever those increased casualties are.

But as of yet, I don't think a lot of Americans -- and I know that I have not yet come to a conclusion as to what those are as to why that might be. I'd very much like to have you share your thinking with us here so we can try to clarify it?

SECRETARY BAKER: Senator Kerry, I'm not sure that I want to do that, and the reason is because that is basically a military operational decision. You know, I could speculate here with you and talk a little bit about some of the things that I think are important considerations, but I want to pick up on what Senator Biden, and I'm not sure you had arrived at that point.

SENATOR KERRY: No. I did. I heard him, and I'm sensitive to that. I know he said that ---

SECRETARY BAKER: This is a decision for the Commander in Chief, and it's not one really that I think that we should be debating without having the military advisers do the debating. It's a military decision. It is a decision for the Commander in Chief.

I would make the point, for instance, that when we had the debate earlier about whether we should just let sanctions do the job, weren't sanctions going to be enough alone to get him out of Kuwait. And we argued, no, they would not be enough, and this same argument could be made about that -- that casualties would be fewer if you're willing to let sanctions do the job.

Well, it was our view that sanctions wouldn't do the job, and so now there are some casualties which are tragic and, as the President said, even one casualty is one too many.

But this would be a repetition of that same debate, and the Congress now has acted, in effect given the President the authority to use force. Let's let him use it as the Constitution calls for and requires as the Commander in Chief, and don't debate when and whether and should -- you know, because you take it to its logical conclusion, Senator Kerry, you could say, "Why in the world are you sending the 101st around here on this side? Why wouldn't you minimize casualties if you did this or that?" So I'm going to avoid that discussion.

SENATOR KERRY: I respect that, Mr. Secretary. I thought you might. And, obviously, I can't extract it from you. But I can perhaps say to you why I think there was a distinction between deciding where the 101st goes and this larger issue.

There are contradictory statements that have been put out thus far that can lead people to different conclusions, and I don't want argue that. I think that the people have been doing a good job over there so far, but this raises a major issue.

If the military can't fight during the summer, because it's literally too hot, or the hajj is such a consideration that it might literally defeat your ability to prosecute it or so, those are major military reasons for proceeding forward.

But those contradict other assertions that had been made previously, and, therefore, I'd --

SECRETARY BAKER: Like what, Senator?

SENATOR KERRY: Well, for instance, that this would be potentially a war that we should steel ourselves for that might last six or seven months. If that's true, that seems to negate the notion that you're not going to go through the summer. Now, that was said very publicly by our military people.

So to suddenly now be questioning why we're going to go forward seems to contradict the notion that we could have prevailed through the summer, that the hajj really wasn't such a big deal for us in terms of the military prosecution of this effort, or that Ramadan really didn't make a difference to our ability to continue.

Now, maybe there are economic forces, political forces, others that are at work here -- and I'm sure there are some -- and you may not want to share them now, and I respect that. But in terms of our ability to prosecute this with minimum casualties, it seems to me that we hold all the cards right now, and I'm having some trouble deciding why, if you can essentially cut off the supply routes to the south, to the (inaudible) area, it's so necessary to move so rapidly when you can continue to bomb and continue to harass and isolate.

Anyway, my time is up. I want to simply call your attention, if I may, Mr. Secretary, one issue that is of grave concern ongoing to me as subcommittee chairman, the biannual report to the Congress on narcotics -- and this will just be a brief statement, Mr. Chairman -- has demonstrated that heroin supplies from Southeast Asia are up. Supplies of cocaine from the Andean countries are up. More new coca is being planted every year than is being eradicated. We're now spending more money every day in the Persian Gulf than we

spend in one year in the State Department for the whole drug war.

Colombia appears now to have given up its fight on the drug war. The truce with the extraditables and the non-extradition agreement is troubling, and we're having grave problems with our counter-narcotics efforts in both Peru and Bolivia.

There is also an indication of increased drug ties with officials and foreign governments from Syria, with whom we're now dealing -- to Burma, to Belize, Haiti, Colombia and Peru -- and, therefore, I simply want to flag that as one of these other issues that people here have been concerned about that I think that while this war has diverted our attention, there's another one right here at home that is the consequence of this. And somehow I think we've got to renew those efforts or find a way to refocus our energy on it.

CHAIRMAN PELL: Thank you very much, indeed, Senator Kerry. Senator McConnell.

SENATOR McCONNELL: Thank you, Mr. Chairman.

Mr. Secretary, I want to go back to the subject of war crimes, but I want to just sort of set Saddam Husayn aside for a moment.

I believe it's correct that 41 years ago, 61 countries became signatories to what is commonly referred to as the Geneva Conventions.

SECRETARY BAKER: Yes.

SENATOR McCONNELL: I think it is correct that there is currently no way to prosecute someone who violates the Geneva Accords. So completely aside from the question of the fate of Saddam Husayn, would it, Mr. Secretary, be a good idea to have some kind of tribunal? Typically, we think when we commit a crime, there ought to be some way to be brought to justice. Would it be a good idea to have some kind of international tribunal for the adjudication of those who might commit violations of the Geneva Accords?

SECRETARY BAKER: I would want to give that some thought, Senator McConnell, because we dealt rather effectively, I think, and in keeping with our judicial principles in the aftermath of World War II with the question of war crimes, and there was no international tribunal then, if I'm not mistaken.

SENATOR McCONNELL: May I interject?

SECRETARY BAKER: Sure.

SENATOR McCONNELL: That was essentially the victors trying the losers.

SECRETARY BAKER: Right.

SENATOR McCONNELL: And I wouldn't rule that out as a way to approach it here, but I was suggesting possibly another alternative, which is to try to work something possibly through the United Nations that creates a tribunal for the pursuing of those who violate the Geneva Accords.

SECRETARY BAKER: But the reason I mention the World War II experience is because -- and, of course, I haven't seen what you have in mind, but to the extent that you create an international organization, you might constrain the flexibility or freedom that a collection of countries might otherwise have.

SENATOR McCONNELL: So it might be more desirable to use the previous precedent --

SECRETARY BAKER: Well, I think that you -- without -- because I have consistently refused to speculate on whether or not we would expand our war aims to include war crimes trials over the course of the past two days. And without in any way changing that posture, it seems to me that it would be better to keep your options open and to possibly --

SENATOR McCONNELL: I was really trying to separate the current crisis from the larger question, which is what is the appropriate way to pursue those who violate the Geneva Accords?

SECRETARY BAKER: I think that's something that would have to have a lot of study and that would have to be looked at by legal authorities. But from a political standpoint, it would occur to me that right now nobody's ruled war crimes out as an option, but there has not been -- nobody that I'm aware of has as yet embraced it as a war goal or war aim.

SENATOR McCONNELL: If I may be so bold, Mr. Secretary, I might suggest that in establishing the new world order, it might be appropriate for us to spend a good deal of time on the question of what one does when he violates that order -- what price you pay for that -- in terms of adjudicating somebody who is clearly a war criminal.

Let me change to another subject. The Administration suspended discussions with the PLO a little under a year ago, and, obviously, the PLO has openly and aggressively supported Iraq in the current conflict. I'm wondering what your view is now as to the role the PLO could play, if any at all, in the aftermath of the current conflict in establishing a peaceful Middle East.

SECRETARY BAKER: Well, the PLO, as I testified yesterday in the other body, Senator, in supporting Saddam Husayn made the wrong choice. I don't think there's much doubt about that, and I would think that there might be some sense or recognition of that, even on the part of some in that organization.

But by doing that, what the PLO did was signal that it prefers confrontation over peace. The PLO had no role in the efforts that we made over 14 months to try and bring about an Israeli/Palestinian dialogue. So I think those would be my responses in answer to your question.

SENATOR McCONNELL: Are you suggesting then that whatever right they may have had to be at the table, if there are subsequently discussions with Israel and its neighbors regarding the Occupied Territories, that the PLO may well have forfeited their place at the table?

SECRETARY BAKER: I think it's important that Palestinians --- let's talk about Palestinians -- clearly and unequivocally demonstrate that they are committed to peace if they are going to participate in efforts to achieve peace in the aftermath of this crisis.

SENATOR McCONNELL: So the PLO may have forfeited its spot at the table.

SECRETARY BAKER: I'm not ---

SENATOR McCONNELL: If it ever had one to begin with.

SECRETARY BAKER: Well, that's correct. I mean, the question assumes that there was one to begin with, and there are differing views with respect to that, of course.

SENATOR McCONNELL: Speaking of those who picked the wrong side, I don't think we've discussed yet this morning King Hussein's statement of yesterday.

I don't have to tell you that a number of fundamentalists, I understand, are now in the Cabinet in the Jordanian

government. It obviously appears as a result of yesterday's speech that the King, if not moving to the other side, is there in this conflict, and I'd like your assessment of what's going on in Jordan and how you see this whole situation.

SECRETARY BAKER: The President spoke to this last night, Senator, on his way to a dinner in New York, and he made the point very forcefully that we have a major disagreement with the King and what he said in that speech and the position that he's taken.

You know, to allege that our effort against Iraq is unjust and exceeds the U.N. resolution is something that is patently not true. We have repeatedly emphasized that our objective is not the destruction of Iraq; it is the liberation of Kuwait.

Quite frankly, we find it very sad that the King omitted in this rather long speech any reference whatsoever -- not one single reference -- to Iraq's invasion of Kuwait and omitted any reference, therefore, to any call for withdrawal.

So we try to understand the pressure that the King is under, and he is under quite a bit of pressure -- the point you made about membership in the Cabinet, and so forth. We intend to keep lines of communication open to the King, notwithstanding the fact that he's on the wrong side, and we have a major disagreement here with him.

When we look at alternatives, we don't see what we perceive to be a particularly pretty picture -- alternatives to the King, and, therefore, we would think that it's important to keep our lines of communication open and to make it clear to him and to that government that we fundamentally disagree with that position.

SENATOR McCONNELL: While we're talking about what I guess could be called behavior modification in the aftermath of this conflict, where do you see, Mr. Secretary, the prior relationship between the Saudis and the PLO?

SECRETARY BAKER: Between what?

SENATOR McCONNELL: The Saudis and the PLO in the aftermath of what's been happening.

SECRETARY BAKER: Well, I don't think it's any secret that the Saudis have cut the PLO off from financial support.

SENATOR McCONNELL: We expect that to continue, I assume.

SECRETARY BAKER: I don't have any reason to believe it's going to change any time in the near future.

SENATOR McCONNELL: With regard to Syria, Mr. Secretary, do you think we are in an enhanced position now to encourage the Syrians in some kind of post-war discussion to be a constructive partner in settling their dispute with the Israelis?

SECRETARY BAKER: I think that there, as I indicated in generic terms, Senator, in my remarks, I think that there are not only challenges but opportunities --- or will be, sorry --- in the aftermath of this crisis. I would hope that there would be some opportunity there. A lot will depend upon the attitude of the Government of Syria and whether or not they are willing to fundamentally change some of the policy approaches that they've taken in the past.

SENATOR McCONNELL: Thank you, Mr. Chairman.

CHAIRMAN PELL: Senator Simon.

SENATOR SIMON: Thank you, Mr. Chairman. Mr. Secretary, first let me give you a little buckshot from a variety of things. The Syrian situation that Senator McConnell just mentioned, the front-page story in The New York Times today concerns me. I'm not asking for any comments here now.

I think caution has to be exercised as we work with Syria in the situation there. On the African situation that Senator Kassebaum mentioned -- and I appreciate her mentioning it, and I also appreciate your comments -- I would simply add to the Sudan and Ethiopian and Angolan situation -- Liberia is another one where clearly I think we have major responsibilities.

SECRETARY BAKER: I agree with that. I agree with that, Senator. I had it on my list. I just never --

SENATOR SIMON: No, no. Well, I --

SECRETARY BAKER: There were so many of them --

SENATOR SIMON: All right.

SECRETARY BAKER: -- but I agree with you.

SENATOR SIMON: Just a point of clarification: You were asked about the \$400 million bond, the 400 million for Israel for relocation. This is a loan guarantee; it's not a grant from the United States. And I just for the record want to make that clear for anyone who may be looking at the record.

In regard to the Middle East situation, Senator Helms said we don't want to be assisting a government headed by Saddam. And I think we're all unanimous on that.

SECRETARY BAKER: Yes.

SENATOR SIMON: Now, speaking just for myself, I also believe we ought to make equally clear to the people of Iraq if they change that government --- and we would welcome a change in that government --- we are eager to work with them.

Now, the primary financing for that, obviously, should come from other countries in the Middle East.

SECRETARY BAKER: We agree on that too, Senator; and we have tried to make that clear.

SENATOR SIMON: Yes. I guess I would like to see us do everything we can to stress that. But we're not only willing to shoot and bomb people in the name of justice but to help them in the name of justice, and the more that we can do that I think the better off we are.

And then as regards the Palestine situation, as has been mentioned here, my own feeling -- this is our chance to lobby you here -- my own feeling is that two things that you have already mentioned might very well be initial steps before we move to questions of people and territory.

One is the water situation. It's very interesting that in the trip that some of us took to the Middle East a few weeks ago, Prime Minister Shamir, President Mubarak -- the leaders of that area --- all talk about water. I've been working for a couple of years on an attempt to get our Government to do more in the area of finding an inexpensive way of converting salt water to fresh water. It would be important for the Southwest United States, for Florida, but extremely important in the Middle East where, with the population growth in Egypt, for example, they still have to live on four percent of the land. And that's not going to change unless we can get more water for them. So the water policy is extremely important, and I'm pleased to note that the President's budget includes some money in this area.

And this is an area where it seems to me we can pull Israel and the Arab countries together and work constructively.

The second area, where there is agreement on the part of Israel and the Arab countries that we ought to be doing something, is on arms control -- nuclear, chemical, biological. Let's eliminate that threat from the Middle East with proper verification procedures.

If you can work on those two things first -- things that are achievable -- and build trust and reduce fears, then it seems to me then you can move to that third step. I'm talking about territory and people. And my hope is that we can move in that direction.

Then, finally, may I ask you? You talk about the Middle East Bank --

SECRETARY BAKER: Senator, may I just say I agree with practically everything you've said. I would suggest though that confidence building measures -- if we can lump all of that under that heading -- and direct dialogue -- that is, direct negotiations -- are not mutually exclusive.

SENATOR SIMON: No. It can't work.

SECRETARY BAKER: And the two things can and should go on hand in hand right at the same time.

SENATOR SIMON: But some are a little more sensitive politically politically --

SECRETARY BAKER: True.

SENATOR SIMON: -- than others.

SECRETARY BAKER: True enough.

SENATOR SIMON: But we are in agreement there.

The Middle East Bank for Reconstruction and Development -- this is the first I had heard about it, frankly. We are talking about a multi-nation bank here, are we?

SECRETARY BAKER: Yes. Again, in keeping with the general tenor of my remarks, I think most of the economic reconstruction efforts have got to come from countries in the region. And we have, indeed, as members of our coalition, some very, very wealthy countries. They have an interest in

security and stability in this region and in economic development in the region.

And so it would seem to me that, you know, what I suggest urging here is something not unlike the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Bank for Reconstruction and Development. We have it for all these other areas. We don't have it for the Middle East.

SENATOR SIMON: And you contemplate all the countries in the Middle East being involved, right?

SECRETARY BAKER: I don't think it should be an exclusive organization at all. It ought to be an inclusive organization, just like these other countries are inclusive -- provided that they are willing to subscribe to the goals and purposes of the organization. And that, of course, would have to be worked out through diplomatic exchanges and consultations with the various parties.

SENATOR SIMON: I understand. But it seems to me that goes along with these other confidence-building measures that you talked about.

If I can ask one final question, Senator McConnell mentioned Muslim fundamentalists in the Jordanian cabinet; and we have seen the rise, particularly since January 16th, of Muslim fundamentalism, you know, in Morocco, in Pakistan, in South Africa -- in a great variety of places. Are there any reflections that you have on this? Is this a phenomenon that we can in some way deal with constructively? What do we do in this area?

SECRETARY BAKER: Well, it is a phenomenon. You mean that you're talking now about the question of Muslim fundamentalism? It is an issue that is developing in different countries in different ways. I mean some countries are tending more toward that; others are, frankly, tending less toward that.

And I don't want to -- because it is a sensitive subject -- get into naming countries in this session. But it is something that we are very much aware of. It is something that will have to be taken into consideration in our post-crisis planning and in our discussions and decisions with respect to what we do politically, militarily and economically in the region in the aftermath.

That's the only way I know how to respond to your question.

I did say yesterday, and I'll repeat here, that the dissent --- that is, as has been evidenced in many Arab countries to the coalition's action --- has not been, frankly, as great as many anticipated before hostilities erupted. And I know you remember all of the suggestions that the region from the Mediterranean to the Indian Ocean, or wherever, would be aflame. That hasn't really happened.

There are some substantial shifts in public opinion in some countries and there are manifestations of dissent from the actions being taken.

So these are things that we continually work with and keep in mind.

SENATOR SIMON: Thank you, Mr. Secretary.

CHAIRMAN PELL: Thank you very much. Senator Brown, welcome to the Committee.

SENATOR BROWN: Thank you, Mr. Chairman. Mr. Secretary, I believe that your efforts to build this coalition and to raise money from it will go down as one of the most dramatic successes in diplomatic history of this country.

I'm surprised that a member of the Senate wouldn't understand the difference between getting pledges and collecting, but each of us have a different electoral process, I guess.

SECRETARY BAKER: Thank you, Senator Brown.

SENATOR BROWN: I'd like also to express a very deep thanks that this Administration has not decided to have politicians set military strategy. It seems to me one of the lessons we have to learn from Vietnam is that having politicians set strategy, set detailed bombing raids, do detail work that they're not equipped or trained to is a disaster. And it seems to me that's one of the lessons of Vietnam that, hopefully, we've learned.

I would like your thoughts in a number of areas, if I could. First of all, your budget includes a recommendation for an expanded authorization for the International Monetary Fund. It's an increase in budget authority in excess of \$12 billion this year.

Would you share with us your thoughts as to what happens if we do not approve additional funds? What consequences would follow that might be so severe that we would need to make that extension of authority?

SECRETARY BAKER: Well, the most significant and severe one, in my view, would be the abdication of United States' leadership in international economic affairs, and I think that would be a serious consequence, Senator.

We have the largest economy -- we are the largest economy in the world, twice as large as the Japanese economy. We are the largest participants in both the World Bank and the International Monetary Fund by a significant amount, and we have led in the past in international economic matters.

I think, as I indicated in my opening remarks, when I said I would hope that everyone on the Committee and the Administration would be in agreement that United States' leadership is required -- leadership in the post-crisis environment.

I happen to believe that continuing United States' leadership politically and economically in international affairs is very important to the United States, and we should maintain it, and we should not abdicate it.

Now, let me just say, having said that, that it's important that the American people know and understand that the \$12 billion figure is a capital increase. It is the United States' share of an overall capital increase for the International Monetary Fund, and it does not involve any outlays of dollars. So I think it's important that we all understand that.

SENATOR BROWN: I appreciate that. Let me observe: I like you very much better as a fund raiser for democracy rather than a fund spender. From my own perspective, it strikes me that we've gone from 50 percent of the world's GNP in 1946 down to somewhere in the neighborhood of 22 percent, if I'm correct.

We've gone from the biggest creditor nation in the world to the biggest debtor nation in the world or in the history of the world, and we've gotten to the point where we have the biggest trade deficit in the world or in the history of the world from a country that had the biggest trade surplus.

It seems to me that we need to be willing to understand there's a change that's needed; that what was appropriate at the end of World War II in the way of leadership may not be possible any longer. Obviously, this appears to be a point of difference.

But I do think we cannot continue to ignore what's a building crisis in our own economy. I'd like to get your thoughts on another subject, if I could, as well. The GATT negotiations, obviously, I know, have received a great deal of attention from you, and I think justifiably so. I think the growing protectiveness, the growing size of the European Economic Community and the protectionism that that Community exhibits has to be a concern to us.

How would you view Congress developing some statutes that call for reciprocal trade policy, specifically imposing penalties on the European Economic Community commensurate with the kind of trade abuses they levy against us?

SECRETARY BAKER: I'm a free trader, Senator Brown, and that concept is not consistent with the principles of free trade. I understand the politics of it, because I've had some experience in that arena as well, but that is not consistent with the principles of free trade. I think it would move the United States in the wrong direction. I think it would move the United States' economy in the wrong direction, and I think it would end up hurting us rather than helping us.

Now, must we have fair trade as well as free trade? You bet. And shouldn't we have the same opportunities? Absolutely. But we really ought to look at them across the broad spectrum and not sector by sector on a pure reciprocity basis or we'll find reciprocity being applied against us, and it will, frankly, in my view move us in the wrong direction.

SENATOR BROWN: I share your belief in the value of free trade. Just the question I have is, how do you persuade an entity such as the European Economic Community to make concessions without some potential consequences for them if they don't.

SECRETARY BAKER: You negotiate hard, and you continue to negotiate hard, and you make the point, as I made here earlier today in direct discussions with the EC, that the failure of the Uruguay Round would be more than just a trade or economic failure; it would be a major political failure, and it would create major political problems for the United States, for the European Community, and for other countries around the world.

SENATOR BROWN: You mentioned with regard to the guarantee on Israeli housing that there were some technical matters that had held it up. Can you share with us what those are and --

SECRETARY BAKER: I'm sending a list, in response to a question in the other body, Senator Brown, and I will send the same thing to you. It's information primarily that was agreed to be provided and that has not as yet been provided.

SENATOR BROWN: So you don't see it as a major hurdle?

SECRETARY BAKER: I would hope that we could get the information and move forward. As I indicated, I'm perfectly willing to do it in one tranche in order to expedite it. The recommendations from the technical people were that we do it in separate tranches. I understand the need and the importance of expediting this, but I also understand that we work very hard to negotiate this agreement. Because the United States and many, many other countries have serious concerns about using these funds to build settlements in the Occupied Territories. We deserve to know that they're not going to be so used. I think you would probably even agree with that.

SENATOR BROWN: Certainly. I wonder if you could share with us any thoughts you have as to what might be included in the supplemental with regard to Desert Storm? Are you at a point where you can share some of what all you want to include in that supplemental?

SECRETARY BAKER: That would be a DoD supplemental, Senator Brown. I'm not in a position to answer those questions. I would refer you to DoD.

SENATOR BROWN: Your thought would not be to include any assistance to other countries that have been impacted by the war in that supplemental? I would assume that would come under the State Department?

SECRETARY BAKER: Yes. First of all, we haven't received any request. Until we receive a request, we're not in a position to consider it.

SENATOR BROWN: Thank you.

CHAIRMAN PELL: Thank you very much, Senator Brown. Mr. Secretary, I understand you have an appointment, but we still have two Senators.

SECRETARY BAKER: Absolutely.

CHAIRMAN PELL: Thank you very much. Senator Moynihan.

SENATOR MOYNIHAN: Thank you, Mr. Secretary. I have two questions. They won't be long.

First is a sensitive matter. I know that you're equally sensitive -- sensitive with you and you're concerned about it.

On March 16, it will be the sixth year that Terry Anderson has been in captivity in Beirut, we assume. That's the longest of our hostages there. Have you anything you can tell us. In particular, we do have a relationship with Syria that we haven't had in other times -- times in his captivity when he was taken hostage. Is there any movement there?

I know how sensitive this is for you, sir. I don't mean to pressure you, but I would not want to not ask you.

SECRETARY BAKER: Senator Moynihan, I would be glad to chat with you after the hearing. Every time we get into this matter publicly, it has the potential for moving things in the very direction we don't want them go. It has the potential of being counterproductive, and I'm sure you can understand that.

So let me share with you what we know, what we have learned over the past several weeks and months, privately.

SENATOR MOYNIHAN: I would be happy. I'd appreciate that you would want to do that. Just one other question. You mentioned confidence-building measures with respect to arms. They are equivalent in diplomacy, and we're thinking of the future after the Gulf conflict.

One of the conspicuous facts of our present activity is the involvement of the United Nations. You have been masterful in bringing that forward. I think you probably will want to keep a U.N. role in the future. It's a commitment the President has made.

With respect to Israel, the binding difficulty has been that resolution 3379 that declares Zionism to be a form of racism. While that is the stated position of the United Nations, why would a country want to have anything to do with the United Nations?

In December a year go, the Vice President went up to New York to the Yeshiva University and said, "We want to lead a campaign to reverse that resolution." It's an obscene thing. President Ford, as you remember, was outraged by it.

SECRETARY BAKER: Yes.

SENATOR MOYNIHAN: Could I ask if there's any progress there? Because if there was, that might indicate a role of the U.N. in the post-Gulf crisis? In particular, have we talked to the Soviets? That was a Soviet initiative. I was our Ambassador at that time. They clearly have moved away from that view and it would not be difficult for them to disassociate themselves from it. It might be a confidence-building test with them.

SECRETARY BAKER: Senator Moynihan, it would, indeed, be a good confidence-building measure if we could be successful in seeing a repeal of that.

The Soviet Union, as you know, very recently has improved its relationship with Israel. There is not a full normalization there yet but it has certainly been moving in that direction. We've worked very hard with the Soviets to move it in that direction, and we were pleased to see the movement. I hope it continues. A lot will depend upon what happens, I think, internally.

What happens in Soviet foreign policy is going to be affected by what happens internally, along the lines I mentioned in my opening remarks.

But I don't disagree with you one bit that that would be one good thing that could be looked at. Whether or not there would be any chance of success, it's too early to try and judge that.

SENATOR MOYNIHAN: Perhaps you would explore the matter and privately let us know what you --

SECRETARY BAKER: On that one, of course, it's not just the Soviets, now that it's there.

SENATOR MOYNIHAN: We might even get Kuwait to join us. (Laughter) Well, I don't ask for the impossible, Mr. Secretary. Thank you very much, sir.

SECRETARY BAKER: Thank you, Senator.

CHAIRMAN PELL: Senator, thank you. Senator Robb.

SENATOR ROBB: Thank you, Mr. Chairman. Mr. Secretary, I suspect that you recognize that when I get a chance to ask a question on this particular panel, you know that your endurance is finally going to be tested to the final point;

that we're coming to a conclusion, and I appreciate your patience. I realize that your principal appearance this morning is to discuss the 1992 budget and some of the matters that are in it.

I have just a couple of questions. One relates to one that Senator Brown asked. It goes to what, I guess, many of us had been referring to as "burden-sharing." You have done more recently creative responsibility-sharing, in terms of how we provide whatever economic and military assistance to allies and to others who participate with us in this venture or are impacted economically or otherwise as a consequence of their geographical proximity to it.

You mentioned that the DoD participation in the supplemental would probably be more important than the State Department participation in the upcoming request. But I wonder if you could just speak very briefly about the philosophy, if you will, of the kind of assistance that --- let me preface my question by saying that there have been a number of reports that various types of assistance have been offered to allies, presumably as part of their inducement to remain in the alliance, whatever the case might be that may or may not be appropriate for public discussion at this point.

There are also those who do, indeed, suffer economic consequences; some quite severe in the case of our longest and most loyal ally in this particular area. Could you give us some indication of the types of economic assistance that the United States might be expected to provide to both allies who have participated as well as those who might be impacted and participated in the near term and whether or not you would expect similar participation from the major economic trading partners, for instance, Germany and Japan?

SECRETARY BAKER: I'll try to do that, Senator Robb. But, first, without wanting to get you in any trouble in your caucus, may I take this opportunity to thank you for the support that you have given us on a number of foreign policy issues over the course of the past year or so since joining this panel, and it's always a pleasure to respond to your questions.

First of all, the United States is not offering or promising assistance that's any different than the kind of assistance that we have furnished some of these countries in the past. We do have substantial assistance, for instance, going to Egypt. We expect to continue that, direct economic assistance. Some of it's economic support funds. Others, FMF assistance. So we would expect to continue that.

What we've done with our coalition partners is consult with them about two general types of assistance to the coalition effort. One is direct financial assistance -- economic assistance -- to the United States to defray our incremental costs by virtue of our deployment to the region.

The second is assistance to the Frontline States, particularly Egypt, Turkey, and Jordan, but some others as well, that have occasioned losses as a consequence of this conflict. That has taken the form of some assistance in kind. There's some military assistance involved there. Some of it's weaponry; some of it's cash, and there's some economic assistance that's cash.

I should also say with respect to some of the payments to defer our incremental costs, some of that has been in terms of equipment that's been provided. I specifically am thinking about the Federal Republic of Germany. I don't know whether that answers your question.

SENATOR ROBB: It does, in part, Mr. Secretary. One country that you did not specifically mention there and the one that has certainly been impacted and shown remarkable restraint, I think in the eyes of the international community and those of us in the United States, they know that they certainly have the power and the will to respond, is Israel. I appreciate the fact that you've indicated that the \$400 million loan guarantee is --

SECRETARY BAKER: That's a very good point.

SENATOR ROBB: You didn't make any specific reference to Israel.

SECRETARY BAKER: Israel is a Frontline State. Let me make sure that you understand. We think it's a Frontline State. We don't put that appellation on it.

SENATOR ROBB: It was just that you didn't mention it in the other Frontline States, and I was --

SECRETARY BAKER: Yes. We don't put that appellation on it in terms of the financial coordinating committee group. Because for the most part, we are raising funds from countries that are at war. Some of them are at war with Israel, and it's not likely that they are going to be contributing to Israel as a Frontline State. But we have talked on behalf of Israel to the European Community and to other countries that are making some substantial contributions to Israel. It is suffering from direct Scud

attacks, from an absence of tourism. So it has economic loss and economic damage as a direct consequence of this crisis.

For our part, of course, we're doing everything we can militarily to deter and diminish and prevent those attacks. We're glad to see that in recent days that, at least, the volume and degree have been scaled back. I don't want to sit up here and say to you that that's solely because of what we have been able to do out there in western Iraq, but I think, certainly, it plays a part.

We have provided Israel with a number of Patriot missile batteries on an expedited basis. Some of those have been provided by way of grant. We've provided them, of course, with the missiles to fire those batteries and we've provided, in some instances, American crews to man those batteries.

SENATOR ROBB: Mr. Secretary, I recognize the very sensitivity of these --

SECRETARY BAKER: We're also giving Israel some CH-53 helicopters and some F-15s under the Southern Region Amendment. As you know, in last year's budget, there's a provision for a \$700 million -- there's authority for a \$700 million drawdown of Defense Department stocks. I don't know what the status of that is with respect to whether that's going to happen because of the needs of the American military forces now with 500,000 Americans in the Gulf.

SENATOR ROBB: Many of us are obviously very pleased by both the restraint that has been shown by Israel and the maturing of the relationships between Israel and some of our allies in this particular operation. I hope that continues.

I wonder, Mr. Secretary, since you're here, just a couple of concurrent events that I don't believe you've touched on. We don't have an opportunity to have you before the Committee. These events that have all occurred in the last few hours, or 24 hours, there was a meeting that took place some time yesterday, I guess it was, between the Deputy Foreign Minister of the Soviet Union, the Turkish Foreign Minister, the Iranian leadership. I wonder if you would comment on anything that would be appropriate for public disclosure that you might know about that meeting?

And, secondly, the attack this morning on Whithall? I don't believe you've made any reference to that. If you know that the IRA, who apparently take credit for it, and have been at least given credit -- whether there's any known association between that and Operation Desert Storm?

SECRETARY BAKER: I do not know, Senator Robb, anything more than what I knew coming in here at 10:00, because I have been here ever since 10:00. So I don't know anything beyond what you've just stated with respect to either one of those issues.

SENATOR ROBB: Mr. Secretary, I thank you again. Your endurance and patience is appreciated. Mr. Chairman, I think it's time we let him get on to other business.

CHAIRMAN PELL: Thank you very much. A question I would have is, in light of King Hussein's statement, will there be any change in our aid policy to Jordan?

SECRETARY BAKER: Yesterday, Mr. Chairman, I said before the House that there would not be. That was before the speech was made. But, again, I have to repeat what the President said yesterday, which is, we try to understand the pressures that the King is subject to. When we look around and consider the alternatives to the King, it is not all that bright a picture.

CHAIRMAN PELL: I understand. One comment, in connection with the war crimes. Maybe we should look at the example of World War II, when we had the most organized war crimes tribunal, I think, in history practically. At first, they set up a United Nations War Crimes Commission that did the ground rules and then the trials followed afterwards. I speak subjectively because my father was the commissioner. It worked pretty well.

SECRETARY BAKER: I said, when the question first came up today, I think, Mr. Chairman, that before we would make -- even if we were prepared to make a decision on that, before we could act in any way, we would have to consult with our allies and probably with the United Nations.

CHAIRMAN PELL: Thank you. Without objection, the record will stay open for any further questions for a written reply. Thank you, Secretary, very much for being with us.

SECRETARY BAKER: Thank you very much.

(Thereupon, the hearing was adjourned at 12:52 p.m.)

PRESS

DEPARTMENT OF STATE



No. 78
May 5, 1989

ADDRESS BY
THE HONORABLE JAMES A. BAKER, III
SECRETARY OF STATE
BEFORE
THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES
WASHINGTON, D.C.
MAY 4, 1989

The Challenge of Change in
U.S.-Soviet Relations

[Introduction by Ambassador David Abshire, CSIS President]

David, thank you very much, and thank you, ladies and gentlemen.

I am honored to once again be here at the CSIS. Ever since its founding, I think this Center has combined an understanding of international problems with a vigorous debate over how America should conduct its foreign policy. Those of us who have been privileged to serve this nation in one capacity or another, to serve this nation abroad or to participate in the formation of policy here at home, know full well the ardors of this task. We know, too, that assessments of reality are not enough. Judgments and words ultimately have to be turned into action if we are going to serve the public interest.

The assessment of reality has become more difficult in today's world because the pace of international change has accelerated considerably. Some years ago I happened across a scholarly study of the late 18th century entitled The Age of Revolutions, and perhaps one day historians might describe our times the same way.

Just consider for a moment, if you will, some of the trends which are transforming our world. Democracy, an idea and political system challenged for much of the post-war era, really is on the offensive. Millions of people in our own

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hemisphere and in countries such as the Philippines and Korea have achieved now democratic governments. Millions elsewhere, in Eastern Europe, in the Soviet Union and in the People's Republic of China, are demanding free institutions in a way that we've never seen before. So I think it is fair to say that the quest for democracy is the most vibrant political fact of these times.

Another great transformation that we are seeing is economic. Free markets, private initiative have become the new watchwords of economic development because those concepts work -- and we know this very well now -- actually work in practice. And closely allied to economic change is technological progress. The new technologies of information and communication have helped to create a global economy, an economy which transcends the traditional boundaries of the nation state.

There have been other transformations as well. Emerging technologies open new horizons, I think, for greater military stability. Other trends, though, such as the proliferation of chemical weapons and missiles -- as David mentioned to you -- the proliferation of those weapons to volatile regions and to irresponsible states present us with greater dangers.

And while we struggle to deal with traditional political and military problems, I think we all must become increasingly aware of new transnational threats -- threats such as environmental hazards, terrorism, the drug trade -- that demand greater and greater international cooperation if they are going to be properly addressed.

Every nation has been affected in one way or another by these transformations. And, as a consequence, really, no international relationship has remained the same. This, of course, is especially true of United States-Soviet relations. The result, I think, is a rare opportunity -- a chance to transform our attitudes, our words and, above all, our actions toward each other for the better. But this opportunity is also -- and I think David touched on this as well -- at the same time a challenge, a challenge to understand first what is happening and secondly, why and how to seize the opportunity for progress toward a freer and more peaceful international community.

The challenge of change in United States-Soviet relations begins, I think, with change, fundamental change, in the Soviet Union. For nearly half a century now we and our allies have confronted a Soviet superpower along the great fault lines of the post-war period. This struggle has been rooted in two profoundly different visions -- the democratic vision and the communist vision. We differ over the rights of the individual; we differ over the power of the state; we differ over the rule of law, the use of force, the role of religion. In short, we differ over what we consider to be the basic values of society.

While we may have erred from time to time, on the whole I think it's fair to say that we in the West have been very, very faithful to our vision. Great sacrifices have been made. The burdens were -- and, indeed, the burdens still are sometimes -- very difficult to bear. There were and there always will be risks. But we upheld our values. And we prevented for 40 years war in Europe.

Surely some of the change we see now in the Soviet Union is a consequence of our success. There would be no quest for democratic institutions if democratic institutions had failed. There would be less soul-searching of the communist vision if the democratic vision had somehow faded or disappeared. And an alliance of free nations, working together, sharing risks and responsibilities while pursuing freedom and extending economic progress, has always, I think, offered a rather convincing alternative.

I think it can also be said, however, that the dramatic changes which are sweeping the Soviet Union are not due simply to Western fortitude. It is also the failure of the communist vision to produce results, judged by its own standards, that inspires calls for perestroika. It is the fear that outdated dogma and unworkable institutions will leave Soviet society behind, isolated from technological progress and the global economy, that really accelerates reform in the Soviet Union. And just as surely, change is motivated also by the belief of some in the Soviet Union that revolutions have a tough time living by slogans alone.

The President has said and I have said that we have absolutely no wish to see perestroika fail. To the contrary, we would very much like it to succeed. And that achievement could have great international effect.

As Foreign Minister Shevardnadze told the Soviet Ministry of Foreign Affairs -- and I quote -- "... we must labor solidly to convince the people that we are thinking first and foremost about their interests... We are aware of and declare the truth that foreign policy cannot be divorced from domestic realities." A process that promises to increase the freedom and improve the well-being of the Soviet peoples really is in everyone's interest. A process that promises to change Soviet international behavior towards diplomatic solutions and problem-solving, rather than the use of force or intimidation, I think offers hope for a radically improved international order.

That's why we've been so encouraged by the words and the concepts of what General Secretary Gorbachev refers to as the "new thinking." And in a number of places, I think it's fair to say that words have turned into realities. The General Secretary pledged that Soviet troops would leave Afghanistan on February 15, and they did. He signed the INF Treaty, and SS-20s are being destroyed. Last December he announced unilateral troop cuts in Europe, and now we've seen Soviet tanks leaving Hungary. Soon we hope to see them destroyed.

The Soviets have begun releasing political prisoners. And, as we all know, great strides have been made in permitting freer emigration. Most importantly, the Soviets now talk of enforcing the rule of law and other guarantees of individual rights which are very, very familiar and very basic to us in the West. Limited elections have taken place. The growing dissatisfaction with the Soviet system and pressure for change is unmistakable, and it is widespread.

Words of hope are indeed not limited just to the Soviet Union. In Poland, the free labor union Solidarity has been legalized following unprecedented Roundtable agreements. And in Hungary, the mechanics of a multi-party system are actively being considered.

In the economic sphere as well, the spread of private ownership, cooperatives, and decentralization of power creates some promising opportunities. Soon we may see the Soviets move forward to join the global economy. I think we would welcome, and welcome strongly, a Soviet economy open to world markets with a freely convertible ruble.

We also recognize, however, that in this critical area, as in many others, there are many hard choices to be made. It is far too early for us to know, of course, whether perestroika will or will not succeed. But it begins and it ends with the people of the Soviet Union, and they will determine whether it succeeds or whether it fails.

These great changes, however, are not the only realities of the Soviet Union today.

There is an uneasy and, I might add, a not always peaceful coexistence between the slogans of the "new thinking" and the reality of both Soviet capabilities and Soviet actions. We must all, I think, face the fact that the Soviets continue to pose a significant military threat to Western interests. Even after the unilateral Soviet reductions in Europe take place, the Warsaw Pact would retain a two-to-one edge in tanks and artillery. At a time when we hear talk of unilateral reductions, of the need to cut defense spending, and of the necessity to transfer precious resources from the military economy to the civilian sector, 3,500 -- that's right, 3,500 -- new Soviet tanks continue to roll off the production lines each year. That happens to be a production rate five times greater than our own.

For all the talk of "defensive defense," Soviet military exercises still continue to show a marked inclination for taking the offensive.

For all the talk of openness, the Soviets have yet to publish a real defense budget -- a budget that would reveal what the Soviets really are spending on defense; a budget that would provide a guide to Soviet defense production; a budget, in effect, that would show the direction of future Soviet defense plans. If they were to publish such a budget, I think we could

then evaluate the Soviet pledge to cut their defense budget by 14 percent and we could measure its impact. Indeed, we challenge them to present such a budget and to publish openly, as we do, the details of their worldwide forces and deployments.

For all of the talk of a common European home -- and we hear a lot of that now -- the European house remains divided by Soviet force. If there is ever to be a true "Common European House," the Soviets must no longer prevent the residents from moving from room to room. But today the Wall still stands, and the Brezhnev Doctrine remains unrenounced.

Unfortunately, there are still many regions where the "new thinking" has yet to take root. We still see -- and we've mentioned this from time to time -- many signs of the old thoughts and the old actions in Central America where the Soviets sent over \$500 million in military aid to the Sandinistas just last year. In the Middle East, long-range bombers have just been sent to Qaddafi. In Korea, the heavily fortified North, supported by Soviet arms and aid, still threatens the South. And in the Far East, of course, the Soviets continue their occupation of Japan's Northern Territories.

So the reality of Soviet change, as I have described it from both sides, I think is both promising and problematic. How do we address the very serious difficulties remaining on the agenda, while giving due credit to the remarkable progress that has been made in the past few years?

There are some who say that we don't need to do much of anything because trends are so favorable to us. Their counsel is to sit tight and simply await further Soviet concessions.

I don't happen to be of this school. I don't think we can be passive in the face of these great strategic changes, nor can we simply yield the initiative to a Soviet agenda that may not reflect the best interests of the West. Our foreign policy has to be based on an understanding of change in the Soviet Union, but it cannot wholly rely on that change to produce the results that we want.

Our actions, of course, will play an important role in shaping the future of U.S.-Soviet relations. Our policy has got to be to press forward with our agenda, to test the application of Soviet "new thinking" again and again.

In areas such as human rights and arms control, much progress has been made and a framework for diplomatic exchange and negotiations already exists. Our purpose here, I think, should be to institutionalize these changes to make them, if we can, more difficult to reverse. And we want both Soviet intentions and capabilities to become more transparent.

Human rights will always head the list. As a democracy, of course, we could not do otherwise and still be true to our own values. We will always be concerned about how the Soviet Union

and the governments in Eastern Europe treat their own citizens. That is important not only for humanitarian reasons, but also because we believe that a government's treatment of its own people is a good measure of how it will treat other states.

We are encouraged by recent Soviet performance with respect to human rights and democratization, and we hope to see these changes become a permanent part of the Soviets' legal system and political code. By expressing these hopes, we seek not to interfere in Soviet affairs but only to see the fulfillment of the promises once made by the Soviet Union when it signed the Helsinki Accords. These promises were, after all, reiterated by General Secretary Gorbachev at the United Nations as recently as December.

We shall also continue with the existing arms control framework because it serves our objectives of stable deterrence at lower levels of arms and risk. We intend to preserve and to strengthen this framework. Indeed, the United States will soon suggest a date for the resumption of the Strategic Arms Talks. The talks on Conventional Forces in Europe and Confidence Building Measures that began in Vienna last month I think can contribute substantially to our objectives of deterrence at lower levels of force. These give us a forum to challenge the Soviets and their allies to come clean on the true level and nature of their forces and to engage in careful reductions that diminish the threat to the West. As I said in Vienna, current force levels and structure in Europe are not engraved in stone.

But the challenge of change, ladies and gentlemen, cannot stop there. Indeed, "new thinking" in Soviet foreign policy gives us a unique opportunity to take Moscow at its word -- take it at its word -- across all areas of US-Soviet relations. Are the Soviets willing to live up to the promise of their rhetoric? Are the Soviets really prepared to recognize the constraints of an interdependent world? Is Moscow really ready to abandon the quest for unilateral gain? Can military confrontation really be replaced by political dialogue and even by cooperation? Will the slogans of "new thinking" be translated into enduring action?

The only way to answer these questions is to test the "new thinking" on issues that go beyond the recent intense focus on human rights and arms control. We face new threats and new challenges in regional conflicts, in the proliferation of advanced weapons, and in pressing transnational issues.

By testing Moscow across the board, we have the opportunity to turn many of the opportunities presented by the "new thinking" into reality. We can establish frameworks and baselines for common dialogue in areas where no real dialogue or basis for cooperation exists today. We can see whether the "new thinking" is real once we probe beyond the slogans. We can help fill the "new thinking" with content, and we can take advantage of change in the Soviet Union to achieve a new level

of cooperation and international stability. And we can also, while we're at it, determine where the old thinking still holds force.

Let me, if I might, be just a bit more specific:

First, we will focus on regional conflicts, a significant source of East-West and international tension in the post-war period. While the Soviet Union has not necessarily been the cause of these conflicts, too often Soviet military aid and diplomacy have impeded the search for solutions and have even sometimes encouraged the violence. Now is the time to engage the Soviet Union in a serious dialogue to determine whether such policies really have changed. And the slogans of "new thinking" must be given content for this dialogue to work.

The Soviets have got to understand that their inclusion in the important process of resolving regional disputes requires them to act responsibly and not just to make high-profile assertions about a peace-loving intent. Establishing a basis for cooperation depends not on a Soviet commitment to vague generalities of peace but to the responsible behavior that will in fact make peace possible.

There can be little doubt that the proliferation of advanced weapons around the globe creates a strong need, and it creates a greater urgency, to develop a common framework for resolving regional disputes. Regional wars are unlikely to remain limited for very long. Rather, they are likely to escalate quickly, drawing us into conflicts that we should have helped to resolve in the first place.

Second, in the areas of ballistic missile and chemical weapons proliferation, we have only begun to establish new international rules addressing these problems -- rules to which the Soviets have not as yet agreed. It will be an objective of mine in Moscow next week to determine whether we might develop a framework for working together to control a phenomenon which threatens us all.

Third, we will approach the Soviets on transnational issues, particularly the problems of the environment, which do not respect national boundaries. Pollution, drugs, and terrorism are all issues that should join, not separate, the Soviet Union and the United States. These are new testing grounds for our ability to work together. I believe that we can discover whether the Soviet Union seriously understands the need to deal with such issues, or whether it is prepared to pretend that "old thinking" will somehow isolate Moscow from the consequences.

Ladies and gentlemen, I'd like to conclude on a note of historical perspective. Students of American-Soviet relations are familiar with de Tocqueville's famous prophecy that the world would eventually be dominated by the United States and the Russian Empire -- the one based on freedom, the other based on a denial of freedom. That prophecy very nearly came to

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pass. But in my view, a wise American diplomacy prevented it. An important part of our vision was the rejection of a condominium, of a division of the world according to spheres of influence. Instead we sought to build up our allies, to assemble a coalition of free nations -- free to seek their own destiny however they wished, just as our citizens are free to develop their own individual talents.

Now we are living in a time when these Western values are in the ascendancy, when our allies have become strong and for the most part prosperous. This changing world has challenged the Soviet Union. It is a challenge that the Soviet Union, acting in its own interests, has tried to meet through perestroika. Yes, we have heard claims of "new thinking," and we have seen some of it translated into action. And we are saying to the Soviet Union: let us continue. Free people can work together peacefully, linked by a common destiny. Let us deal, therefore, with the new problems of a different era guided by a vision of a free and peaceful world.

Thank you all very, very much.

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